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 June 30, 2021

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)

Delaware	**57-0426694**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
4510 Cox Road, Suite 201, Richmond, Virginia	**23060**
(Address of principal executive offices)	*(Zip Code)*

(804) 822-3260
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of exchange on which registered
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	☐	Accelerated filer	☐	Non-accelerated filer	☒
Smaller reporting company	☒	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. 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 August 6, 2021 was 9,268,854

Synalloy Corporation
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Forward-Looking Statements

This Quarterly Report on Form 10-Q 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, which reflect opinions only as of the date hereof. The following factors, among others, could cause actual results to differ materially from historical results or those anticipated: adverse economic conditions, including risks relating to the impact and spread of and the government's response to COVID-19; inability to weather an economic downturn; a prolonged decrease in nickel and oil prices; the impact of competitive products and pricing; product demand and acceptance risks; raw material and other increased costs; raw materials availability; financial stability of our customers; customer delays or difficulties in the production of products; loss of consumer or investor confidence; employee relations; ability to maintain workforce by hiring trained employees; labor efficiencies; risks associated with mergers, acquisitions, dispositions and other expansion activities; environmental issues; negative or unexpected results from tax law changes; inability to comply with covenants and ratios required by our debt financing arrangements; and other risks detailed in the Form 10-K for the fiscal year ended December 31, 2020 filed with the Securities and Exchange Commission ("SEC") on March 9, 2021, particularly under the heading "Risk Factors" and from time-to-time in the Company's SEC filings. The Company assumes no obligation to update the information included in this Quarterly Report on Form 10-Q.

Part I - Financial Information
Item 1. Financial Statements

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

	(Unaudited) June 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 761	$ 236
Accounts receivable, net of allowance for credit losses of $134 and $496, respectively	41,081	28,183
Inventories, net	90,195	85,080
Prepaid expenses and other current assets	10,358	13,384
Total current assets	142,395	126,883
Property, plant and equipment, net	31,777	35,096
Right-of-use assets, operating leases, net	31,092	31,769
Goodwill	1,355	1,355
Intangible assets, net	10,066	11,426
Deferred charges, net	352	455
Total assets	$ 217,037	$ 206,984
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	$ 25,307	$ 19,732
Accounts payable - related parties	632	—
Accrued expenses and other current liabilities	8,547	6,123
Current portion of long-term debt	1,750	875
Current portion of earn-out liability	3,047	3,434
Current portion of operating lease liabilities	927	867
Current portion of finance lease liabilities	45	19
Total current liabilities	40,255	31,050
Long-term debt	57,750	60,495
Long-term portion of earn-out liability	—	287
Long-term portion of operating lease liabilities	32,281	32,771
Long-term portion of finance lease liabilities	53	37
Deferred income taxes	1,881	1,957
Other long-term liabilities	86	92
Total non-current liabilities	92,051	95,639
Commitments and contingencies – See Note 13		
Shareholders' equity		
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	37,309	37,719
Retained earnings	46,815	42,835
	94,424	90,854
Less: cost of common stock in treasury - 1,031,147 and 1,123,319 shares, respectively	9,693	10,559
Total shareholders' equity	84,731	80,295
Total liabilities and shareholders' equity	$ 217,037	$ 206,984

Note: The condensed consolidated balance sheet at December 31, 2020 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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net sales	$ 83,087	$ 66,136	$ 152,865	$ 140,833
Cost of sales	69,000	61,775	130,043	129,321
Gross profit	14,087	4,361	22,822	11,512
Expenses				
Selling, general and administrative	8,124	7,043	14,993	14,814
Acquisition costs and other	—	6	—	135
Proxy contest costs and recoveries	632	2,734	168	2,909
Earn-out adjustments	1,044	(827)	1,270	(823)
Asset impairments	233	6,079	233	6,079
Operating income (loss)	4,054	(10,674)	6,158	(11,602)
Other expense (income)				
Interest expense	353	532	739	1,251
Loss on extinguishment of debt	—	—	223	—
Change in fair value of interest rate swaps	—	(4)	(2)	81
Other, net	—	(2,129)	162	(1,303)
Income (loss) before income taxes	3,701	(9,073)	5,036	(11,631)
Income tax provision (benefit)	815	(2,116)	1,056	(3,496)
Net income (loss)	$ 2,886	$ (6,957)	$ 3,980	$ (8,135)
Net income (loss) per common share:				
Basic	$ 0.31	$ (0.77)	$ 0.43	$ (0.90)
Diluted	$ 0.31	$ (0.77)	$ 0.43	$ (0.90)
Weighted average shares outstanding:				
Basic	9,233	9,058	9,212	9,066
Dilutive effect from stock options and grants	98	—	103	—
Diluted	9,331	9,058	9,315	9,066

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Operating activities		
Net income (loss)	$ 3,980	$ (8,135)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	3,591	3,866
Amortization expense	1,360	1,619
Amortization of debt issuance costs	46	80
Asset impairments	233	6,079
Loss on extinguishment of debt	223	—
Unrealized gain on equity securities	—	(208)
Deferred income taxes	(76)	(458)
Proceeds from business interruption insurance	—	1,040
Gain on sale of equity securities	—	(31)
Earn-out adjustments	1,270	(823)
Payments on earn-out liabilities in excess of acquisition date fair value	—	(292)
(Reduction of) provision for losses on accounts receivable	(362)	316
Provision for losses on inventories	368	553
(Gain) loss on disposal of property, plant and equipment	(81)	238
Non-cash lease expense	249	256
Non-cash lease termination loss	—	24
Change in fair value of interest rate swap	(2)	81
Stock-based compensation expense	456	766
Changes in operating assets and liabilities:		
Accounts receivable	(12,536)	(1,917)
Inventories	(5,482)	(1,411)
Other assets and liabilities	(570)	(2,225)
Accounts payable	5,575	3,694
Accounts payable - related parties	632	—
Accrued expenses	1,370	(203)
Accrued income taxes	4,751	(3,082)
Net cash provided by (used in) operating activities	4,995	(173)
Investing activities		
Purchases of property, plant and equipment	(563)	(1,969)
Proceeds from disposal of property, plant and equipment	138	100
Proceeds from sale of equity securities	—	2,667
Net cash (used in) provided by investing activities	(425)	798
Financing activities		
Borrowings from long-term debt	38,398	5,080
Payments on long-term debt	(40,269)	(2,000)
Principal payments on finance lease obligations	(19)	(93)
Payments for finance lease terminations	—	(204)
Payments on earn-out liabilities	(1,944)	(1,987)
Payments for termination of interest rate swap	(46)	—
Repurchase of common stock	—	(635)
Payments for deferred financing costs	(165)	—
Net cash (used in) provided by financing activities	(4,045)	161
Increase in cash and cash equivalents	525	786
Cash and cash equivalents, beginning of period	236	626
Cash and cash equivalents, end of period	$ 761	$ 1,412
Supplemental disclosure		
Cash paid for:		
Interest	$ 620	$ 1,203
Income taxes	$ 24	$ 6

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30, 2021				
	Common Stock	Capital in Excess of Par Value	Retained Earnings	Cost of Common Stock in Treasury	Total
Balance March 31, 2021	$ 10,300	$ 37,668	$ 43,929	$ (10,321)	$ 81,576
Net income	—	—	2,886	—	2,886
Issuance of 66,809 shares of common stock from treasury	—	(628)	—	628	—
Stock-based compensation	—	269	—	—	269
Balance June 30, 2021	$ 10,300	$ 37,309	$ 46,815	$ (9,693)	$ 84,731

	Six Months Ended June 30, 2021				
	Common Stock	Capital in Excess of Par Value	Retained Earnings	Cost of Common Stock in Treasury	Total
Balance December 31, 2020	$ 10,300	$ 37,719	$ 42,835	$ (10,559)	$ 80,295
Net income	—	—	3,980	—	3,980
Issuance of 92,172 shares of common stock from treasury	—	(866)	—	866	—
Stock-based compensation	—	456	—	—	456
Balance June 30, 2021	$ 10,300	$ 37,309	$ 46,815	$ (9,693)	$ 84,731

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30, 2020				
	Common Stock	**Capital in Excess of Par Value**	**Retained Earnings**	**Cost of Common Stock in Treasury**	**Total**
Balance March 31, 2020	$ 10,300	$ 37,035	$ 68,924	$ (11,675)	$ 104,584
Net loss	—	—	(6,957)	—	(6,957)
Stock-based compensation	—	430	—	—	430
Balance June 30, 2020	$ 10,300	$ 37,465	$ 61,967	$ (11,675)	$ 98,057

	Six Months Ended June 30, 2020				
	Common Stock	**Capital in Excess of Par Value**	**Retained Earnings**	**Cost of Common Stock in Treasury**	**Total**
Balance December 31, 2019	$ 10,300	$ 37,407	$ 70,552	$ (11,748)	$ 106,511
Net loss	—	—	(8,135)	—	(8,135)
Cumulative adjustment due to adoption of ASC 326	—	—	(450)	—	(450)
Issuance of 75,440 shares of common stock from treasury	—	(708)	—	708	—
Stock-based compensation	—	766	—	—	766
Purchase of common stock	—	—	—	(635)	(635)
Balance June 30, 2020	$ 10,300	$ 37,465	$ 61,967	$ (11,675)	$ 98,057

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 year ended December 31, 2020 (the "Annual Report"). The financial results for the interim periods may not be indicative of the financial results for the entire year.

COVID-19 Update

During the three and six months ended June 2021, aspects of the Company's business continued to be affected by macroeconomic factors related to the COVID-19 pandemic, specifically with production at our plants and within our supply chain. The nature of the situation is dynamic and the full extent of any future impacts of the COVID-19 pandemic on the Company's operational and financial performance is currently uncertain and will depend on many factors outside of the Company's control.

Recently Issued Accounting Standards - Adopted

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 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: Revenue Recognition

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.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2021	2020	2021	2020
Fiberglass and steel liquid storage tanks and separation equipment	$ 550	$ 1,038	691	4,456
Heavy wall seamless carbon steel pipe and tube	11,131	5,658	18,949	12,972
Stainless steel pipe and tube	46,360	39,306	86,301	83,034
Galvanized pipe and tube	10,056	6,016	17,370	12,219
Specialty chemicals	14,990	14,118	29,554	28,152
Net sales	$ 83,087	$ 66,136	$ 152,865	$ 140,833

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 3: 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 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 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 six months ended June 30, 2021.

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 six months ended June 30, 2021:

(in thousands)	MUSA-Stainless	MUSA-Galvanized	American Stainless	Total
Balance December 31, 2020	$ 375	$ 941	$ 2,405	$ 3,721
Earn-out payments during the period	(385)	(473)	(1,086)	(1,944)
Changes in fair value during the period	10	930	330	1,270
Balance June 30, 2021	$ —	$ 1,398	$ 1,649	$ 3,047

For the three and six months ended June 30, 2021, 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 June 30, 2021:

Instrument	Fair Value June 30, 2021	Principal Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average
			Discount rate	-	5%
Contingent consideration (earn-out) liabilities	$3,047	Probability Weighted Expected Return	Timing of estimated payouts	2021 - 2022	-
			Future revenue projections	$7.9M - 9.6M	$8.8M

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 six months ended June 30, 2021, the Company's only significant measurements of assets or liabilities at fair value on a non-recurring basis subsequent to their initial recognition were certain long-lived assets. The Company does not periodically adjust carrying value to fair value of these assets; rather, the carrying value of the asset is reduced to its fair value when the Company determines that impairment has occurred.

During the three and six months ended June 30, 2021, the Company determined that technology associated with certain long lived assets within the Specialty Chemicals Segment was obsolete and, as a result, recognized a non-cash, pre-tax asset impairment charge of $0.2 million.

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 June 30, 2021 and December 31, 2020, the carrying amounts for cash and cash equivalents, accounts receivable, accounts payable, and the Company's revolving line of credit, which is based on a variable interest rate, approximate their fair value.

Note 4: Inventories

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

(in thousands)	June 30, 2021	December 31, 2020
Raw materials	$ 42,815	$ 36,349
Work-in-process	22,926	20,520
Finished goods	25,495	28,929
	91,236	85,798
Less: inventory reserves	(1,041)	(718)
Inventories, net	$ 90,195	$ 85,080

Note 5: Property, Plant and Equipment

Property, plant and equipment consist of the following:

(in thousands)	June 30, 2021	December 31, 2020
Land	$ 3	$ 3
Leasehold improvements	2,971	2,939
Buildings	—	84
Machinery, fixtures and equipment	101,283	100,352
Construction-in-progress	1,702	2,772
	105,959	106,150
Less: accumulated depreciation and amortization	(74,182)	(71,054)
Property, plant and equipment, net	$ 31,777	$ 35,096

Note 6: Intangible Assets and Deferred Charges

Intangible assets represent the fair value of intellectual, non-physical assets resulting from business acquisitions and are amortized over their estimated useful life using either an accelerated or straight-line method over a period of eight to 15 years.

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

(in thousands)	June 30, 2021	December 31, 2020
Intangible assets, gross	$ 30,866	$ 30,866
Accumulated amortization of intangible assets	(20,800)	(19,440)
Intangible assets, net	$ 10,066	$ 11,426

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

(in thousands)	
Remainder of 2021	$ 1,361
2022	2,501
2023	1,050
2024	952
2025	855
2026	758
Thereafter	2,589

Deferred Charges

Deferred charges represent debt issuance costs and are amortized over their estimated useful lives using the straight-line method over a period offour years.

On January 15, 2021, the Company and its subsidiaries entered into a new Credit Agreement (the "Credit Agreement") with BMO Harris Bank, N.A ("BMO") providing the Company with a new four-year revolving credit facility and replacing the Company's previous asset based revolving line of credit and term loan with Truist Bank ("Truist"). The Company accounted for this refinance as a debt extinguishment and, as a result, $0.2 million of unamortized debt issuance costs associated with the Company's previously existing bank debt were written off as a loss on extinguishment of debt during the six months ended June 30, 2021. See Note 7 for additional information on the Company's new Credit Agreement.

The balance of deferred charges subject to amortization are as follows:

(in thousands)	June 30, 2021	December 31, 2020
Deferred charges, gross	$ 398	$ 792
Accumulated amortization of deferred charges	(46)	(337)
Deferred charges, net	$ 352	$ 455

Note 7: Long-term Debt

Long-term debt consists of the following:

(in thousands)	June 30, 2021	December 31, 2020
$150 million revolving line of credit, due January 15, 2025	$ 57,750	$ —
$100 million revolving line of credit, due December 20, 2021	—	49,037
$20 million term loan, due February 1, 2024	—	11,458
Current portion of long-term debt	1,750	875
Total long-term debt	$ 59,500	$ 61,370

On January 15, 2021, the Company and its subsidiaries entered into a new Credit Agreement with BMO. The new Credit Agreement provides the Company with a newfour-year revolving credit facility with up to $150.0 million of borrowing capacity (the "Facility"). The Facility refinances and replaces the Company's previous $100.0 million asset based revolving line of credit with Truist, which was scheduled to mature on December 20, 2021, and the remaining portion of the Company's five-year $20 million term loan with Truist, which was scheduled to mature on February 1, 2024.

The initial borrowing capacity under the Facility totals $110.0 million consisting of a $105.0 million revolving line of credit and a $5.0 million delayed draw term loan. The revolving line of credit includes a $17.5 million machinery and equipment sub-limit which requires quarterly payments of $0.4 million starting in July 2021 with a balloon payment due upon maturity of the Facility in January 2025.

Availability under the Credit Agreement is based on eligible accounts receivable, inventory and fixed assets. Amounts outstanding under the revolving line of credit portion of the Facility currently bear interest, at the Company's option, at (a) the Base Rate (as defined in the Credit Agreement) plus 0.50%, or (b) LIBOR plus 1.50%. Amounts outstanding under the delayed draw term loan portion of the Facility bear interest at LIBOR plus 1.65%. The Facility also provides an unused commitment fee based on the daily used portion of the Facility. The weighted average interest rate per annum was 2.27% as of June 30, 2021.

Pursuant to the Credit Agreement, the Company was required to pledge all of its tangible and intangible properties, including the stock and membership interests of its subsidiaries. The Facility contains covenants requiring the maintenance of a minimum consolidated fixed charge coverage ratio if excess availability falls below the greater of (i) $7.5 million and (ii) 10% of the revolving credit facility (currently $10.5 million).

As of June 30, 2021, the Company had $45.5 million of remaining available capacity under the Facility.

Note 8: Leases

Total Lease Cost

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2021	2020	2021	2020
Operating lease cost	$ 1,023	$ 1,035	$ 2,046	$ 2,069
Finance lease cost:				
Amortization of right-of-use assets	11	26	20	75
Interest on finance lease liabilities	1	7	1	24
Total lease cost	$ 1,035	$ 1,068	$ 2,067	$ 2,168

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 June 30, 2021 are as follows:

(in thousands)	Operating	Finance
Remainder of 2021	$ 1,812	$ 23
2022	3,665	37
2023	3,699	28
2024	3,549	14
2025	3,619	—
Thereafter	43,540	—
Total undiscounted minimum future lease payments	59,884	102
Imputed interest	26,676	4
Present value of lease liabilities	$ 33,208	$ 98

Lease Term and Discount Rate

Weighted-average remaining lease term	June 30, 2021	December 31, 2020
Operating leases	15.01 years	15.47 years
Finance leases	2.44 years	2.91 years
Weighted-average discount rate		
Operating leases	8.34 %	8.33 %
Finance leases	2.65 %	2.44 %

During the three and six months ended June 30, 2021,no right-of-use assets were recognized in exchange for new operating lease liabilities.

Note 9: Shareholders' Equity

Share Repurchase Program

On February 17, 2021, the Board of Directors re-authorized the Company's share repurchase program. The previous share repurchase program had a term of 24 months and terminated on February 21, 2021. The share repurchase program allows for repurchase of up to 790,383 shares of the Company's 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 June 30, 2021, the Company has 790,383 shares of its share repurchase authorization remaining.

Shares repurchased for the three and six months ended June 30, 2021 and 2020 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Number of shares repurchased	—	—	—	59,617
Average price per share	$ —	$ —	$ —	$ 10.65
Total cost of shares repurchased	$ —	$ —	$ —	$ 636,940

Note 10: Exit Activities

On February 17, 2021 the Board of Directors authorized the permanent closure of the Company's Palmer facility. The Company will cease operations and divest all remaining assets at the facility. The amounts, nature, and timing of charges associated with the intended closure of the Palmer facility cannot be reasonably estimated at this time. The closure is not expected to have a material impact on any of the Company's other operating units and the costs associated with the closure are not expected to be material.

Note 11: Earnings (Loss) Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share data)	2021	2020	2021	2020
Numerator:				
Net income (loss)	$ 2,886	$ (6,957)	$ 3,980	$ (8,135)
Denominator:				
Denominator for basic earnings per share - weighted average shares	9,233	9,058	9,212	9,066
Effect of dilutive securities:				
Employee stock options and stock grants	98	—	103	—
Denominator for diluted earnings per share - weighted average shares	9,331	9,058	9,315	9,066
Net income (loss) per share:				
Basic	$ 0.31	$ (0.77)	$ 0.43	$ (0.90)
Diluted	$ 0.31	$ (0.77)	$ 0.43	$ (0.90)

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 0.2 million shares of common stock that were anti-dilutive for the three and six months ended June 30, 2021, respectively. The Company had 0.3 million and 0.2 million shares of common stock that were anti-dilutive for the three and six months ended June 30, 2020, respectively.

Note 12: 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 six months of 2021 and 2020, the Company did not identify nor reserve for any unrecognized tax benefits.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2021**	**2020**	**2021**	**2020**
Income tax provision (benefit)	$ 815	$ (2,116)	$ 1,056	$ (3,496)
Effective income tax rate	22.0 %	23.3 %	21.0 %	30.1 %

The three and six months ended June 30, 2021 effective tax rates approximated the U.S. statutory rate of 21.0%.

The three and six months ended June 30, 2020 effective tax rates were higher than the statutory rate of 21.0% due to discrete tax benefits over the costs associated with our public proxy contest, additional benefits on asset impairment of our Palmer business, 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.

Note 13: 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 14: Industry Segments

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2021	2020	2021	2020
Net sales				
Metals Segment	$ 68,097	$ 52,018	$ 123,311	$ 112,681
Specialty Chemicals Segment	14,990	14,118	29,554	28,152
	$ 83,087	$ 66,136	$ 152,865	$ 140,833
Operating income (loss)				
Metals Segment	$ 7,504	$ (9,155)	$ 10,081	$ (8,221)
Specialty Chemicals Segment	(414)	1,980	642	2,447
Unallocated corporate expenses	1,360	1,586	3,127	3,607
Acquisition costs and other	—	6	—	135
Proxy contest costs and recoveries	632	2,734	168	2,909
Earn-out adjustments	1,044	(827)	1,270	(823)
Operating income (loss)	4,054	(10,674)	6,158	(11,602)
Interest expense	353	532	739	1,251
Loss on extinguishment of debt	—	—	223	—
Change in fair value of interest rate swap	—	(4)	(2)	81
Other expense (income), net	—	(2,129)	162	(1,303)
Income (loss) before income taxes	$ 3,701	$ (9,073)	$ 5,036	$ (11,631)

	As of	
(in thousands)	June 30, 2021	December 31, 2020
Identifiable assets		
Metals Segment	$ 152,653	$ 141,799
Specialty Chemicals Segment	27,932	25,039
Corporate	36,452	40,146
	$ 217,037	$ 206,984

Note 15: Proxy Contest Costs and Recoveries

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. During the year ended December 31, 2020, total costs incurred by the Company relating to the proxy contest were $3.1 million.

During the three and six months ended June 30, 2021, the Company incurred proxy contest costs of $0.6 million related to the reimbursement of documented out-of-pocket fees and expenses to Privet and UPG. See Note 16 for further information on this related party transaction.

During the three and six months ended June 30, 2021, the Company received insurance recoveries of $0.5 million related to a claim for a portion of the costs associated with the proxy contest. The Company continues to seek coverage under its policies for reimbursement of costs associated with the proxy contest; however, any future reimbursement under the policies are neither probable nor estimable at this time.

Note 16: Related Party Transactions

The Company from time-to-time engages in transactions with related parties. These transactions cannot be presumed to be carried out on an arm's length basis or terms equivalent to those that prevail in arm's-length transactions. The Company's Board of Directors reviews any related party relationships and approves any significant modifications to any existing related party transactions, as well as any new significant related party transactions.

During the six months ended June 30, 2020, Privet and UPG, with an ownership interest of approximately 25% of the Company's outstanding common shares, filed a proxy statement with the Securities and Exchange Commission seeking an election of five of its nominees to the Synalloy Board of Directors at the Company's 2020 Annual Meeting of Shareholders. At the Annual Meeting held on June 30, 2020, Synalloy shareholders voted to elect three of the five nominees designated by Privet and UPG to serve on Synalloy's Board of Directors. During the three and six months ended June 30, 2021, the Company agreed to reimburse Privet and UPG for up to 90% of its documented out-of-pocket fees and expenses (including legal expenses) incurred related to the proxy contest through the date of the 2020 Annual Meeting. As of June 30, 2021, the Company accrued $0.6 million related to the reimbursement to Privet and UPG.

The Company's Interim President and Chief Executive Officer has ownership interests in other entities in which the Company conducts business. During the three and six months ended June 30, 2021, the Company recorded revenue of $31,073 from the sale of product to certain of these entities.

Note 17: Subsequent Events

On July 6, 2021, the Compensation Committee approved inducement stock grants in conjunction with the appointment of the Company's Chief Legal Officer where 9,804 shares with a market price of $10.21 per share were granted, with 50% of the award vesting at the end of a three-year vest period beginning from the date of grant and 50% of the award vesting with the thirty-day volume weighted average price of a Company common share equals $14.50 per share.

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 six months ended June 30, 2021 and 2020, 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, 2020 (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 2020. 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"), Palmer of Texas Tanks, Inc. ("Palmer"), and Specialty Pipe & Tube, Inc. ("Specialty"). Welded Pipe & Tube Operations manufactures stainless steel, galvanized, ornamental stainless steel pipe and tube, and other alloy pipe and tube. Palmer manufactures liquid storage solutions and separation equipment. As discussed in Note 10, the Company will permanently cease operations and divest all assets at the Palmer facility. Specialty is a master distributor of seamless carbon pipe and tube. The Metals Segment serves the appliance, architectural, automotive, brewery, chemical, food processing, marine, mining, oil & gas, petrochemical, power generation, pulp and paper, water and waste water treatment consuming industries with pipe and tube. 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"). 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. The Specialty Chemicals Segment produces specialty chemicals for the chemical, pulp and paper, coatings, adhesives, sealants and elastomers (CASE), textile, automotive, household, industrial and institutional, water and waste-water treatment, construction, oil and gas and other industries.

COVID-19 Update

The COVID-19 pandemic has negatively impacted the global economy, resulted in changes in consumer behavior and created significant volatility in financial markets and business operations. Beginning in the first quarter of 2021, there has been an increasing availability and administration of vaccines against COVID-19 and many of the restrictions on social, business, travel, and government activities that have been in place since the onset of the pandemic have started easing or have been completely lifted in many localities. The Company continues to be open in all locations, adhering to health guidelines provided by our government officials and the U.S. Centers for Disease Control and Prevention with protocols in place to operate safely and safeguard the health of our employees including creating space between work areas for employees, providing ample PPE and cleaning supplies in our offices and manufacturing plants and having formal policies for mitigation in the event of cases of illness.

The Company has seen wide ranging impacts partially attributable to COVID-19 to date, including an adverse effect on our reported results and operations for 2020 and impacts to our supply chain in 2021. However, during the first six months of 2021, economic conditions have improved, leading to increased demand for our products and positive operating results. The Company has also taken a number of steps to continue to improve its financial position including:

- refinancing and expanding its revolving line of credit with a new lender to give the Company more favorable terms and increased liquidity;
- making the decision to permanently cease operations and divest all remaining assets at the curtailed Palmer facility; and
- divesting the Company's ownership interest in N845BB Partners, LLC.

We continue to closely monitor the impact of the outbreak of COVID-19 on all aspects of our business. There remains significant uncertainty concerning the magnitude of the impact and the duration of the COVID-19 pandemic and 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, including the development of new strains of COVID-19, the sufficiency and amounts of vaccine availability and distribution and any further actions by government authorities to contain and treat the outbreak. All of which are highly uncertain and cannot be accurately predicted. See Part I - Item 1A, "Risk Factors," included in our Annual Report on Form 10-K for our risk factors regarding risks associated with the COVID-19 pandemic.

Results of Operations

Consolidated Performance Summary

Consolidated net sales for the second quarter of 2021 were $83.1 million representing an increase of $17.0 million, or 25.6%, compared to net sales for the second quarter of 2020. The increase in net sales for the second quarter of 2021 was primarily driven by a 13.0% increase in average selling prices and a 11.3% increase in pounds shipped. Net sales for the first six months of 2021 were $152.9 million, representing an increase of $12.0 million, or 8.5% when compared to the first six months of 2020. The increase in net sales for the first six months of 2021 was primarily driven by a 2.6% increase in average selling prices and a 5.9% increase in pounds shipped.

Consolidated gross profit for the second quarter of 2021 increased 223.0% to $14.1 million, or 17.0% of sales, compared to $4.4 million, or 6.6% of sales in the second quarter of 2020. For the first six months of 2021, consolidated gross profit increased 98.2% to $22.8 million, or 14.9% of sales, compared to $11.5 million, or 8.2% of sales, in the first six months of 2020. The increase in dollars and percentage of sales for the second quarter and first six months of 2021 were attributable to increased selling prices and volume-related operational efficiencies partially offset by increasing raw material and freight costs.

Consolidated selling, general, and administrative expense for the second quarter of 2021 was $8.1 million, or 9.8% of sales, as compared to $7.0 million, or 10.7% of sales, in the second quarter of 2020. For the first six months of 2021, consolidated selling, general, and administrative expense was $15.0 million, or 9.8% of sales, compared to $14.8 million, or 10.5% of sales, for the first six months of 2020. The increase in dollars for the second quarter and first six months of 2021 was driven by $0.5 million of severance expense related to workforce changes made during the second quarter and $0.5 million of retention expense within our Metals Segment, offset by a reduction in expenses related to the curtailment of Palmer operations that occurred in the second quarter of 2020.

For the second quarter of 2021, the Company recorded net income of $2.9 million, or $0.31 diluted earnings per share, compared to a net loss of $7.0 million, or $0.77 diluted loss per share for the second quarter of 2020. Excluding impacts from activities associated with the curtailed Palmer operations, net income in the second quarter of 2021 was $3.0 million compared to $1.1 million in the second quarter of 2020, an increase of $1.9 million over the prior year period.

For the first six months of 2021, the Company recorded net income of $4.0 million, or $0.43 diluted earnings per share, compared to a net loss of $8.1 million, or $0.90 diluted loss per share for the first six months of 2020. Excluding impacts from activities associated with the curtailed Palmer operations, net income in the first six months of 2021 was $4.3 million compared to $0.7 million in the first six months of 2020, an increase of $3.6 million over the prior year period.

Metals Segment

Net sales for the Metals Segment in the second quarter of 2021 totaled $68.1 million, an increase of $16.1 million, or 30.9%, compared to net sales for the second quarter of 2020. The increase for the second quarter of 2021 was primarily driven by a 7.5% increase in average selling prices and a 21.5% increase in pounds shipped. Net sales for the Metals Segment for the first six months of 2021 totaled $123.3 million, an increase of $10.6 million, or 9.4%, compared to net sales for the first six months of 2020. The increase for the first six months of 2021 was primarily driven by a 0.7% increase in average selling prices and a 8.6% increase in pounds shipped.

The net sales increase (decrease) for the second quarter of 2021 compared to the second quarter of 2020 is summarized as follows:

($ in thousands)	**$**	**%**	**Average selling price** [(1)]	**Units shipped**
Fiberglass and steel liquid storage tanks and separation equipment	$ (488)	(47.0)%	(53.9)%	28.6%
Heavy wall seamless carbon steel pipe and tube	5,473	96.7%	7.0%	83.0%
Stainless steel pipe and tube	7,012	17.8%	5.1%	11.6%
Galvanized pipe and tube	4,082	67.9%	46.3%	13.3%
Total increase	$ 16,079			

(1) Average price increases (decreases) for the second quarter of 2021 as compared to the second quarter of 2020 primarily relate to the following:

- Fiberglass and steel liquid storage tanks and separation equipment - decline due to the curtailment of Palmer operations and decision to cease operations and divest remaining assets;
- Heavy wall seamless carbon steel pipe and tube - increase due to demand driven price increases;
- Stainless steel pipe and tube - increase due to demand driven price increases; and,
- Galvanized pipe and tube - increase due to improvement in indexed pricing

The net sales increase (decrease) for the first six months of 2021 compared to the first six months of 2020 is summarized as follows:

($ in thousands)		**$**	**%**	**Average selling price** [1]	**Units shipped**
Fiberglass and steel liquid storage tanks and separation equipment	$	(3,765)	(84.5)%	(56.5)%	(60.8)%
Heavy wall seamless carbon steel pipe and tube		5,977	46.1%	1.8%	42.9%
Stainless steel pipe and tube		3,196	3.8%	(0.8)%	4.2%
Galvanized pipe and tube		5,222	42.7%	33.2%	6.2%
Total increase	$	10,630			

[1] Average price increases (decreases) for the first six months of 2021 as compared to the first six months of 2020 primarily relate to the following:

- Fiberglass and steel liquid storage tanks and separation equipment - decline due to the curtailment of Palmer operations and decision to cease operations and divest remaining assets;
- Heavy wall seamless carbon steel pipe and tube - increase due to demand driven price increases and higher mix of energy based sales;
- Stainless steel pipe and tube - increase due to demand driven price increases offset by a less favorable product mix; and,
- Galvanized pipe and tube - increase due to improvement in indexed pricing

Selling, general, and administrative expense for the second quarter of 2021 was $4.9 million, or 7.2% of sales, as compared to $4.8 million, or 9.3% of sales, in the second quarter of 2020. The increase in dollars was primarily driven by $0.5 million of retention expense offset by a reduction in expenses associated with the curtailment of the Palmer operations. For the first six months of 2021, selling, general, and administrative expense was $9.1 million, or 7.4% of sales, compared to $9.7 million, or 8.6% of sales, in the first six months of 2020. The decrease in dollars for the first six months of 2021 compared to the first six months of 2020 is primarily driven by a reduction in expenses associated with the curtailment of the Palmer operations.

Operating income increased $16.7 million, or 182.0%, to $7.5 million for the second quarter of 2021 compared to an operating loss of $9.2 million for the second quarter of 2020. Excluding impacts from activities associated with the curtailed Palmer operations, operating income was $7.6 million in the second quarter of 2021 compared to an operating loss of $1.2 million in the second quarter of 2020, an increase of $8.7 million over the prior year period. For the first six months of 2021, operating income increased $18.3 million, or 222.6%, to $10.1 million compared to an operating loss of $8.2 million in the first six months of 2020. Excluding impacts from activities associated with the curtailed Palmer operations, operating income was $10.4 million in the first six months of 2021 compared to $0.6 million in the first six months of 2020, an increase of $9.8 million over the prior year period. Current quarter and first six months of 2021 operating results were impacted by increasing demand driven sales and volume driven operating efficiencies.

Specialty Chemicals Segment

Net sales for the Specialty Chemicals Segment in the second quarter of 2021 totaled $15.0 million, representing a $0.9 million, or 6.2%, increase from the second quarter of 2020. The increase was driven by a 12.4% increase in demand driven average selling prices partially offset by a 3.8% decrease in pounds shipped attributable to increased COVID-19 driven hand sanitizer demand in the second quarter of 2020 not in the current period. Net sales for the first six months of 2021 totaled $29.6 million, an increase of $1.4 million, or 5.0%, compared to the first six months of 2020. The increase for the first six months of 2021 was primarily driven by a 4.5% increase in average selling prices and a 1.4% increase in pounds shipped.

Selling, general, and administrative expense for the second quarter of 2021 was $2.0 million, or 13.4% of sales, compared to $0.7 million, or 5.2% of sales, in the second quarter of 2020. For the first six months of 2021, selling, general, and administrative expense was $3.0 million, or 10.3% of sales, compared to $1.8 million or 6.3%, of sales, in the first six months of 2020. The increase in dollars for the second quarter and first six months of 2021 was primarily driven by $0.5 million of severance expense related to workforce changes in the period, $0.2 million of asset impairment charges in the period, $0.3 million of bad debt expenses, $0.2 million of environmental expenses and $0.1 million in increased stock comp expense related to the aforementioned workforce changes in the period.

Operating loss increased $2.4 million, or 120.9%, to $0.4 million for the second quarter of 2021 compared to operating income of $2.0 million for the second quarter of 2020. For the first six months of 2021, operating income decreased $3.6 million, or 84.8%, to $0.6 million compared to operating income of $4.2 million in the first six months of 2020. The decrease in operating income for the second quarter and first six months of 2021 is primarily driven by the aforementioned increases in selling, general, and administrative costs.

Other Items

Unallocated corporate expenses for the second quarter of 2021 decreased $0.2 million, or 14.4%, to $1.4 million (1.6% of sales) compared to $1.6 million (2.4% of sales) in the prior year comparative period. For the first six months of 2021, unallocated corporate expenses decreased $0.5 million, or 13.4%, to $3.1 million (2.0% of sales) from $3.6 million (2.6% of sales) in the first six months of 2020. The second quarter and first six months of 2021 decreases resulted primarily from lower salaries and benefits and stock compensation expense partially offset by increases in professional fees.

Interest expense was $0.4 million and $0.7 million for the second quarter and first six months of 2021, respectively compared to $0.5 million and $1.3 million for the second quarter and first six months of 2020, respectively. The decrease in the current year compared to the prior year is related to the Company's debt refinance in the first quarter of 2021 and favorability of interest rates associated with the new Credit Agreement.

The three and six months ended June 30, 2021 effective tax rates approximated the U.S. statutory rate of 21.0%.

The three and six months ended June 30, 2020 effective tax rates were higher than the statutory rate of 21.0% due to discrete tax benefits over the costs associated with our public proxy contest, additional benefits on asset impairment of our Palmer business, 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 Company's cash balance increased $0.6 million to $0.8 million as of June 30, 2021 compared to $0.2 million at December 31, 2020. Fluctuations affecting cash flows during the six months ended June 30, 2021 were comprised of the following:

a) Net inventories increased $5.1 million at June 30, 2021 when compared to December 31, 2020, mainly due to purchases of inventory to support increased customer demand. Inventory turns, calculated on a six-month average basis, increased from 1.15 turns at December 31, 2020 to 1.48 turns at June 30, 2021;

b) Accounts payable increased $5.6 million as of June 30, 2021 as compared to December 31, 2020, primarily due increased inventory purchases to support increased customer demand and working capital improvements. Accounts payable days outstanding, calculated on a six-month average basis, were approximately 32 days at June 30, 2021 compared to 39 days at December 31, 2020;

c) Net accounts receivable increased $12.9 million at June 30, 2021 as compared to December 31, 2020, due primarily to increased sales volume in the second quarter and first six months of 2021 compared to the fourth quarter of 2020. Days sales outstanding, calculated using a six-month average basis, was approximately 41 days outstanding at June 30, 2021 and 51 days at December 31, 2020, respectively;

d) Capital expenditures for the second quarter and first six months of 2021 were $0.3 million and $0.6 million, respectively; and

e) The Company paid $0.9 million and $1.9 million during the second quarter and first six months of 2021 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 and Adjusted EBITDA. 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 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: asset impairment, stock-based compensation, non-cash lease cost, acquisition costs and other fees, proxy contest costs and recoveries, loss on extinguishment of debt, earn-out adjustments, realized and unrealized (gains) and losses on investments in equity securities and other investments, retention costs and restructuring and severance costs from net income. We caution investors that 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Consolidated				
Net income (loss)	$ 2,886	$ (6,957)	$ 3,980	$ (8,135)
Adjustments:				
Interest expense	353	532	739	1,251
Change in fair value of interest rate swap	—	(4)	(2)	81
Income taxes	815	(2,116)	1,056	(3,496)
Depreciation	1,774	1,989	3,591	3,947
Amortization	680	810	1,360	1,619
EBITDA	6,508	(5,746)	10,724	(4,733)
Acquisition costs and other	—	6	—	138
Proxy contest costs and recoveries	632	2,734	168	2,909
Loss on extinguishment of debt	—	—	223	—
Earn-out adjustments	1,044	(827)	1,270	(823)
Loss (gain) on investments in equity securities and other investments	—	(1,092)	363	(240)
Asset impairments	233	6,079	233	6,079
Stock-based compensation	269	430	456	766
Non-cash lease expense	124	128	249	256
Retention expense	476	235	476	235
Restructuring and severance costs	477	—	477	—
Adjusted EBITDA	$ 9,763	$ 1,947	$ 14,639	$ 4,587
% of sales	11.7 %	2.9 %	9.6 %	3.3 %

Metals Segment EBITDA and Adjusted EBITDA are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Metals Segment				
Net income (loss)	$ 6,463	$ (7,308)	$ 9,002	$ (6,381)
Adjustments:				
Interest expense	—	7	—	11
Depreciation	1,350	1,559	2,742	3,070
Amortization	680	810	1,360	1,619
EBITDA	8,493	(4,932)	13,104	(1,681)
Acquisition costs and other	—	—	—	3
Earn-out adjustments	1,044	(827)	1,270	(823)
Asset impairments	—	6,079	—	6,079
Stock-based compensation	46	130	83	171
Retention expense	476	—	476	—
Restructuring and severance costs	50	—	50	—
Metals Segment Adjusted EBITDA	$ 10,109	$ 450	$ 14,983	$ 3,749
% of segment sales	14.8 %	0.9 %	12.2 %	3.3 %

Specialty Chemicals Segment EBITDA and Adjusted EBITDA are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Specialty Chemicals Segment				
Net income (loss)	$ (414)	$ 1,980	$ 641	$ 2,460
Adjustments:				
Interest expense	—	1	—	9
Depreciation	390	389	776	792
EBITDA	(24)	2,370	1,417	3,261
Asset impairments	233	—	233	—
Stock-based compensation	136	80	167	118
Restructuring and severance costs	427	—	427	—
Specialty Chemicals Segment Adjusted EBITDA	$ 772	$ 2,450	$ 2,244	$ 3,379
% of segment sales	5.2 %	17.4 %	7.6 %	12.0 %

Liquidity and Capital Resources

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.

Sources of Liquidity

Funds generated by operating activities supplemented by our available cash and cash equivalents and our credit facilities are our most significant sources of liquidity. As of June 30, 2021, we held $0.8 million of cash and cash equivalents, as well as $45.5 million of remaining available capacity on our revolving line of credit. We believe our sources of liquidity will be sufficient to fund operations and anticipated capital expenditures as well as repay our debt obligations as they become due over the next 12 months.

Cash Flows

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

	Six Months Ended June 30,	
	2021	2020
Total cash provided by (used in):		
Operating activities	$ 4,995	$ (173)
Investing activities	(425)	798
Financing activities	(4,045)	161
Net increase in cash and cash equivalents	$ 525	$ 786

Operating Activities

The increase in cash provided by operating activities for the six months ended June 30, 2021 compared to cash used in operating activities for the six months ended June 30, 2020 was primarily driven by changes in working capital. Accounts receivable increased for the first six months of 2021 by $12.5 million, compared to an increase of $1.9 million for the first six months of 2020, driving a reduction of $10.6 million in operating cash flows for the first six months of 2021. Inventories increased $5.5 million in the first six months of 2021 compared to an increase of $1.4 million in the first six months of 2020, driving a reduction of $4.1 million in operating cash flow for the first six months of 2021. The increases in accounts receivable and inventories were due to increases in sales volume during the first six months of 2021 and higher inventory purchases to meet customer demand in the first six months of 2021. The increases in cash used from accounts receivable and inventories were partially offset by an increase in accounts payable due to higher inventory purchases to meet customer demand and days payables outstanding of 32 days in the first six months of 2021 and 2020, respectively, as well as changes in accrued income taxes due to tax benefits the Company continues to receive as part of the CARES Act.

Investing Activities

Net cash used in investing activities primarily consists of transactions related to capital expenditures and equity transactions. The decrease in cash used in investing activities for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 was primarily due to a decrease in capital expenditures in the current year compared to the prior year and proceeds received from the sale of investments in equity securities in the prior year not in the current year.

Financing Activities

Net cash provided by financing activities primarily consists of transactions related to our long-term debt. The increase in cash used in financing activities for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 was primarily due to increased payments towards the Company's line of credit in the current year and payments to pay off the Company's previous term loan as part of the Company's debt refinancing in the first quarter of 2021.

Long-term Debt

On January 15, 2021, the Company and its subsidiaries entered into a new Credit Agreement with BMO providing the Company with a new four-year revolving credit facility and replacing the Company's previous asset based revolving line of credit and term loan with Truist. As of June 30, 2021, the Company had $59.5 million of total borrowings outstanding with its lender, a decrease of $1.9 million from the balance at December 31, 2020. The Facility contains covenants requiring the maintenance of a minimum consolidated fixed charge coverage ratio if excess availability falls below the greater of (i) $7.5 million and (ii) 10% of the revolving credit facility (currently $10.5 million). See Note 7 in the notes to the unaudited condensed consolidated financial statements for additional information on the Company's line of credit.

Share Repurchases and Dividends

We have a share repurchase program, authorized by the Company's Board of Directors, that is executed through purchases made from time to time at prevailing market prices, through open market or privately negotiated transactions, depending on market conditions. Shares repurchased are returned to status of authorized, but unissued shares of common stock or held in treasury. The following table presents the total number of shares repurchased, average price paid per share, and the total amount paid per share for the six months ended June 30, 2021 and 2020.

	Six Months Ended June 30,	
	2021	2020
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 2020, no dividends were declared or paid by the Company.

Other Financial Measures

Below are additional financial measures that we believe are important in understanding the Company's liquidity position from year to year. The metrics are defined as:

Current ratio = current assets divided by current liabilities

Debt to capital = total debt divided by total capital

Return on average equity = net income divided by the trailing 12-month average of equity

Results of these additional measures are as follows:

	June 30, 2021	December 31, 2020
Current ratio	3.5	4.1
Debt to capital	41%	43%
Return on average equity	4.4%	(29.2)%

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.

Our Annual Report on Form 10-K for the year ended December 31, 2020 includes a table in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, summarizing our contractual obligations as of December 31, 2020, including approximately $54.1 million of long-term debt obligations and projected future interest due in 2021. As discussed in Note 7, on January 15, 2021, the Company and its subsidiaries entered into a new Credit Agreement with BMO providing the Company with a new four-year revolving credit facility and replacing the Company's previous asset based revolving line of credit and term loan with Truist.

As of June 30, 2021, the Company's contractual obligations and other commitments were as follows:

		Payment Obligations for the Year Ended					
(in thousands)	Total	2021	2022	2023	2024	2025	Thereafter
Obligations:							
Revolving credit facility	$ 59,500	$ 875	$ 1,750	$ 1,750	$ 1,750	$ 53,375	$ —
Interest on line of credit	4,097	1,058	1,033	1,000	966	40	—
Finance leases	102	23	37	28	14	—	—
Operating leases	59,885	1,813	3,665	3,699	3,549	3,619	43,540
Total	$ 123,584	$ 3,769	$ 6,485	$ 6,477	$ 6,279	$ 57,034	$ 43,540

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, 2020. 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, 2020. There have been no significant changes in our significant accounting policies or critical accounting estimates since the end of 2020.

Item 3. Quantitative and Qualitative Disclosures about Market Risks

We are a smaller reporting company as defined in Rule 12b-2 of the Exchange Act; therefore, we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Based on the evaluation required by 17 C.F.R. Section 240.13a-15(b) or 240.15d-15(b) of the Company's disclosure controls and procedures (as defined in 17 C.F.R. Sections 240.13a-15(e) and 240.15d-15(e)), the Company's Chief Executive Officer and Chief Financial Officer concluded that such controls and procedures, as of the end of the period covered by this quarterly report, were effective.

Changes in Internal Control over Financial Reporting

The Company's management, including the Chief Executive Officer and Chief Financial Officer, identified no change in the Company's internal control over financial reporting that occurred during the most recent quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

Item 1. Legal Proceedings

It is not unusual for us and our subsidiaries to be involved in various unresolved legal actions, administrative proceedings and claims in the ordinary course of business involving, among other things, product liability, commercial, employment, workers' compensation, and environmental matters. We establish reserves in a manner that is consistent with accounting principles generally accepted in the 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, 2020.

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 year ended December 31, 2020.

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	Confidential Separation and Release Agreement, dated as of May 14, 2021, between Registrant and J. Greg Gibson
10.2	Amended and Restated Synalloy Corporation 2015 Stock Awards Plan
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 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:	August 9, 2021	By:	**/s/ Christopher G. Hutter**
			Christopher G. Hutter Interim President and Chief Executive Officer (principal executive officer)
Date:	August 9, 2021	By:	**/s/ Sally M. Cunningham**
			Sally M. Cunningham Senior Vice President and Chief Financial Officer (principal accounting officer)

SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release ("the Agreement") is entered into by and between **SYNALLOY CORPORATION** and all of its parents, subsidiaries, affiliates, officers, directors, managers, employees, insurers, agents, servants or assigns (referred to collectively as "Company") and **JAMES G. GIBSON** ("Employee") (Company and Employee are collectively referred to as "the Parties"). This Agreement shall become effective on the date of Employee's endorsement of this Agreement unless otherwise specified herein.

Recitals

WHEREAS, Employee is currently employed as President, Synalloy Chemicals with Company and has held a position with the Company since June 5, 2005; and

WHEREAS, Company has determined that it will no longer employ Employee, and that Employee's last day of employment shall be May 14, 2021; and

WHEREAS, by entering into this Agreement, the Parties desire to resolve any and all matters of controversy between them, including but not limited to any disputes arising from Employee's employment with Company or his or her separation therefrom; and

WHEREAS, Employee and Company each enter into this Agreement in order to take advantage of the consideration offered by the other, which the Parties acknowledge is sufficient for the promises made and consideration given herein.

NOW THEREFORE, in consideration of the mutual promises made by the Parties, they agree as follows:

Agreement

1. Consideration. The Company agrees to pay Employee Four Hundred Twenty-Six Thousand Eight Hundred Sixty-Two Dollars and No Cents ($426,862.00), the equivalent of nine months compensation at Employee's base pay (no commission or overtime) plus incentives less standard statutory deductions (the "Separation Pay") in exchange for Employee's promises made herein. The Separation Pay may, at the option of the Company, be paid in one lump sum or in installments in accordance with the Company's regular payroll intervals, *provided, however,* that no payment shall be made pursuant to this Agreement until the revocation period referred to in Paragraph 17(e) below has elapsed.

2. Benefits. Employee's benefits will cease either on Employee's last date worked or on the last day of the month in which Employee has been employed, depending upon the terms of the provider's benefits contract. Employee shall receive information regarding the status of

Employee's accountants, and Employee’s attorney. Employee also agrees that Employee will not describe the contents of this Agreement in any way (i.e., generous, large, substantial, unfair, etc.). Employee further agrees that if Employee does not maintain the confidentiality of this Agreement, Employee will repay all of the monetary consideration furnished by the Company pursuant to Paragraph 1 above.

7. Mutual Non-Disparagement/Neutral Reference. Employee agrees the Employee will not make any statements, either verbally or in writing, directly or indirectly, with the effect or intent of defaming, disparaging or criticizing Company. Employee acknowledges that compliance with this Paragraph is a material aspect of this Agreement, and that breach of this Paragraph by Employee will result in forfeiture of the consideration provided for in Paragraph 1 above. Company agrees that none of its managers or directors will make any statements, either verbally or in writing, directly or indirectly, with the effect or intent of defaming, disparaging or criticizing Employee. If asked for an employment reference regarding Employee, Company’s Human Resources representative will simply confirm fact of and dates of employment and position held.

8. No Admission of Liability. This Agreement does not constitute an admission of any wrongdoing, liability or unlawful conduct by the Company.

9. Company Property. Employee affirms that by the time that Employee executes this Agreement, Employee shall have returned all Company property within Employee’s possession to Company, including any relevant building access passes and Company-provided electronic equipment, and has not made or retained copies of any Company documents, and has provided all Employee passwords to a Company representative.

10. Remedies. In addition to any monetary damages available in the event of breach, Company and Employee shall be entitled to injunctive relief in event of a violation of Paragraphs 6 or 7.

11. Governing Law. This Agreement shall be construed according to the laws of Tennessee, and any dispute arising hereunder shall be submitted only to a state or federal court of competent jurisdiction in Tennessee.

12. No Transfer of Rights. Employee represents and warrants that Employee has not assigned or transferred, or purported to assign or transfer, to any person or entity, any legal claims against the Company or portion thereof or interest herein and will not after the execution of this Agreement assign or attempt to assign any interest herein.

13. Forbearance Not a Waiver. No waiver of any breach of any term or provision of this Agreement shall be construed to be, nor shall be, a waiver of any other breach of this Agreement.

14. Agreement Not Usable For Any Purpose If Not Endorsed. Employee agrees that if this Agreement does not become effective for any reason, this Agreement shall be deemed negotiation for settlement only and will not be admissible in evidence or usable for any purpose whatsoever in connection with or at any trial or appeal in connection with the action.

15. Severability of Provisions. The parties agree that if any provision, sentence, clause or part of this Agreement is void or unenforceable for any reason whatsoever, the remaining portions shall remain in full force and effect.

16. Entire Agreement. This Agreement sets forth the entire agreement between the Parties with respect to the subject matter hereof. This Agreement cannot be amended except in writing and signed by Employee and an authorized representative of the Company.

17. OWBPA Required Language. As required by the Older Worker Benefit Protection Act, Employee affirms that:

(a) Employee understands that Employee is waiving certain claims against Company including but not limited to certain statutory claims including Title VII, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Family and Medical Leave Act, and other similar statutes;

(b) Employee understands that Employee is not waiving any claims that may arise after the date of endorsement of this Agreement;

(c) Employee has been advised to consult with an attorney regarding this Agreement;

(d) Employee has been notified that Employee may take up to twenty-one (21) days to review this Agreement;

(e) Employee has been advised that for up to seven days after signing this Agreement, Employee shall have the ability to revoke such acceptance by providing notification of the revocation in writing to Robin Jennings (rjennings@synalloy.com);

(f) Employee agrees that the compensation provided for in this Agreement is in excess of anything to which Employee is otherwise entitled.

EMPLOYEE EXPRESSLY ACKNOWLEDGES, REPRESENTS, AND WARRANTS THAT EMPLOYEE HAS CAREFULLY READ THIS AGREEMENT AND SIGNS THE SAME OF EMPLOYEE'S OWN FREE ACT AND WILL; THAT EMPLOYEE FULLY UNDERSTANDS THE TERMS, CONDITIONS, AND SIGNIFICANCE OF THIS AGREEMENT; THAT EMPLOYEE HAS HAD AMPLE TIME TO CONSIDER THIS AGREEMENT; AND THAT EMPLOYEE HAS EXECUTED THIS AGREEMENT VOLUNTARILY, KNOWINGLY, AND WITH SUCH ADVICE FROM AN ATTORNEY AS EMPLOYEE DEEMS APPROPRIATE.

EMPLOYEE

Date: __ ___ James G. Gibson

FOR:
COMPANY

Date:__ BY:____ Its Duly Authorized Agent

Exhibit 10.2

SYNALLOY CORPORATION
Amended and Restated
2015 Stock Awards Plan

1. Purpose. This 2015 Stock Awards Plan (the "Plan") is intended to provide key executive employees of Synalloy Corporation or any of its Subsidiaries (together, the "Company") with the opportunity to participate in the Company's future prosperity and growth by awarding them stock of the Company. The purpose of the Plan is to provide key executive employees long-term incentive for gain as a result of outstanding service to the Company and its shareholders, and to assist in attracting and retaining executives of ability and initiative. For purposes of this Plan, "Subsidiary" means any corporation or business organization in which the Company owns, directly or indirectly, twenty percent (20%) or more of the voting stock or capital or profits interest at the time of granting of an award under this Plan.

2. Administration. The Plan shall be administered by a committee consisting of two or more members of the Compensation and Long Term Incentive Committee of the Board (the "Committee"), each of whom shall be (i) a "non- employee director" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934 (the "Exchange Act"), and (ii) an "outside director" as defined under Internal Revenue Code (the "Code") Section 162(m), unless the action taken pursuant to the Plan is not required to be taken by "outside directors" in order to qualify for tax deductibility under Code Section 162(m).

   The Committee shall have complete authority and discretion to interpret all provisions of this Plan consistent with law, to prescribe the form of agreement evidencing the award of stock under the Plan, to adopt, amend, and rescind general and special rules and regulations for its administration, and to make all other determinations necessary or advisable for the administration of the Plan. No member of the Committee shall be liable for any action or determination in respect thereto, if made in good faith, and each member of the Committee shall be entitled to indemnification by the Company with respect to all matters arising from his service on the Committee to the fullest extent allowable under the Company's Certificate of Incorporation, Bylaws and applicable law.

3. Eligibility. Any salaried employee of the Company who, in the judgment of the Committee, occupies a management position in which his or her efforts contribute to the profit and growth of the Company may be awarded stock under the Plan. The Committee will designate employees to whom stock is to be awarded and will specify the number of shares awarded. The Committee shall have the discretion to determine to what extent, if any, persons employed on a part-time or consulting basis will be eligible to participate in the Plan.

4. Stock. The stock available for awards under the Plan shall be shares of the Company's $1.00 par value common stock (the "common stock"), and may be either authorized and unissued or held in the treasury of the Company. The total amount of stock that may be awarded under the Plan shall not exceed 1,500,000 shares, subject to adjustment to reflect any change in the capitalization of the Company, as more fully provided in Section 8 hereof. The Committee will maintain records showing the cumulative total of all shares awarded/vested under this Plan.

   If any shares previously awarded do not vest, in whole or in part, for any reason, such shares shall again become available for award under this Plan.

5. Award of Stock. The Committee, at any time, during the duration of the Plan, may authorize the award of stock to those eligible under Section 3 hereof, subject to the limitations provided herein. The date on which stock shall be deemed awarded shall be the date the Committee authorizes such award or such later date as may be determined by the Committee at the time such award is authorized. The Committee also may impose on any award of stock under the Plan such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine.

6. Terms and Conditions of Awards. Each stock award pursuant to the Plan shall be evidenced by a written agreement, executed by the Company and the participant, which states the number of shares granted thereby and certain other terms, in such form as the Committee shall from time to time approve. Each award of stock pursuant to the Plan shall comply with and be subject to the following terms and conditions:

A. Vesting during Continuous Employment. Stock awarded pursuant to the Plan shall vest according to the following schedule:

Time from Award Date	Percentages of Shares Awarded that are Vested (including those previously vested)
After One Year	20%
After Two Years	40%
After Three Years	60%
After Four Years	80%
After Five Years	100%

Share awards will only vest if, at the time of vesting, the employee has been in the continuous employment of the Company since the date the stock was awarded. The Committee may decide in each case to what extent leaves of absence for government or military service, illness, temporary disability, or other reasons shall not for this purpose be deemed interruptions of continuous employment. Notwithstanding the foregoing, the Committee shall have the authority, in its sole and absolute discretion, to establish and amend vesting schedules for stock awards made pursuant to this Plan.

B. Cancellation of Unvested Stock Awards on Termination of Employment. Notwithstanding the vesting schedule set forth in Section 6.A above, any portion of a stock award that has not vested prior to the termination of an employee’s employment with the Company as the result of retirement (minimum age of 62), death or disability, shall become 100% vested; otherwise, any portion of a stock award that has not vested prior to the termination of an employee's employment with the Company for any other reason, shall be automatically cancelled. In the event of death, the employee’s estate would receive the balance of the shares.

C. Cancellation of Unvested Stock Awards on Failure to Comply with Certain Conditions. Unless the award agreement specifies otherwise, the Committee may cancel any awards which have not vested at any time if the employee is not in compliance with all applicable provisions of the award agreement and the Plan including the following conditions:

(i) Noncompetition. An employee shall not render services for any organization or engage directly or indirectly in any business which, in the judgment of the Chief Executive Officer of the Company or other senior officer designated by the Committee, is or becomes competitive with the Company.

(ii) Confidentiality. An employee shall not, without prior written authorization from the Company, disclose to anyone outside the Company, or use in other than the Company’s business, any confidential information or material relating to the business of the Company that is acquired by the employee during or after employment with the Company.

(iii) Intellectual Property. An employee shall not fail to disclose promptly and assign to the Company all right, title, and interest in any invention or idea, patent- able or not, made or conceived by the employee during employment by the Company in accordance with the Company's then existing policies.

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

E. Voting Rights and Escrow. An employee shall not be entitled to voting rights with respect to any portion of a stock award that has not vested. Each share of stock awarded pursuant to the Plan shall be held in escrow by the Company (together with any distributions in respect of such shares) until such shares have vested. Upon vesting of any portion of a stock award, certificates evidencing the vested shares shall be delivered to the employee. In addition, in the event that, following the grant of the stock award to an employee, the Company has made any distribution to shareholders of the Company in connection with their ownership of the stock, such employee shall be paid, upon vesting of any portion of a stock award, a sum equal to the cumulative distribution(s) associated with the vested stock from the date of the grant of the stock award through the date of vesting of any portion of the stock award. Upon issuance, the shares awarded pursuant to the Plan will be fully paid and non-assessable.

F. Fair Market Value. Upon the vesting of shares pursuant to this stock award, the Committee shall determine, in good faith and in its best judgment, the value of each share currently vested, which under no circumstance shall be less than fair market value. For such purposes, if the shares are listed on a national securities exchange at the time of the granting of the stock award, then the fair market value per share shall be not less than the average of the highest and lowest selling price on such exchange as of the date that such stock award is vested, or if there were no sales on said date, then the price shall not be less than the mean between the bid and the ask price on such date. If the shares are traded otherwise than on a national securities exchange at the time of the vesting of the stock award, then the price per share shall not be less than the mean between the bid and the asked price on the date of the vesting of the stock award, or if there is no such bid and asked price on said date, then on the next prior business day on which there was a bid and asked price. If no such bid and asked price is available, then the price per share shall be determined by the Committee.

7. Assignability. Share awards that have not vested under the Plan shall not be transferable by the employee.

8. Adjustment upon Change of Shares. In the event of a reorganization, merger, consolidation, reclassification, recapitalization, combination or exchange of shares, stock split, stock dividend, rights offering or other event affecting shares of the Company, the number of shares subject to unvested stock awards and the number of shares reserved for issuance under this Plan shall be equitably adjusted by the Committee to reflect the change.

9. Compliance with Law and Approval of Regulatory Bodies. No shares shall be delivered under the Plan except in compliance with all applicable federal and state laws and regulations including, without limitation, compliance with applicable withholding tax requirements, and with the rules of all domestic stock exchanges on which the Company's shares may be listed. Any share certificate issued to evidence shares may be listed on any domestic stock exchange authorized by the Company. Any share certificate issued to evidence shares may bear legends and statements, and be subject to such restrictions, as the Company shall deem advisable to assure compliance with federal and state laws and regulations. No shares will be delivered under the Plan until the Company has obtained such consents or approvals from

regulatory bodies, federal or state, having jurisdiction over such matters as the Company may deem advisable.

It is the intent of the Company that the grant of any awards under the Plan to or other transactions by a participant who is subject to Section 16 of the Exchange Act shall be exempt under Rule 16b-3 (except for transactions acknowledged in writing to be non-exempt by such Participant). Accordingly, if any provision of this Plan or any award agreement does not comply with the requirements of Rule 16b-3 as then applicable to any such transaction, unless the participant shall have acknowledged in writing that a transaction pursuant to such provision is to be non-exempt, such provision shall be construed or deemed amended to the extent necessary to conform to the applicable requirements of Rule 16b-3 so that such participant shall avoid liability under Section 16(b) of the Exchange Act.

10. General Provisions. Neither the adoption of the Plan nor its operation, nor any document describing or referring to the Plan, or any part thereof, shall confer upon any employee any right to continue in the employ of the Company or any subsidiary, or shall in any way affect the right and power of the Company to terminate the employment of any employee at any time with or without assigning a reason therefor to the same extent as the Company might have done if the Plan had not been adopted.

11. Effective Date of the 2015 Plan. This Plan was adopted by the Board of Directors of the Company effective February 10, 2015, which will be the effective date of the Plan if and when approved by shareholders holding a majority of the Company's outstanding shares of common stock entitled to vote on the Plan at the Annual Meeting of Shareholders on May 13, 2015.

12. Amendment to the Plan. The Board of Directors of the Company may alter, amend, or terminate the Plan at any time. However, no amendment shall be effective unless approved by the shareholders holding a majority of the Company's outstanding shares of common stock to the extent shareholder approval is required by applicable law or applicable requirements of any securities exchange or quotation system on which the common stock of the Company is listed or quoted.

13. Duration of the Plan. Unless previously terminated by the Board of Directors, the Plan shall be effective for a period of ten years from the effective date of the Plan, and no award shall be made after such date. Unvested shares awarded before that date shall remain valid thereafter in accordance with their terms.

14. Governing Law. The Plan shall be governed by and construed in accordance with the laws of the State of Delaware, except to the extent that federal law shall be deemed to apply.

15. Arbitration. Any dispute that arises among (i) the Company and/or the Board and (ii) any employee arising in connection with the Plan shall be resolved by binding arbitration by a single arbitrator held in Richmond, Virginia, pursuant to the federal Arbitration Act (or if the federal Arbitration Act is deemed not to apply, the Virginia Uniform Arbitration Act) and applying the rules of the American Arbitration Association as in effect from time to time.

16. Taxes. The Company is authorized to withhold from any stock award granted, any payment relating to an award under the Plan, including from a distribution of stock, or any payroll or other payment to an employee, amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an award, and to take such other action as the Commit- tee may deem advisable to enable the Company and employee to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any award. However, this authority shall not include withholding of taxes above the statutorily required withholding amounts where such excess withholding would result in an earnings charge to the Company under U. S. Generally Accepted Accounting Principles.

Exhibit 31.1

CERTIFICATIONS

I, Christopher G. Hutter, 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: August 9, 2021

/s/ Christopher G. Hutter
Christopher G. Hutter
Interim Chief Executive Officer

Exhibit 31.2

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:	August 9, 2021	/s/ Sally M. Cunningham Sally M. Cunningham Chief Financial Officer

Exhibit 32

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

The undersigned, who are the chief executive officer and the chief financial officer of Synalloy Corporation, each hereby certifies that, to the best of his knowledge, the accompanying Form 10-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: August 9, 2021 /s/ Christopher G. Hutter
Christopher G. Hutter
Interim Chief Executive Officer

Date: August 9, 2021 /s/ Sally M. Cunningham
Sally M. Cunningham
Chief Financial Officer