

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018
OR

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



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

Delaware
(State of incorporation)

57-0426694
(I.R.S. Employer Identification No.)

4510 Cox Road, Suite 201, Richmond, Virginia, 23060
(Address of principal executive offices) (Zip Code)

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

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

Name of each exchange on which registered:

Common Stock, \$1.00 Par Value

NASDAQ Global Market

(Title of Class)

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

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

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

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> Do not check if smaller reporting company	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

Based on the closing price as of June 30, 2018, which was the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the common stock held by non-affiliates of the registrant was \$165.7 million. Based on the closing price as of March 11, 2019, the aggregate market value of common stock held by non-affiliates of the registrant was \$123.6 million. The registrant did not have any non-voting common equity outstanding at either date.

The number of shares outstanding of the registrant's common stock as of March 11, 2019 was 8,964,874.

Documents Incorporated By Reference

Portions of the Proxy Statement for the 2019 annual shareholders' meeting are incorporated by reference into Part III of this Form 10-K.

Synalloy Corporation
Form 10-K
For Period Ended December 31, 2018
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Forward-Looking Statements

This Annual Report on Form 10-K includes and incorporates by reference "forward-looking statements" within the meaning of the federal securities laws. All statements that are not historical facts are forward-looking statements. The words "estimate," "project," "intend," "expect," "believe," "should," "anticipate," "hope," "optimistic," "plan," "outlook," "should," "could," "may" and similar expressions identify forward-looking statements. The forward-looking statements are subject to certain risks and uncertainties, including without limitation those identified below, which could cause actual results to differ materially from historical results or those anticipated. Readers are cautioned not to place undue reliance on these forward-looking statements. The following factors could cause actual results to differ materially from historical results or those anticipated: adverse economic conditions; the impact of competitive products and pricing; product demand and acceptance risks; raw material and other increased costs; raw materials availability; employee relations; ability to maintain workforce by hiring trained employees; labor efficiencies; customer delays or difficulties in the production of products; new fracking regulations; a prolonged decrease in nickel and oil prices; unforeseen delays in completing the integrations of acquisitions; risks associated with mergers, acquisitions, dispositions and other expansion activities; financial stability of our customers; environmental issues; negative or unexpected results from tax law changes; unavailability of debt financing on acceptable terms and exposure to increased market interest rate risk; inability to comply with covenants and ratios required by our debt financing arrangements; ability to weather an economic downturn; loss of consumer or investor confidence and other risks detailed in Item 1A, Risk Factors, in this Annual Report on Form 10-K and from time-to-time in Synalloy Corporation's Securities and Exchange Commission filings. Synalloy Corporation assumes no obligation to update any forward-looking information included in this Annual Report on Form 10-K.

PART I

Item 1 Business

Synalloy Corporation, a Delaware corporation, was incorporated in 1958 as the successor to a chemical manufacturing business founded in 1945. Its charter is perpetual. The name was changed on July 31, 1967 from Blackman Uhler Industries, Inc. 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 four reporting units, all International Organization for Standardization ("ISO") certified manufacturers, including Bristol Metals, LLC ("BRISMET"), a wholly-owned subsidiary of Synalloy Metals, Inc., Palmer of Texas Tanks, Inc. ("Palmer"), Specialty Pipe & Tube, Inc. ("Specialty"), and American Stainless Tubing, LLC ("ASTI"), which began operations effective January 1, 2019 pursuant to our acquisition of substantially all of the assets of American Stainless Tubing, Inc. ("American Stainless") (see Note 23 to the Consolidated Financial Statements). BRISMET manufactures stainless steel, galvanized, and other alloy pipe and tube. Palmer manufactures liquid storage solutions and separation equipment. Specialty is a master distributor of seamless carbon pipe and tube. ASTI manufactures ornamental stainless steel tubing. The Metals Segment's markets include the oil and gas, chemical, petrochemical, pulp and paper, mining, power generation (including nuclear), water and waste water treatment, liquid natural gas ("LNG"), brewery, food processing, petroleum, pharmaceutical, automotive & commercial transportation, appliance, architectural, and other heavy industries. The Specialty Chemicals Segment operates as one reporting unit which includes Manufacturers Chemicals, LLC ("MC"), a wholly-owned subsidiary of Manufacturers Soap and Chemical Company ("MS&C"), and CRI Tolling, LLC ("CRI Tolling"). The Specialty Chemicals Segment produces specialty chemicals for the chemical, paper, metals, mining, agricultural, fiber, paint, textile, automotive, petroleum, cosmetics, mattress, furniture, janitorial and other industries. MC manufactures lubricants, surfactants, defoamers, reaction intermediaries and sulfated fats and oils. CRI Tolling provides chemical tolling manufacturing resources to global and regional chemical companies and contracts with other chemical companies to manufacture certain, pre-defined products.

General

Metals Segment – This segment is comprised of four wholly-owned subsidiaries: Synalloy Metals, Inc., which owns 100 percent of the membership interests of BRISMET, located in Bristol, Tennessee and Munhall, Pennsylvania; Palmer, located in Andrews, Texas; Specialty, located in Mineral Ridge, Ohio and Houston, Texas; and ASTI, located in Troutman and Statesville, North Carolina.

BRISMET manufactures welded pipe and tube, primarily from stainless steel, duplex, and nickel alloys. Pipe is produced in sizes from 3/8 inch to 120 inches in diameter and wall thickness up to one and one-half inches. Eighteen-inch and smaller diameter pipe is made on equipment that forms and welds the pipe in a continuous process. Pipe larger than 18 inches in diameter is formed on presses or rolls and welded on batch welding equipment. Pipe is normally produced in standard 20-foot lengths. However, BRISMET has unusual capabilities in the production of long length pipe without circumferential welds. This can reduce the installation cost

for the customer. Lengths up to 60 feet can be produced in sizes up to 18 inches in diameter. In larger sizes, BRISMET has a unique ability among domestic producers to make 48-foot lengths in diameters up to 36 inches. Over the past four years, BRISMET has made substantial capital improvements, installing an energy efficient furnace to anneal pipe quicker while minimizing natural gas usage; system improvements in pickling to maintain the proper chemical composition of the pickling acid; and developing a heavy wall/quick turn welded pipe production shop by adding a 4,000 tonne press along with all necessary ancillary processes. BRISMET's Munhall facility manufactures stainless welded pipe as well as new product offerings in welded tubing in diameters from 5/8 inch to eight inches and gauges from 0.028 inch to 1/4 inch. Additionally, the Munhall facility produces galvanized carbon tubing in custom sizes. Munhall was designed for improved product flow and the latest technology including laser welding and in-line annealing.

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

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

ASTI is a leading manufacturer of high-end ornamental stainless steel tubing, supplying the automotive, commercial transportation, marine, food services, construction, furniture, healthcare, and other industries. Operating facilities are located in Troutman and Statesville, North Carolina. ASTI combines the use of superior metal quality with in-house capabilities in slitting and welding, along with patented and proprietary finishing capabilities and the highest levels of customer service and technical support to provide customers with the highest quality ornamental product available in the market. Product range includes 1/2" OD to 2-1/2" OD up to 5" OD, in a variety of shapes, including squares, rectangles and ellipticals. Refer to Note 23 to the Consolidated Financial Statements for further details.

In order to maintain strong business relationships, the Metals Segment uses only a few raw material suppliers. 10 suppliers furnish approximately 84 percent of total dollar purchases of raw materials, with one supplier furnishing 31 percent of material purchases. However, the Company does not believe that the loss of this supplier would have a materially adverse effect on the Company as raw materials are readily available from a number of different sources, and the Company anticipates no difficulties in fulfilling its requirements.

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

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

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

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

Most raw materials used by the segment are generally available from numerous independent suppliers and approximately 61 percent of total purchases are from its top 15 suppliers. While some raw material needs are met by a sole supplier or only a few suppliers, the Company anticipates no difficulties in fulfilling its raw material requirements.

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

Sales and Distribution

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

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

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

ASTI utilizes a four-person inside sales team, along with thirteen commissioned representatives, to cover its U.S. and Canadian markets. In addition, the combined sales team of BRISMET and ASTI are working in a coordinated effort in the sale of ornamental tube at ASTI and BRISMET's Munhall facility.

There were no customers representing more than 10 percent of the Metals Segment's revenues for 2018, 2017 or 2016.

Specialty Chemicals Segment – Specialty chemicals are sold directly to various industries nationwide by five full-time outside sales employees and eight manufacturers' representatives. The Specialty Chemicals Segment has one customer that accounted for approximately 16, 23, and 25 percent of the segment's revenues for 2018, 2017, and 2016, respectively. The concentration of sales to this customer declined as a result of this customer moving production of the products previously produced and sold by the Specialty Chemicals Segment in-house.

Competition

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

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

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

ASTI is a leading manufacturer of high-end ornamental stainless steel tubing, supplying the automotive, commercial transportation, marine, food services, construction, furniture, healthcare and other industries. ASTI combines the use of superior metal quality with in-house capabilities in slitting and welding, along with patented and proprietary finishing capabilities and the highest levels

of customer service and technical support to provide customers with the highest quality ornamental product available in the market. There are three known significant U.S. ornamental tubing manufacturers competing in the markets in which ASTI participates.

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

Mergers, Acquisitions and Dispositions

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

On July 1, 2018, BRISMET acquired Marcegaglia USA, Inc.'s ("MUSA") galvanized tube assets and operations ("MUSA-Galvanized") located in Munhall, PA. The purpose of the transaction was to enhance the Company's on-going business with additional capacity and technological advantages. The transaction was funded through an increase to the Company's credit facility (refer to Note 5 to the Consolidated Financial Statements). The purchase price for the transaction totaled \$10,378,281. In connection with the MUSA-Galvanized acquisition, the Company is required to make quarterly earn-out payments for a period of four years following closing, based on actual sales levels of galvanized pipe and tube. The tangible assets purchased and liabilities assumed from MUSA include accounts receivable, inventory, equipment, and accounts payable.

On January 1, 2019, the Company's wholly-owned subsidiary, ASTI Acquisition, LLC, completed its purchase of substantially all of American Stainless' assets and operations in Statesville and Troutman, North Carolina. The purpose of the transaction was to extend and enhance the Company's on-going business with additional capacity and new technological advantages in the production of stainless ornamental tubing. The purchase price was approximately \$22,736,854. American Stainless will also receive quarterly earn-out payments for a period of three years following closing. Synalloy funded the acquisition with a new five-year \$20,000,000 term note and a draw against its recently increased \$100,000,000 asset based line of credit, both with Synalloy's current lender (see Note 5 to the Consolidated Financial Statements). The tangible assets purchased and liabilities assumed from American Stainless include accounts receivable, inventory, equipment, and accounts payable.

Environmental Matters

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

Seasonal Nature of the Business

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

Backlogs

The Specialty Chemicals Segment operates primarily on the basis of delivering products soon after orders are received. Accordingly, backlogs are not a factor in this business. The same applies to seamless, carbon steel pipe and tubing sales in the Metals Segment. However, backlogs are important in the Metals Segment's welded stainless-steel pipe and tank manufacturing operations, where both businesses incur significant dollar value of committed orders in advance of production. Its backlog of open orders for welded stainless steel pipe were \$31,200,000 and \$28,783,000 and for tanks were \$20,700,000 and \$17,192,000 at the end of 2018 and 2017, respectively.

Employee Relations

At December 31, 2018, the Company had 607 employees. With the acquisition of ASTI's operations, effective January 1, 2019, approximately 100 employees were added to the Company, which are not included in the December 31, 2018 totals. The Company considers relations with employees to be strong. The number of employees of the Company represented by unions, located at the Bristol, Tennessee, Mineral Ridge, Ohio, and Munhall, Pennsylvania facilities, is 264, or 44 percent of the Company's employees. They are represented by three locals affiliated with the United Steelworkers. Collective bargaining contracts for the Steelworkers expire in July 2019 (Bristol, TN), June 2020 (Mineral Ridge, OH), and January 2023 (Munhall, PA).

Financial Information about Geographic Areas

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

Available information

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

Item 1A Risk Factors

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

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

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

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

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

We rely on a small number of suppliers for our raw materials and any interruption in our supply chain could affect our operations. In order to foster strong business relationships, the Metals Segment uses only a few raw material suppliers. During the year ended December 31, 2018, 10 suppliers furnished approximately 84 percent of our total dollar purchases of raw materials, with one supplier providing 31 percent. However, these raw materials are available from a number of sources, and the Company anticipates no difficulties in fulfilling its raw materials requirements for the Metals Segment. Raw materials used by the Specialty Chemicals Segment are generally available from numerous independent suppliers and approximately 61 percent of total purchases were made from our top 15 suppliers during the year ended December 31, 2018. Although some raw material needs are met by a single supplier or only a few suppliers, the Company anticipates no difficulties in fulfilling its raw material requirements for the Specialty Chemicals Segment. While the Company believes that raw materials for both segments are readily available from numerous sources, the loss of one or more key suppliers in either segment, or any other material change in our current supply channels, could have an adverse effect on the Company's ability to meet the demand for its products, which could impact our operations, revenues and financial results.

A substantial portion of our overall sales is dependent upon a limited number of customers, and the loss of one or more of such customers would have a material adverse effect on our business, results of operation and profitability. The products of the Specialty Chemicals Segment are sold to various industries nationwide. The Specialty Chemicals Segment has one customer that accounted for approximately 16 percent, 23 percent, and 25 percent of revenues for 2018, 2017, and 2016, respectively. The concentration of sales to this customer declined as a result of this customer moving production of the products previously produced and sold by the Specialty Chemicals Segment in house. The loss of this customer would have a material adverse effect on the revenues of the Specialty Chemicals Segment of the Company.

There were no customers representing more than ten percent of the Metals Segment's revenues in 2018, 2017, or 2016. Palmer and Specialty, which are a part of the Metals Segment, sell much of their products to the oil and gas industry. Any change in this industry, or any change in this industry's demand for their products, would have a material adverse effect on the profits of the Metals Segment and the Company.

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

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

Significant changes in nickel prices could have an impact on the sales of the Metals Segment. The Metals Segment uses nickel in a number of its products. Nickel prices are currently at a relatively low level, which reduces our manufacturing costs for certain products. When nickel prices increase, many of our customers increase their orders in an attempt to avoid future price increases, resulting in increased sales for the Metals Segment. Conversely, when nickel prices decrease, many of our customers wait to place orders in an attempt to take advantage of subsequent price decreases, resulting in reduced sales for the Metals Segment. On average, the Metals Segment turns its inventory of commodity pipe every six months, but the nickel surcharge on sales of commodity pipe is established on a monthly basis. The difference, if any, between the price of nickel on the date of purchase of the raw material and the price, as established by the surcharge, on the date of sale has the potential to create an inventory price change gain or loss. If the price of nickel steadily increases over time, as it did from 2005 to 2007, the Metals Segment is the beneficiary of the increase in nickel price in the form of metal price change gains. Conversely, if the price of nickel steadily decreases over time, as it did from 2011 to 2016, the Metals Segment suffers metal price change losses. 2017 was a highly volatile year, with nickel prices starting at a peak in January, and declining through the first nine months, with a steep trough during the third quarter (average down 25 percent from the first quarter), before rebounding to almost beginning of year levels by December. This volatile pattern did result in average nickel prices being up 48 percent for the full year of 2017 and up 38 percent for the fourth quarter 2017, when compared to the same periods of the prior year; however, substantial declines within the year generated cumulative inventory price change losses that exceeded inventory price change gains by \$2,634,000 for the year. Conversely, in 2018 nickel prices started at a low point in January, and increased for the first seven months, before declining for the remainder of the year, ending at a level approximately 15 percent above the start of the year. This pattern did result in average nickel prices being up 25 percent for the full year of 2018 and up nine percent for the fourth quarter 2018 when compared to the same periods of the prior year, resulting in substantial gains within the year that generated cumulative inventory price change gains that exceeded inventory price change losses by \$4,959,000. We will incur inventory price losses in the future if nickel prices decrease. Any material changes in the cost of nickel could impact our sales and result in fluctuations in the profits of the Metals Segment.

The Company began hedging its nickel exposure effective in the beginning of 2016 to provide coverage against extreme downside product pricing exposure related to the content of nickel alloy contained in purchased stainless steel inventory. The sales price of stainless steel product (containing nickel alloy) is subject to a variable pricing component for alloys (nickel, chrome, molybdenum, and iron) contained in the product. Each month, industry pricing indices are published which set the following month's price surcharges for those alloys. The Company typically holds approximately six to seven months of inventory, with fixed priced purchase orders (where the alloy pricing index is "locked", eliminating the Company's exposure) consisting of approximately 50 percent of held stainless steel inventories. As a result, the eventual sales prices for approximately 50 percent of held stainless steel inventories will vary until a customer order commitment is received, and the selling price is established. In the past, the Company fully absorbed the potential negative market volatility that resulted from sales prices declining during the inventory hold period. In 2018 the cumulative favorable impact during the inventory hold period totaled \$4,959,000 due to a year of nickel commodity net pricing increases, while in 2017, the cumulative negative impact during the inventory hold period totaled \$2,634,000, due to a period of nickel commodity net pricing declines.

The Company's nickel hedge program covers approximately three months of pricing exposure, via forward option contracts, to sell nickel at fixed prices. Other alloys do not have hedge contracts available in the marketplace. The Company reviews the current nickel pricing level and if it believes there is significant downside exposure in future pricing, management will protect against these projected declines by purchasing contracts to "Put" nickel pounds to the trading party, with strike prices at 15 percent below the three-month forward price at the time of the contract. As a result, there is zero hedge coverage for the first 15 percent of nickel price decline, but dollar-for-dollar coverage for 100 percent of any decline below that level.

As of December 31, 2018, the Company had no such hedging programs in place. At December 31, 2017, the Company had a hedge position equal to 1,351,000 pounds of nickel, representing 53 percent of the Company's total nickel content of stainless steel pounds in inventory. The Company does not utilize hedge accounting for these transactions but marks to market the value of the outstanding contracts with all adjustments being included in cost of sales in the Consolidated Statements of Operations. The fair value of the nickel contracts at December 31, 2017 was an asset of approximately \$9,000. The Company's downside exposure is limited to the potential that the total of the fair value of the nickel contracts would be reduced to zero, if nickel pricing does not decline to the contracted strike prices. The program is designed to mitigate but not eliminate the Company's nickel pricing exposure.

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

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

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

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

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

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

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

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

be imposed retroactively and on a joint and several basis. We could incur significant costs, including cleanup costs, civil or criminal fines and sanctions and third-party claims, as a result of past or future violations of, or liabilities under, environmental laws.

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

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

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

Certain of our employees in the Metals Segment are covered by collective bargaining agreements, and the failure to renew these agreements could result in labor disruptions and increased labor costs. As of December 31, 2018, we had 264 employees represented by unions at our Bristol, Tennessee, Mineral Ridge, Ohio, and Munhall, Pennsylvania facilities, which is 44 percent of the aggregate number of Company employees. These employees are represented by three local unions affiliated with the United Steelworkers (the "Steelworkers Union"). The collective bargaining contracts for the Steelworkers Unions will expire in July 2019 (Bristol, TN), June 2020 (Mineral Ridge, OH), and January 2023 (Munhall, PA). Although we believe that our present labor relations are strong, our failure to renew these agreements on reasonable terms as the current agreements expire could result in labor disruptions and increased labor costs, which could adversely affect our financial performance.

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

There were no events of default under our credit facility at December 31, 2018. Although we believe we will remain in compliance with these covenants in the foreseeable future and that our relationship with our lender is strong, there is no assurance our lender would consent to an amendment or waiver in the event of noncompliance; or that such consent would not be conditioned upon the receipt of a cash payment, revised principal payout terms, increased interest rates or restrictions in the expansion of the credit facility for the foreseeable future, or that our lender would not exercise rights that would be available to them, including, among other things, demanding payment of outstanding borrowings. In addition, our ability to obtain additional capital or alternative borrowing arrangements at reasonable rates may be adversely affected. All or any of these adverse events would further limit our flexibility in planning for, or reacting to, downturns in our business.

We may need new or additional financing in the future to expand our business or refinance existing indebtedness, and our inability to obtain capital on satisfactory terms or at all may have an adverse impact on our operations and our financial results. If we are unable to access capital on satisfactory terms and conditions, we may not be able to expand our business or meet our payment requirements under our existing credit facility. Our ability to obtain new or additional financing will depend on a variety of factors,

many of which are beyond our control. We may not be able to obtain new or additional financing because we may have substantial debt, our current receivable and inventory balances do not support additional debt availability or because we may not have sufficient cash flows to service or repay our existing or future debt. In addition, depending on market conditions and our financial performance, equity financing may not be available on satisfactory terms or at all. If we are unable to access capital on satisfactory terms and conditions, this could have an adverse impact on our operations and our financial results.

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

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

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

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

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

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

The loss of key members of our management team, or difficulty attracting and retaining experienced technical personnel, could reduce our competitiveness and have an adverse effect on our business and results of operations. The successful implementation of our strategies and handling of other issues integral to our future success will depend, in part, on our experienced management team. The loss of key members of our management team could have an adverse effect on our business. Although we have entered into employment agreements with key members of our management team including Craig C. Bram, President and Chief Executive Officer, Dennis M. Loughran, Senior Vice President and Chief Financial Officer, Sally M. Cunningham, Vice President of Corporate Administration, J. Kyle Pennington, President of Metals Segment, James G. Gibson, General Manager and President of Specialty Chemicals Segment, Steven J. Baroff, President and General Manager of Specialty, K. Dianne Beck, Vice President of Specialty, Christopher D. Sitka, Vice President of Specialty, Kevin Van Zandt, Vice President of Bristol Metals-Munhall, Maria Haughton Roberson, President of ASTI (acquired effective January 1, 2019 - see Note 23 to the Consolidated Financial Statements), and Rex Haughton, Vice President-Operations of ASTI, employees may resign from the Company at any time and seek employment elsewhere, subject to certain non-competition and confidentiality restrictions. Additionally, if we cannot retain our technical personnel or attract additional experienced technical personnel, our ability to compete could be harmed.

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

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

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

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

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

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

Our internal controls over financial reporting could fail to prevent or detect misstatements. Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Any failure to maintain effective internal controls or to timely effect any necessary improvement in our internal controls and disclosure controls could, among other things, result in losses from fraud or error, harm our reputation or cause investors to lose confidence in our reported financial information, all of which could have a material adverse effect on our financial condition, results of operations and cash flows.

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

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

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

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

Federal income tax reform could have unforeseen effects on our financial condition and results of operations. On December 22, 2017, the Tax Cuts and Jobs Act ("The Tax Act") was signed into law by the President of the United States, enacting significant changes to the Internal Revenue Code effective January 1, 2018. Since the passing of The Tax Act, additional guidance in the form of notices and proposed regulations which interpret various aspects of The Tax Act have been issued. As of the filing of this document, additional guidance is expected. Changes could be made to the proposed regulations as they become finalized, future legislation could be enacted, more regulations and notices could be issued, all of which may impact our financial results. We will continue to monitor all of these changes and will reflect the impact as appropriate in future financial statements. Many state and local tax jurisdictions are still determining how they will interpret elements of The Tax Act. Final state and local governments' conformity, legislation and guidance relating to The Tax Act may impact our financial results.

We may be adversely affected by changes in LIBOR reporting practices or the method in which LIBOR is determined As of December 31, 2018, we had outstanding long-term debt of approximately \$76.4 million that was indexed to the London Interbank Offered Rate (“LIBOR”). On July 27, 2017, the Financial Conduct Authority (the “FCA”) announced its intention to phase out LIBOR rates by the end of 2021. It is not possible to predict the further effect of the rules of the FCA, any changes in the methods by which LIBOR is determined, or any other reforms to LIBOR that may be enacted in the United Kingdom, the European Union or elsewhere. Any such developments may cause LIBOR to perform differently than in the past, or cease to exist. In addition, any other legal or regulatory changes made by the FCA, ICE Benchmark Administration Limited, the European Money Markets Institute (formerly Euribor-EBF), the European Commission or any other successor governance or oversight body, or future changes adopted by such body, in the method by which LIBOR is determined or the transition from LIBOR to a successor benchmark may result in, among other things, a sudden or prolonged increase or decrease in LIBOR, a delay in the publication of LIBOR, and changes in the rules or methodologies in LIBOR, which may discourage market participants from continuing to administer or to participate in LIBOR’s determination, and, in certain situations, could result in LIBOR no longer being determined and published. If a published U.S. dollar LIBOR rate is unavailable after 2021, the interest rates on our debt which is indexed to LIBOR will be determined using various alternative methods, any of which may result in interest obligations which are more than or do not otherwise correlate over time with the payments that would have been made on such debt if U.S. dollar LIBOR was available in its current form. Further, the same costs and risks that may lead to the discontinuation or unavailability of U.S. dollar LIBOR may make one or more of the alternative methods impossible or impracticable to determine. Any of these proposals or consequences could have a material adverse effect on our financing costs.

Item 1B Unresolved Staff Comments

None.

Item 2 Properties

The Company operates the major plants and facilities listed below, all of which are in adequate condition for their current usage. All facilities throughout the Company are believed to be adequately insured. The buildings are of various types of construction including brick, steel, concrete, concrete block and sheet metal. All have adequate transportation facilities for both raw materials and finished products. In September 2016, the Company sold its real estate properties previously owned in Tennessee, South Carolina, Texas and Ohio to Store Master Funding XII, LLC ("Store Funding") and concurrently leased back these real properties; see Note 12 to the Consolidated Financial Statements included in Item 8 of this Form 10-K.

On February 28, 2017, the Company purchased certain stainless steel pipe and tube assets of MUSA in Munhall, PA ("MUSA-Stainless"). As part of this acquisition, the Company entered into a 15-month lease with the sellers for the current manufacturing facility. The lease was amended to extend the term of the lease to May 31, 2023. On July 1, 2018, the Company completed the MUSA-Galvanized acquisition. In connection with this acquisition, the Company entered into an Amended and Restated Master Lease Agreement (the "Master Lease") on June 29 2018, pursuant to which the Company will lease the Munhall, PA facility, purchased by Store Funding from MUSA for the remainder of the initial term of 20 years set forth in the Master Lease.

On January 1, 2019, the Company's wholly-owned subsidiary, ASTI Acquisition, LLC, completed its purchase of substantially all of American Stainless' assets and operations in Statesville and Troutman, North Carolina. In connection with the acquisition, the Company and Store Funding entered into a second Amended and Restated Master Lease Agreement, pursuant to which the Company will lease the properties purchased by Store from American Stainless on January 1, 2019, for the remainder of the initial term of 20 years set forth in the Master Lease.

A parcel of land in Mineral Ridge, OH used for inventory storage, the corporate headquarters located in Richmond, VA, and the former shared service center located in Spartanburg, SC continue to be leased by the Company from other parties.

Location	Principal Operations	Building Square Feet	Land Acres
Munhall, PA	Manufacturing stainless steel pipe	284,000	20.0
Bristol, TN	Manufacturing stainless steel pipe	275,000	73.1
Cleveland, TN	Chemical manufacturing and warehousing facilities	143,000	18.8
Fountain Inn, SC	Chemical manufacturing and warehousing facilities	136,834	16.9
Andrews, TX	Manufacturing liquid storage solutions and separation equipment	122,662	19.6
Troutman, NC	Manufacturing ornamental stainless steel tubing	106,657	26.5
Statesville, NC	Manufacturing ornamental stainless steel tubing	83,000	26.8
Houston, TX	Cutting facility and storage yard for heavy walled pipe	29,821	10.0
Mineral Ridge, OH	Cutting facility and storage yard for heavy walled pipe	12,000	12.0
Mineral Ridge, OH	Storage yard for heavy walled pipe	—	4.6
Richmond, VA	Corporate headquarters	5,911	—
Spartanburg, SC	Former office space for corporate employees and shared service center ⁽¹⁾	4,858	—
Augusta, GA	None ⁽²⁾	—	46.0

(1) Property leased by Company; office was closed in 2018 and all furniture and equipment have been removed.

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

Item 3 Legal Proceedings

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

Item 4 Mine Safety Disclosures

Not applicable.

PART II

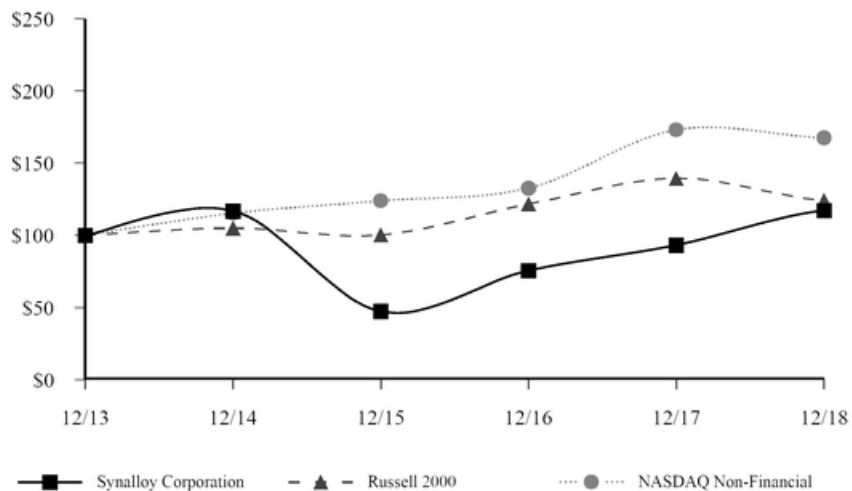
Item 5 Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company had 442 common shareholders of record at March 12, 2019. The Company's common stock trades on the Nasdaq Global Market under the trading symbol SYNL. The Company's credit agreement restricts the payment of dividends indirectly through a minimum fixed charge coverage covenant. The Company paid a \$0.25 cash dividend on December 12, 2018 and a \$0.13 cash dividend on November 6, 2017. No dividends were declared or paid in 2016. The prices shown below are the high and low sales prices for the common stock for each full quarterly period in the last two fiscal years as quoted on the NASDAQ Global Market.

Quarter	2018		2017	
	High	Low	High	Low
1st	\$ 15.25	\$ 12.60	\$ 13.35	\$ 9.75
2nd	20.95	13.65	13.75	10.40
3rd	24.55	19.80	13.10	10.30
4th	22.88	15.01	15.30	11.88

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

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



*\$100 invested on 12/31/13 in stock or index, including reinvestment of dividends.
 Fiscal year ending December 31.

Source: Russell Investment Group

Comparison of 5 Year Cumulative Total Return Graph

	12/13	12/14	12/15	12/16	12/17	12/18
Synalloy Corporation	\$ 100.00	\$ 116.80	\$ 47.45	\$ 75.51	\$ 93.23	\$ 117.20
Russell 2000	100.00	104.89	100.26	121.63	139.44	124.09
NASDAQ Non-Financial	100.00	115.17	123.77	132.61	172.98	167.51

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

Unregistered Sales of Equity Securities

Pursuant to the compensation arrangement with directors discussed under Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" in this Form 10-K, on May 17, 2018, the Company issued an aggregate of 14,857 shares of restricted stock to non-employee directors in lieu of \$276,000 of their annual cash retainer fees. Issuance of these shares was not registered under the Securities Act of 1933 based on the exemption provided by Section 4(a)(2) thereof because no public offering was involved.

The Company also issued 51,767 shares of common stock in 2018 to management and key employees that vested pursuant to the 2005 and 2015 Stock Awards Plans. Issuance of these shares was not registered under the Securities Act of 1933 based on the exemption provided by Section 4(a)(2) thereof because no public offering was involved.

Neither the Company, nor any affiliated purchaser (as defined in Rule 10b-18(a)(3) of the 1934 Act) on behalf of the Company repurchased any of the Company's securities during the year ended December 31, 2018.

Item 6 Selected Financial Data**Selected Financial Data and Other Financial Information**

(Dollar amounts in thousands except for per share data)

	2018	2017	2016	2015	2014
Operations					
Net sales	\$ 280,841	\$ 201,148	\$ 138,566	\$ 175,460	\$ 199,505
Gross profit	51,237	28,081	16,904	25,319	32,929
Selling, general & administrative expense	27,692	24,875	22,673	21,938	16,530
Goodwill impairment	—	—	—	17,158	—
Operating income (loss)	21,237	2,057	(8,246)	(13,031)	16,098
Net income (loss) - continuing operations	13,097	1,341	(6,994)	(10,269)	12,619
Net loss - discontinued operations	—	—	(99)	(1,251)	(7,157)
Net income (loss)	13,097	1,341	(7,093)	(11,520)	5,462
Financial Position					
Total assets	228,399	159,874	138,638	149,043	187,633
Working capital	130,233	74,396	64,868	58,310	64,580
Long-term debt, less current portion	76,405	25,914	8,804	23,410	27,039
Shareholders' equity	102,484	89,700	88,593	95,154	109,454
Financial Ratios					
Current ratio	4.5:1	3.2:1	3.0:1	3.2:1	2.6:1
Gross profit to net sales	18%	14%	12 %	14 %	17%
Long-term debt to capital	43%	22%	9 %	20 %	20%
Return on average assets	7%	1%	(4)%	(6)%	7%
Return on average equity	14%	2%	(7)%	(10)%	12%
Per Share Data (Income/(Loss) – Diluted)					
Net income (loss) - continuing operations	\$ 1.48	\$ 0.15	\$ (0.81)	\$ (1.18)	\$ 1.45
Net loss - discontinued operations	—	—	(0.01)	(0.14)	(0.82)
Net income (loss)	1.48	0.15	(0.82)	(1.32)	0.63
Dividends declared and paid	0.25	0.13	—	0.30	0.30
Book value	11.54	10.28	10.22	11.02	12.57
Other Data					
Depreciation and amortization	\$ 8,775	\$ 7,738	\$ 6,695	\$ 6,634	\$ 5,132
Capital expenditures	7,355	5,279	3,044	10,905	8,066
Employees at year end	607	533	412	411	464
Shareholders of record at year end	442	488	527	540	575
Average shares outstanding - diluted	8,878	8,727	8,650	8,710	8,715
Stock Price					
Price range of common stock					
High	\$ 24.55	\$ 15.30	\$ 11.70	\$ 18.49	\$ 18.84
Low	12.60	9.75	6.42	6.20	13.14
Close	16.59	13.40	10.95	6.88	17.67

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

Critical Accounting Policies and Estimates

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

Allowance for Doubtful Accounts

The Company maintained an allowance for doubtful accounts of approximately \$169,000 as of December 31, 2018, for estimated losses resulting from the inability of its customers to make required payments. The allowance is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. Receivables are generally due within 30 to 60 days. Delinquent receivables are written off based on individual credit evaluations and specific circumstances of the customer.

Inventory Adjustments and Reserves

At the end of each quarter, all facilities review recent sales reports to identify sales price trends that would indicate products or product lines that are being sold below our cost. This would indicate that an adjustment would be required.

During the years ended December 31, 2018 and December 31, 2017, adjustments of \$106,000 and \$254,000, respectively, to inventory cost were required by our storage tank facility as lower demand for oil and gas products caused the net realizable value to fall below inventory cost for certain tanks.

Stainless steel, both in its raw material (coil or plate) or finished goods (pipe) state is purchased/sold using a base price plus an additional surcharge which is dependent on current nickel prices. As raw materials are purchased, it is priced to the Company based upon the surcharge at that date. When the selling price of the finished pipe is set for the customer, approximately three months later, the then-current nickel surcharge is used to determine the proper selling prices. A lower of cost or net realizable value ("LCNRV") adjustment is recorded when the Company's inventory cost, based upon a historical nickel price, is greater than the current selling price of that product due to a reduction in the nickel surcharge. During the years ended December 31, 2018 and December 31, 2017, no material LCNRV adjustments were required by our Metals Segment.

The Company establishes inventory reserves for:

- Estimated obsolete or unmarketable inventory. As of December 31, 2018 and December 31, 2017, the Company identified inventory items with no sales or expected sales activity for finished goods or no usage for raw materials for a certain period of time. For those inventory items that are not currently being marketed and unable to be sold, a reserve was established for 100 percent of the inventory cost less any estimated scrap proceeds. The Company reserved \$317,000 and \$411,000 at December 31, 2018 and December 31, 2017, respectively.
- Estimated quantity losses. The Company performs an annual physical inventory during the fourth quarter each year. For those facilities that complete their physical inventory before the end of December, a reserve is established for the potential quantity losses that could occur subsequent to their physical. This reserve is based upon the most recent physical inventory results. At December 31, 2018 and December 31, 2017, the Company had \$360,000 and \$286,000, respectively, reserved for expected physical inventory quantity losses.

Impairment of Long-Lived Assets

The Company continually reviews the recoverability of the carrying value of long-lived assets. Long-lived assets are reviewed for impairment when events or changes in circumstances, also referred to as "triggering events", indicate that the carrying value of a long-lived asset or group of assets (the "Assets") may no longer be recoverable. Triggering events include: a significant decline in the market price of the Assets; a significant adverse change in the operating use or physical condition of the Assets; a significant adverse change in legal factors or in the business climate impacting the Assets' value, including regulatory issues such as

environmental actions; the generation by the Assets of historical cash flow losses combined with projected future cash flow losses; or the expectation that the Assets will be sold or disposed of significantly before the end of the useful life of the Assets.

Business Combinations

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

Goodwill

Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is tested for impairment at the reporting unit level, annually in the fourth quarter and whenever circumstances indicate that the carrying value may not be recoverable. The evaluation of impairment involves using either a step zero qualitative approach or a quantitative approach, if required, as outlined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 350. The step zero approach allows an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If an entity cannot make this determination, then the quantitative approach will be followed. The quantitative approach involves a comparison of the fair value of the reporting unit in which the goodwill is recorded to its carrying amount. If the reporting unit's fair value exceeds its carrying value, no impairment loss is recognized. However, if the reporting unit's carrying value exceeds its fair value, an impairment charge equal to the difference in the carrying value of the goodwill and reporting unit's fair value is recorded. The Company performed the qualitative analysis during the fourth quarter of 2018 which resulted in no impairment of the goodwill recognized of \$1,355,000 for the Specialty Chemicals Segment or the goodwill recognized of \$8,445,000 for the Metals Segment for the year ended December 31, 2018.

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

Earn-Out Liabilities

In connection with the MUSA-Stainless acquisition, the Company is required to make contingent earn-out payments to the prior owners based on actual sales levels of stainless steel pipe and tube (outside diameter of ten inches or less). In accordance with ASC Topic 805, Business Combinations, the Company determined the fair value of the MUSA-Stainless earn-out liability on the acquisition date using a Monte Carlo simulation model. Future changes to the fair value of the earn-out liability will be determined each quarter-end and charged to income or expense in the "Earn-Out Adjustments" line item in the Consolidated Statements of Operations and Comprehensive Income.

In connection with the MUSA-Galvanized acquisition, the Company is required to make contingent earn-out payments to the prior owners based on actual sales levels of galvanized pipe and tube. In accordance with ASC Topic 805, Business Combinations, the Company determined the fair value of the MUSA-Galvanized earn-out liability on the acquisition date by applying a probability-weighted expected return method, using management's projection of pounds to be shipped and future price per unit. Future changes to the fair value of the earn-out liability will be determined each quarter-end and charged to income or expense in the "Earn-Out Adjustments" line item in the Consolidated Statements of Operations and Comprehensive Income.

Liquidity and Capital Resources

The Company used cash flows for continuing operating activities during 2018 that totaled \$21,221,000; cash flows provided by continuing operating activities in 2017 totaled \$2,235,000, a year-over-year decrease of \$23,456,000. The significant components of those results are as follows:

- Net income for 2018 was \$13,097,000. Adding back non-cash, non-operating items, including a) depreciation and amortization expense of \$8,775,000, b) the earn-out adjustments of \$1,431,000 and c) the unrealized loss on investments in equity securities of \$2,573,000, resulted in favorable cash generation from continuing operations of \$25,876,000, an increase of \$16,418,000 from \$9,458,000 for the prior year. That prior year amount includes net income of \$1,341,000,

plus add backs for non-cash, non-operating items of a) depreciation and amortization of \$7,739,000, b) the earn-out adjustment of \$689,000 and c) a deduction for the gain on the sale of available for sale securities of \$310,000.

- Accounts receivable used \$10,413,000 of cash from operations during 2018 as sales increased 38 percent for November and December 2018 compared to the same two months of 2017. Accounts receivable days outstanding remained relatively stable, increasing from 51 days at the end of 2017 to 52 days at the end of 2018.
- Inventory used \$41,158,000 of cash from operations as the Company consciously increased inventory levels in 2018. The year-over-year increase, primarily related to the Metals Segment, included higher levels of pounds due to business activity (37 percent of the total or \$14,545,000), stainless steel surcharges (\$4.5 million), higher special alloy content due to strong backlog (\$4.6 million), advance buys of seamless carbon steel pipe and tube inventory to ensure supply in the face of strong demand (\$14.2 million), and generally higher replacement costs during 2018 as compared to 2017. Inventory turns decreased from 2.51 turns at December 31, 2017, calculated on a three-month average basis, to 1.81 turns at December 31, 2018.
- Accounts payable used \$234,000 of cash from operations in 2018, excluding the impact of the MUSA-Galvanized acquisition completed on July 1, 2018, as increased levels of business activity, which would normally increase the accounts payable balance, were offset by a return to a more normalized accounts payable days outstanding of approximately 46 days at December 31, 2018 compared to temporarily elevated 60 days at December 31, 2017, due to timing of higher 2017 year-end inventory purchases.

In 2018, the Company's current assets and current liabilities increased \$59,824,000 and \$3,987,000, respectively, from the year ended 2017 amounts, which caused working capital for 2018 to increase by \$55,837,000 to \$130,233,000 from the 2017 total of \$74,396,000. The current ratio for the year ended December 31, 2018, increased to 4.5:1 compared to the 2017 year-end ratio of 3.2:1.

The Company used cash from investing activities during 2018 of \$22,703,000. The MUSA-Galvanized acquisition during the third quarter 2018 used \$10,378,000 and the Company incurred capital asset purchases of \$7,355,000. Financing activities during 2018 generated \$46,151,000 of cash as the Company borrowed funds during 2018 for the aforementioned acquisition and capital purchases. The Company declared a \$0.25 per share dividend during the fourth quarter 2018 which resulted in a use of cash of \$2,215,000.

On October 30, 2017, the Company amended its Credit Agreement with its bank to increase the limit of its asset-based line of credit (the "Line") by \$20,000,000 to a maximum of \$65,000,000 and extended the maturity date to October 30, 2020. Interest under the Credit Agreement is calculated using the One Month LIBOR Rate (as defined in the Credit Agreement), plus a pre-defined spread. Borrowings under the Credit Agreement are limited to an amount equal to a Borrowing Base calculation (as defined in the Credit Agreement) that includes eligible accounts receivable and inventory. On June 29, 2018, the Company amended its Credit Agreement with its bank to increase the limit of the Line by \$15,000,000 to a maximum of \$80,000,000. As a result of the amendment, the interest rate on the Line is now calculated using One Month LIBOR plus a spread of 1.65

percent. None of the other provisions of the Credit Agreement were changed as a result of this amendment. On December 20, 2018, the Company amended its Credit Agreement with its bank to refinance and increase the Line from \$80,000,000 to \$100,000,000 and to create a new 5-year term loan in the principal amount of \$20,000,000 (the "Term Loan"). The Term Loan was used to finance the purchase of substantially all of the assets of American Stainless Tubing, Inc., a North Carolina corporation ("American Stainless") (see Note 23 to the Consolidated Financial Statements).

The Company determined that each refinancing should be accounted for as a debt modification. The Company incurred lender and third party costs associated with the debt restructuring that were capitalized on the balance sheet while certain other third party costs were expensed.

Pursuant to the Credit Agreement, the Company was required to pledge all of its tangible and intangible properties, including the stock and membership interests of its subsidiaries. In the Credit Agreement, the Company's bank agreed to release its liens on the real estate properties covered by the Purchase and Sale Agreement with Store Funding, as described in Note 12.

Covenants under the amended Credit Agreement include maintaining a minimum fixed charge coverage ratio, maintaining a minimum tangible net worth, and a limitation on the Company's maximum amount of capital expenditures per year, which is in line with currently projected needs. At December 31, 2018, the Company was in compliance with all debt covenants. The Company believes that its current liquidity position is sufficient to meet its needs going forward.

Results of Operations

Comparison of 2018 to 2017 – Consolidated

For the full-year 2018, net income totaled \$13,097,000, or \$1.48 per diluted earnings per share. This compared to full-year 2017 net income of \$1,341,000, or \$0.15 diluted earnings per share. For the fourth quarter of 2018 the Company recorded net income of \$549,436, or \$0.06 diluted earnings per share. This compares to net income of \$1,017,000, or \$0.11 diluted earnings per share for fourth quarter of 2017.

The full-year and fourth quarter of 2018 were negatively impacted by mark-to-market valuation losses on investments in equity securities totaling \$2,573,000 and \$2,050,000, respectively, compared to a valuation gain of \$310,000 for the full year of 2017 and no such gain or loss in the fourth quarter of 2017. The full-year and fourth quarter 2018 operating results include an operating profit of \$65,000 and \$96,000, respectively, due to Munhall-Galvanized's operations which were acquired in the third quarter 2018.

Full-year 2018 consolidated gross profit increased 82 percent to \$51,237,000, or 18 percent of sales, compared to \$28,081,000, or 14 percent of sales, in 2017. For the fourth quarter of 2018, consolidated gross profit was \$10,259,000, an increase of 34 percent from the fourth quarter of 2017 of \$7,663,000. Consolidated gross profit was 14 percent of sales for the fourth quarter of 2018 and 15 percent of sales for same period of 2017. The increases in dollars and in percentage of sales were attributable to the Metals Segment as discussed in the Metals Segment Comparison of 2018 to 2017 below.

Consolidated selling, general and administrative expense for 2018 increased by \$2,817,000 to \$27,692,000, or 10 percent of sales, compared to \$24,875,000, or 12 percent of sales for 2017. These costs increased \$1,307,000 during the fourth quarter of 2018 to \$7,262,000 compared to \$5,955,000 for the same period of 2017 and were 10 percent of sales for the fourth quarter of 2018 compared to 11 percent of sales for the fourth quarter of 2017. The most significant dollar increase for both the full year and fourth quarter of 2018 when compared to the same periods of 2017 resulted from higher incentive based bonuses, increases of \$2,009,000 and \$463,000, respectively. The inclusion of Munhall-Galvanized's selling, general and administrative expenses for the second half and fourth quarter of 2018, added \$328,000 and \$156,000, respectively. Because the MUSA-Galvanized acquisition occurred in July of 2018, none of Munhall-Galvanized's selling, general, and administrative expenses were included in the prior year. The Company also incurred lower lease expense of \$404,000 related to the inclusion of the Munhall facility into the Master Lease Agreement with Store Funding (see Note 12 to the Consolidated Financial Statements). The remainder of the increase for the year resulted primarily from:

- Higher personnel costs due to annual merit increases and growth-related staffing increases (\$767,000 higher for the full year and \$349,000 higher for the fourth quarter);
- Sales commissions related to higher sales (\$165,000 higher for the full year and \$169,000 higher for the fourth quarter)

In addition, the Company incurred \$1,212,000 for one-time acquisition costs associated with the 2018 MUSA-Galvanized acquisition and 2019 ASTI acquisition, compared to \$795,000 of acquisition costs in 2017. These costs were \$341,000 and \$13,000 for the fourth quarters of 2018 and 2017, respectively. These items will be discussed in greater detail in the respective sections below.

Comparison of 2017 to 2016 – Consolidated

For the full-year 2017, the net income from continuing operations totaled \$1,341,000, or \$0.15 per share. This compared to full-year 2016 net loss from continuing operations of \$6,994,000, or \$0.81 loss per share. For the fourth quarter of 2017 the Company recorded net income from continuing operations of \$1,017,000, or \$0.11 per share. This compares to net loss from continuing operations of \$1,436,000, or \$0.17 loss per share for fourth quarter of 2016. The full-year and fourth quarter 2017 operating results include an operating loss of \$245,000 and an operating profit of \$14,000, respectively, due to Munhall-Stainless' operations which were acquired in the first quarter 2017.

Consolidated gross profit from continuing operations increased 66 percent to \$28,081,000 in 2017, compared to \$16,904,000 in 2016, and, as a percent of sales, increased to 14 percent of sales in 2017 compared to twelve percent of sales in 2016. For the fourth quarter of 2017, consolidated gross profit from continuing operations was \$7,663,000, an increase of 108 percent from the fourth quarter of 2016 of \$3,684,000. Consolidated gross profit from continuing operations was 15 percent of sales for the fourth quarter of 2017 and eleven percent of sales for same period of 2016. The increases in dollars and in percentage of sales were attributable to the Metals Segment as discussed in the Metals Segment Comparison of 2017 to 2016 below.

Consolidated selling, general and administrative expense from continuing operations for 2017 increased by \$2,202,000 to \$24,875,000, or 12 percent of sales, compared to \$22,673,000, or 16 percent of sales for 2016. These costs increased \$407,000 during the fourth quarter of 2017 to \$5,955,000 compared to \$5,548,000 for the same period of 2016 and were 11 percent of sales

for the fourth quarter 2017 compared to 17 percent of sales for the fourth quarter of 2016. The dollar increase for both the year and fourth quarter of 2017 when compared to the same periods of 2016 resulted primarily from the inclusion of Munhall-Stainless' selling, general and administrative expenses for the entire year and fourth quarter for 2017. Since the MUSA-Stainless acquisition in February 2017, none of Munhall-Stainless' selling, general, and administrative expenses were included in 2016 results. This accounted for \$1,139,000 and \$356,000 of the annual and fourth quarter increase in selling, general and administrative costs for 2017. The remainder of the increase for the year resulted from higher incentive based bonuses, bad debt expense, stock compensation costs and personnel costs, partly offset by lower amortization and one-time sale-leaseback closing costs which were incurred in the prior year. In addition, the Company incurred \$795,000 for one-time acquisition related costs mainly associated with the MUSA-Stainless acquisition in 2017 compared to \$106,000 of one-time acquisition costs associated with this acquisition in 2016. These costs were \$13,000 and \$30,000 for the fourth quarters of 2017 and 2016, respectively. All of these items will be discussed in greater detail in the respective sections below.

Metals Segment

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

(in thousands)	2018		2017		2016	
	Amount	%	Amount	%	Amount	%
Net sales	\$ 222,242	100.0 %	\$ 152,957	100.0 %	\$ 90,215	100.0 %
Cost of goods sold	178,766	80.4 %	133,452	87.2 %	82,676	91.6 %
Gross profit	43,476	19.6 %	19,505	12.8 %	7,539	8.4 %
Selling, general and administrative expense	15,932	7.2 %	14,081	9.2 %	12,360	13.7 %
(Gain) loss on sale-leaseback	(240)	— %	(240)	(0.1)%	2,166	2.4 %
Operating income (loss)	\$ 27,784	12.5 %	\$ 5,664	3.7 %	\$ (6,987)	(7.7)%

Comparison of 2018 to 2017 - Metals Segment

The Metals Segment's net sales totaled \$222,242,000 for the full year of 2018, an increase of 45 percent compared to the same period of 2017. Net sales for the fourth quarter of 2018 totaled \$59,351,000, an increase of 44 percent compared to the fourth quarter 2017 net sales of \$41,136,000. Excluding Munhall-Galvanized, acquired in the third quarter of 2018, full-year 2018 sales increased 38 percent compared to the same period of 2017 and fourth quarter 2018 sales were 31 percent greater than the same period for 2017.

Stainless and galvanized steel pipe net sales from continuing operations increased 58 percent and 61 percent for the full-year and fourth quarter of 2018, respectively, when compared to the same periods of the prior year. Excluding Munhall-Galvanized, net sales would have increased 46 percent and 41 percent for the full year and fourth quarter of 2018, respectively. The total sales increase for the year resulted from a 60 percent increase in unit volumes partially offset by a two percent decrease in average selling price. For the fourth quarter, unit volumes increased 72 percent while the average selling price decreased six percent for 2018 compared to 2017. The lower average selling price for the full-year and fourth quarter resulted from the incremental sales of Munhall-Galvanized, as their sales of more commodity galvanized pipe and tube had an unfavorable effect on average selling prices. Excluding the impact of Munhall-Galvanized, the average selling price of stainless steel pipe and tube increased 19 percent and 29 percent for the full year and fourth quarter of 2018, respectively, compared to the same periods of 2017.

Seamless heavy-wall carbon steel pipe and tube sales increased 29 percent and 23 percent for the full-year and fourth quarter, respectively, of 2018 compared to the same periods of 2017. The full year sales increase was comprised of a six percent increase in unit volumes combined with a 21 percent increase in average selling price. For the fourth quarter, unit volumes decreased four percent while average selling prices increased 26 percent. Heavier demand in 2018, primarily related to stable demand in the oil and gas sector, improvements in demand in the general industrial sector, as well as tariff induced price increases, drove the sales increase.

Storage tank sales increased 15 percent and two percent for the full-year and fourth quarter, respectively, of 2018 when compared to the same periods for the prior year. The full-year increase was comprised of a 25 percent increase in the average selling price, offset by a 15 percent decline in the number of tanks sold. With a significant portion of the average price increase related to an increase in both size and complexity of tanks being purchased, the decline in units sold relates primarily to throughput capabilities rather than any decline in overall demand. As of December 31, 2018, backlog for storage tanks totaled \$20.7 million, an improvement of 20 percent over levels as of December 31, 2017. For the fourth quarter, the storage tank sales increase resulted from a 28 percent decrease in the number of tanks sold combined with a 44 percent increase in average selling price. The results highlight strong

demand and activity in the Permian Basin and other Palmer delivery areas, even as West Texas Intermediate ("WTI") pricing and other economic indicators have shown some variability during 2018.

The Metals Segment's operating income increased \$22,120,000 to \$27,784,000 for the full-year 2018 compared to operating income of \$5,664,000 for 2017. Fourth quarter 2018 operating income increased \$1,687,000 to \$4,692,000 compared to operating income of \$3,005,000 for the fourth quarter of 2017. Current year operating results were affected by the following factors:

- The addition of Munhall-Galvanized operations as noted above. The full-year 2018 and fourth quarter of 2018 operating results includes \$65,000 and \$95,000, respectively, for Munhall-Galvanized operations. These amounts do not reflect the earn-out adjustment for the year since that expense is not included in the Metals Segment's operating results.
- Nickel prices and resulting surcharges for 304 and 316 alloys ended the fourth quarter of 2018 lower than the previous quarter, with surcharges for both alloys decreasing by \$0.11 and \$0.13 per pound, respectively; average nickel prices for the quarter generated a net unfavorable operating impact of \$174,000 related to metal pricing, compared to an unfavorable net impact of \$998,000 for the fourth quarter of 2017. The current quarter's metal price change loss brought the full year metal price change gain to \$4,959,000, compared to the full year 2017 metal price change loss of \$2,634,000.
- Year over year changes in volume, pricing and product mix, as noted above, combined for a 53 percent improvement in gross profit margins in 2018 compared to 2017.
- Operating income from seamless carbon pipe and tube showed a significant 246 percent improvement over the prior year.

Selling, general and administrative expense increased \$1,852,000, or 13 percent, for the full-year 2018 when compared to 2017. This expense category was seven percent of sales for 2018 and nine percent of sales for 2017. For the fourth quarter, selling, general and administrative expense was \$4,109,000 (seven percent of sales) in 2018, an increase of \$746,000 from \$3,363,000 (eight percent of sales) for the same period of 2017. The dollar increase for both the year and fourth quarter of 2018 when compared to the same periods of 2017 were impacted by the inclusion of Munhall-Galvanized's selling, general and administrative expenses. Because the MUSA-Galvanized acquisition occurred in July of 2018, none of Munhall-Galvanized's selling, general and administrative expenses were included in the prior year. This accounted for \$328,000 and \$156,000 of the full-year and fourth quarter increase in selling, general and administrative costs for 2018. The remaining changes in selling, general and administrative expense resulted from:

- Higher incentive bonus expense (\$1,208,000 higher and \$160,000 higher for the full-year and fourth quarter, respectively);
- Lower lease expenses related to the inclusion of the Munhall facility into the Master Agreement with Store Funding (\$404,000 lower for the full year - see Note 12 to the Consolidated Financial Statements);
- Allocated administrative costs (higher by \$384,000 and \$96,000 for the full-year and fourth quarter, respectively);
- Compensation expenses primarily related to merit increases and higher direct sales headcount (higher by \$678,000 and \$260,000 for the full-year and fourth quarter, respectively), which were offset by lower commissions on a full year basis by \$303,000;
- Higher travel costs (higher by \$204,000 and \$67,000 for the full-year and fourth quarter, respectively);
- Higher bad debt expense (higher by \$184,000 and \$165,000 for full-year and fourth quarter, respectively); and
- Lower amortization expense (lower by \$63,000 and \$10,000 for the full-year and fourth quarter, respectively)

Comparison of 2017 to 2016 – Metals Segment

The Metals Segment's net sales from continuing operations increased 70 percent for the full-year 2017 as compared to the same period of 2016 and net sales for the fourth quarter of 2017 totaled \$41,136,000, an increase of 88 percent compared to 2016 net sales of \$21,883,000. Excluding Munhall-Stainless, full-year 2017 sales increased 41 percent compared to the same period of 2016 and fourth quarter 2017 sales were 48 percent greater than the same period for 2016.

Stainless steel pipe net sales from continuing operations increased 79 percent and 114 percent for the full-year and fourth quarter, respectively, of 2017 when compared to the same periods of the prior year. Excluding Munhall-Stainless, net sales would have

increased 33 percent and 46 percent for the full-year and fourth quarter, respectively, of 2017. The total pipe sales increase for the year resulted from a 88 percent increase in average unit volumes partially offset by a nine percent decrease in average selling price. For the fourth quarter, average unit volumes increased 131 percent while the average selling price decreased 17 percent for 2017 compared to 2016. The lower average selling price for the full-year and fourth quarter resulted from the incremental sales of Munhall-Stainless as their sales of smaller diameter pipe and tube had an unfavorable effect on average selling prices.

Seamless heavy-wall carbon steel pipe and tube sales increased 68 percent and 53 percent for the full-year and fourth quarter, respectively, of 2017 compared to the same periods of the prior year. The full year sales induction was comprised of a 63 percent increase in average unit volumes combined with a five percent increase in average selling price. For the fourth quarter, average unit volumes increased 45 percent while average selling prices increased eight percent. Heavier demand in 2017, primarily related to improvements in the oil and gas sector, drove the sales increase.

Storage tank sales increased 43 percent and 52 percent for the full-year and fourth quarter, respectively, of 2017 when compared to the same periods for the prior year. The full-year increase was comprised of a 15 percent increase in the number of tanks sold and 29 percent increase in average selling price. For the fourth quarter, the storage tank increase resulted from a 21 percent increase in the number of tanks sold combined with a 31 percent decrease in average selling price. The results highlight a move toward higher levels of activity in the Permian Basin and other Palmer delivery areas, as WTI pricing and other economic indicators have risen throughout the second half of 2017.

The Metals Segment's operating results from continuing operations increased \$12,651,000 to an operating profit of \$5,664,000 for the full-year 2017 compared to an operating loss of \$6,987,000 for 2016. For the fourth quarter, the Metals Segment's operating results from continuing operations increased \$4,331,000 to an operating profit of \$3,005,000 compared to a loss of \$1,326,000 for 2017 compared to 2016, respectively. Current year operating results were affected by the following factors:

- The addition of Munhall-Stainless operations as noted above. The full-year 2017 and fourth quarter of 2017 operating results includes \$443,000 and \$558,000, respectively, for Munhall-Stainless operations. These amounts do not reflect the earn-out adjustment for the year since that expense is not included in the Metals Segment's operating results.
- Nickel prices and resulting surcharges for 304 and 316 alloys experienced a rebound in the fourth quarter when compared to the third quarter of 2017. Surcharges for both alloys increased by \$0.14 per pound in the fourth quarter; however, the increase was not sufficient to offset the cumulative impact of third quarter declines, with the Metals Segment experiencing a metal price change loss of \$925,000 for the quarter, up from the prior year's fourth quarter metal price change loss of \$194,000. The current quarter's metal price change loss brought the full year metal price change loss to \$2,633,000, compared to the full year 2016 metal price change loss of \$5,751,000.
- Year over year changes in volume, pricing and product mix, as noted above, combined for a 36 percent improvement in gross profit margins in 2017 compared to 2016.
- Operating income from both seamless carbon pipe and tube and storage tanks and vessels continued to show solid improvement over the prior year.

Selling, general and administrative expense from continuing operations increased \$1,720,000, or 14 percent for the full-year 2017 when compared to 2016. This expense category was nine percent of sales for 2017 and 14 percent of sales for 2016. For the fourth quarter, selling, general and administrative expense was \$3,363,000 (eight percent of sales) in 2017, an increase of \$163,000 from \$3,200,000 (15 percent of sales) for the same period of 2016. The dollar increase for both the year and fourth quarter of 2017 when compared to the same periods of 2016 resulted primarily from the inclusion of Munhall-Stainless selling, general and administrative expenses. Since the MUSA-Stainless acquisition in February 2017, none of Munhall-Stainless' selling, general, and administrative expenses were included in the prior year. This accounted for \$1,139,000 and \$356,000 of the annual and fourth quarter increase in selling, general and administrative costs for 2017.

The remaining changes in selling, general and administrative expense resulted from:

- Incentive bonus expense (\$510,000 higher and \$6,000 lower for the full-year and fourth quarter, respectively);
- Allocated administrative costs (higher by \$312,000 and \$78,000 for the full-year and fourth quarter, respectively);
- Professional fees (lower by \$284,000 and \$23,000 for the full-year and fourth quarter, respectively);
- Loss on sale of fixed assets (higher by \$191,000 and \$30,000 for the full-year and fourth quarter, respectively);
- Travel costs (lower by \$161,000 and \$89,000 for the full-year and fourth quarter, respectively);
- Amortization expense (lower by \$120,000 and \$30,000 for the full-year and fourth quarter, respectively); and
- Salaries and wages (\$86,000 higher and \$103,000 lower for the full-year and fourth quarter, respectively).

Specialty Chemicals Segment

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

(Amounts in thousands)	2018		2017		2016	
	Amount	%	Amount	%	Amount	%
Net sales	\$ 58,599	100.0 %	\$ 48,191	100.0 %	\$ 48,351	100.0%
Cost of goods sold	50,393	86.0 %	39,217	81.4 %	38,884	80.4%
Gross profit	8,206	14.0 %	8,974	18.6 %	9,467	19.6%
Selling, general and administrative expense	4,327	7.4 %	4,679	9.7 %	4,579	9.5%
(Gain) loss on sale-leaseback	(95)	(0.2)%	(95)	(0.2)%	206	0.4%
Operating income	\$ 3,974	6.8 %	\$ 4,390	9.1 %	\$ 4,682	9.7%

Comparison of 2018 to 2017 – Specialty Chemicals Segment

Sales for the Specialty Chemicals Segment increased by 22 percent or \$10,408,000 to \$58,599,000 for 2018 compared to \$48,191,000 in 2017. For the fourth quarter of 2018, sales were \$13,323,000, representing a 14 percent increase from \$11,701,000 for the same quarter of 2017. Pounds shipped during the full-year decreased by one percent for 2018 compared to 2017. For the fourth quarter of 2018, pounds shipped increased eight percent. Overall selling prices increased 23 percent and six percent for the full-year and fourth quarter, respectively, of 2018 compared to the same periods of 2017. Net sales were favorably impacted during the full year and fourth quarter of 2018 from the initial ramp up of seven significant customers, a new fire retardant and new asphalt additive customers at our subsidiary, CRI Tolling (a one-time sourcing not planned to repeat in 2019), two new oil and gas customers and two new pulp/paper customers at our subsidiary, MC, and a new product launch from an existing customer at MC.

The Specialty Chemicals Segment's operating income for the full-year of 2018 decreased nine percent to \$3,974,000. The fourth quarter of 2018 increased 10 percent from the prior year quarter to \$649,000. While the fourth quarter showed modest improvement, the full second-half 2018 operating income results outperformed the prior year second-half by \$260,000, or 15 percent. During the second half of 2018, margins were realigned as new higher margin products were added to the portfolio. However, that strong second-half performance could not overcome a first-half shortfall of \$675,000, or 26 percent, compared to the prior year, yielding a net decline on both a dollar basis and operating margin percent basis for the full-year.

Selling, general and administrative expense decreased \$350,000 or seven percent, to \$4,327,000 in 2018 when compared to 2017 expense of \$4,679,000, which represented seven percent of sales and ten percent of sales, respectively. For the fourth quarter, selling, general and administrative expense was \$1,061,000 (eight percent of sales) in 2018, an increase of \$184,000 when compared to \$877,000 (seven percent of sales) for the same period of 2017.

The full-year decreases in selling, general and administrative expenses resulted from:

- Lower wages and benefits in 2018 (\$186,000 and \$38,000 lower for the full-year and fourth quarter, respectively);
- Lower professional fees and allocated expenses (\$361,000 and \$141,000 lower for the full-year and fourth quarter, respectively);
- Lower bad debt expenses (\$241,000 and \$15,000 lower for the full-year and fourth quarter, respectively); and
- A \$300,000 gain related to a legal settlement in 2018;

The full-year decreases were offset by:

- Higher sales commissions (\$468,000 and \$157,000 higher for the full-year and fourth quarter, respectively); and
- Higher incentive based bonuses (\$282,000 and \$220,000 higher for the full-year and fourth quarter, respectively)

Comparison of 2017 to 2016 – Specialty Chemicals Segment

Sales for the Specialty Chemicals Segment decreased \$161,000 to \$48,190,000 for 2017 compared to \$48,351,000 in 2016. For the fourth quarter of 2017, sales were \$11,701,000, representing a five percent increase from \$11,167,000 for the same quarter of 2016. Pounds shipped during the full-year decreased by nine percent for 2017 compared to 2016. For the fourth quarter of 2017, pounds shipped decreased 17 percent. Overall selling prices increased nine percent and 22 percent for the full-year and fourth quarter, respectively, of 2017 compared to the same periods of 2016. Net sales were negatively impacted during the full year and fourth quarter of 2017 by:

- The loss of a single customer in the second half of 2016 reduced sales in 2017 by approximately \$2,100,000;
- 2017 volume was negatively impacted by the slower than anticipated ramp up of our new fire retardant customer at CRI Tolling. Shipments did commence in the second half of the third quarter and continued to build into the fourth quarter to approximately 60 percent of expected volumes. Our agreement with this customer calls for an annual volume of 3,000,000 pounds, the run rate, which we now expect to achieve in the first quarter of 2018; and
- We experienced some delays in customer deliveries due to weather conditions and an industry wide diminished trucking capacity.

The Specialty Chemicals Segment's operating income for the full-year of 2017 decreased six percent to \$4,390,000. The fourth quarter of 2017 decreased 38 percent from the prior year quarter to \$594,000. Operating income for the full year 2017 was negatively impacted by an increase to the allowance for doubtful accounts of \$239,000 for one customer that became financially unstable and became uncollectable, and \$184,000 for the year and \$93,000 for the fourth quarter for one-time legal expenses. The decrease in operating income was partially offset by lower incentive based bonuses of \$223,000 for the year and \$255,000 for the fourth quarter along with a \$206,000 charge in the third quarter 2016 associated with the book loss on two Specialty Chemicals Segment properties sold as part of the sale-leaseback transaction closed in 2016 with no comparable loss recognized in 2017.

Selling, general and administrative expense increased \$99,000 or two percent in 2017 when compared to 2016, which represented 10 percent of sales and nine percent of sales, respectively. For the fourth quarter, selling, general and administrative expense was \$877,000 (seven percent of sales) in 2017, a decrease of \$191,000 when compared to \$1,068,000 (ten percent of sales) for the same period of 2016.

The full-year decreases in selling, general and administrative expenses resulted from:

- Lower wages and benefits in 2017 (\$265,000 and \$48,000 lower for the full-year and fourth quarter, respectively);
- Lower incentive based bonuses (\$223,000 and \$255,000 lower for the full-year and fourth quarter, respectively)

The full-year decreases were offset by:

- Higher bad debt expense (\$289,000 and \$15,000 higher for the full-year and fourth quarter, respectively);
- Higher professional fees (\$167,000 and \$93,000 higher for the full-year and fourth quarter, respectively); and
- Additional corporate costs allocated to the segment (\$192,000 and \$48,000 higher for the full-year and fourth quarter, respectively).

Comparison of 2018 to 2017 - Corporate

Corporate expenses increased \$1,364,000 to \$7,878,000, or three percent of sales, in 2018 up from \$6,514,000, three percent of sales, in 2017. The full-year increase resulted primarily from:

- Performance based bonuses increased \$520,000 from the prior year. Pre-defined Adjusted EBITDA targets were achieved in both 2018 and 2017;
- Acquisition costs increased \$417,000 from the prior year due to the MUSA-Galvanized acquisition in the third quarter of 2018 (see Note 18 to the Consolidated Financial Statements), as well as fourth quarter costs incurred due to the acquisition of American Stainless' assets, which transaction closed on January 1, 2019 (see Note 23 to the Consolidated Financial Statements); and
- Personnel costs were \$294,000 higher as a result of normal annual rate increases;

Interest expense was \$2,211,000 and \$985,000 for the full-years of 2018 and 2017, respectively. The increase was primarily related to higher average debt outstanding in the fourth quarter and full year of 2018, as additional borrowings were primarily related to acquisitions and to support working capital requirements associated with increased business activity.

Comparison of 2017 to 2016 – Corporate

Corporate expenses increased \$384,000 to \$6,514,000, or three percent of sales, in 2017 up from \$5,835,000, four percent of sales, in 2016. The full-year increase resulted primarily from:

- Professional fees increased \$148,000 from the prior year resulting from higher audit and banking fees in the current year;
- Personnel costs were \$145,000 higher as a result of normal annual rate increases;
- Performance based bonuses increased \$537,000 from the prior year. Pre-defined Adjusted EBITDA targets were achieved in 2017 but were not achieved in 2016; and

- Stock grant compensation expense increased \$147,000 as a result of awards granted in 2017 in addition to the amendment of the vesting schedules for the May 5, 2016 and February 8, 2017 stock grants awarded pursuant to the 2015 Stock Awards Plan.

These increases above were partially offset by:

- Shelf registration fees of \$145,000 and one-time closing costs associated with the sale-leaseback transaction of \$165,000 incurred in 2016 that did not recur in 2017;
- Lower rent expense as a result of an early lease termination fee of \$34,000 incurred in 2016 to move the location of the corporate office located in Richmond, VA; and
- Lower directors' fees of \$32,000 as a result of one director who did not renew his term for the 2017 year.

Acquisition costs of \$795,000 for 2017 and \$106,000 for 2016 resulted from costs associated with the MUSA-Stainless acquisition. See Note 18 to the consolidated financial statements.

Interest expense was \$985,000 and \$933,000 for the full-years of 2017 and 2016, respectively. The increase in interest expense during 2017 resulted from an increase in the average debt outstanding as a result of funds used for the MUSA-Stainless acquisition in the first quarter of 2017.

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

Contractual Obligations and Other Commitments:

As of December 31, 2018, the Company's contractual obligations and other commitments were as follows:

(Amounts in thousands)

	Total	Payment Obligations for the Year Ended					
		2019	2020	2021	2022	2023	Thereafter
Obligations:							
Revolving credit facility	\$ 76,405	\$ —	\$ —	\$ 76,405	\$ —	\$ —	\$ —
Interest on bank debt	9,285	3,446	3,446	2,393	—	—	—
Capital lease	1,077	354	358	347	18	—	—
Operating leases	61,355	3,207	3,244	3,239	3,225	3,103	45,337
Deferred compensation ⁽¹⁾	179	21	21	21	17	17	82
Total	\$ 148,301	\$ 7,028	\$ 7,069	\$ 82,405	\$ 3,260	\$ 3,120	\$ 45,419

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

Current Conditions and Outlook

While 2018 set records for sales and earnings, our expectations for 2019 are even higher. As is typical after completing an acquisition, our pipeline of opportunities continues to increase as we are contacted by investment bankers with new prospects. Our leverage following the ASTI acquisition was higher than our historical metrics, but we expect to be well positioned by mid-year to take on another acquisition, should we find a suitable partner.

Item 7A Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to market risks from adverse changes in interest rates and nickel prices.

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

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

At December 31, 2018

- \$76,405,000 under a revolving line of credit with an availability of \$17,455,000, expiring on December 20, 2021 with a variable interest rate of 4.19 percent.
- An interest rate swap contract with a notional amount of \$8,250,000 which fixes the term loan interest rate at 3.74 percent. The fair value of the interest rate swap contract was an asset to the Company of \$147,000.

The Company hedges its nickel exposure to provide coverage against extreme downside product pricing exposure related to the content of nickel alloy contained in purchased stainless steel inventory. The sales price of stainless steel product (containing nickel alloy) is subject to a variable pricing component for alloys (nickel, chrome, molybdenum and iron) contained in the product. Each month, industry pricing indices are published which set the following month's price surcharges for those alloys. The Company typically holds approximately six to seven months of inventory, with fixed priced purchase orders (where the alloy pricing index is "locked", eliminating the Company's exposure) consisting of approximately 50 percent of held stainless steel inventories. As a result, the eventual sales prices for approximately 50 percent of held stainless steel inventories will vary until a customer order commitment is received, and the selling price is established. The Company's downside exposure is limited to the potential that the total of the fair value of the nickel contracts would be reduced to zero, if nickel pricing does not decline to the contracted strike prices. The program is designed to mitigate but not eliminate the Company's nickel pricing exposure. At December 31, 2018, the Company had no such contracts in place. The Company had a hedge position equal to 1,351,000 of pounds of nickel, representing 53 percent of the Company's total nickel content of stainless steel pounds in inventory at December 31, 2017. The fair value of the nickel contracts at December 31, 2017 was an asset of approximately \$9,000.

Item 8 Financial Statements and Supplementary Data

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

Consolidated Balance Sheets

As of December 31, 2018 and 2017

	2018	2017
Assets		
<i>Current assets</i>		
Cash and cash equivalents	\$ 2,220,272	\$ 14,706
Accounts receivable, less allowance for doubtful accounts of \$169,107 and \$35,000, respectively	41,065,251	28,704,481
Inventories, net		
Raw materials	59,778,767	37,748,316
Work-in-process	21,033,532	9,491,408
Finished goods	33,389,087	24,885,457
Total inventories, net	114,201,386	72,125,181
Prepaid expenses and other current assets	9,983,416	6,802,072
Total current assets	167,470,325	107,646,440
Property, plant and equipment, net	40,924,455	35,080,009
Goodwill	9,799,992	6,003,525
Intangible assets, net	9,696,112	10,880,521
Deferred charges, net and other non-current assets	507,962	263,655
Total assets	\$ 228,398,846	\$ 159,874,150
Liabilities and Shareholders' Equity		
<i>Current liabilities</i>		
Accounts payable	\$ 25,073,698	\$ 24,256,812
Accrued expenses	12,163,686	8,993,454
Total current liabilities	37,237,384	33,250,266
Long-term debt	76,405,458	25,913,557
Long-term portion of earn-out liability	4,702,562	3,170,099
Long-term deferred sale-leaseback gain	5,599,077	5,933,350
Deferred income taxes	252,988	635,910
Other long-term liabilities	1,717,291	1,270,542
<i>Shareholders' equity</i>		
Common stock, par value \$1 per share - authorized 24,000,000 shares; issued 10,300,000 shares	10,300,000	10,300,000
Capital in excess of par value	36,520,840	35,193,152
Retained earnings	68,965,410	58,129,382
Accumulated other comprehensive loss	—	(10,864)
	115,786,250	103,611,670
Less cost of common stock in treasury - 1,424,279 and 1,566,769 shares, respectively	13,302,164	13,911,244
Total shareholders' equity	102,484,086	89,700,426
<i>Commitments and contingencies – see Note 13</i>		
Total liabilities and shareholders' equity	\$ 228,398,846	\$ 159,874,150

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations and Comprehensive Income
Years ended December 31, 2018, 2017, and 2016

	2018	2017	2016
Net sales	\$ 280,841,419	\$ 201,147,682	\$ 138,565,782
Cost of sales	229,604,080	173,066,732	121,661,303
Gross profit	51,237,339	28,080,950	16,904,479
Selling, general and administrative expense	27,691,874	24,874,589	22,672,872
Acquisition related costs	1,211,797	794,983	106,227
Earn-out adjustments	1,430,682	688,523	—
(Gain) loss on sale-leaseback	(334,273)	(334,273)	2,371,778
Operating income (loss)	21,237,259	2,057,128	(8,246,398)
Other (income) and expense			
Interest expense	2,210,506	985,366	932,572
Change in fair value of interest rate swap	(19,484)	(96,696)	12,997
Other, net	2,572,598	(310,043)	—
Income (loss) before income taxes	16,473,639	1,478,501	(9,191,967)
Provision for (benefit from) income taxes	3,376,210	137,139	(2,198,000)
Net income (loss) from continuing operations	13,097,429	1,341,362	(6,993,967)
Net loss from discontinued operations, net of tax	—	—	(99,334)
Net income (loss)	\$ 13,097,429	\$ 1,341,362	\$ (7,093,301)
Other comprehensive loss, net of tax:			
Unrealized gains on available for sale securities, net of tax of \$186,384	—	355,482	—
Reclassification adjustment for gains included in net income, net of tax of \$189,633	—	(366,346)	—
Comprehensive income (loss)	\$ 13,097,429	\$ 1,330,498	\$ (7,093,301)
Net income (loss) per common share from continuing operations:			
Basic	\$ 1.49	\$ 0.15	\$ (0.81)
Diluted	\$ 1.48	\$ 0.15	\$ (0.81)
Net loss per diluted common share from discontinued operations:			
Basic	\$ —	\$ —	\$ (0.01)
Diluted	\$ —	\$ —	\$ (0.01)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Cost of Common Stock in Treasury	Total
Balance at December 31, 2015	\$ 10,300,000	\$ 34,476,240	\$ 65,029,474	\$ —	\$ (14,651,420)	\$ 95,154,294
Net loss	—	—	(7,093,301)	—	—	(7,093,301)
Dividend on stock grant forfeiture	—	—	360	—	—	360
Issuance of 62,124 shares of common stock from the treasury	—	(221,507)	—	—	547,125	325,618
Stock options exercised for 666 shares, net	—	—	—	—	—	—
Employee stock option and grant compensation	—	459,473	—	—	—	459,473
Purchase of 29,500 shares of common stock	—	—	—	—	(253,889)	(253,889)
Balance at December 31, 2016	10,300,000	34,714,206	57,936,533	—	(14,358,184)	88,592,555
Net income	—	—	1,341,362	—	—	1,341,362
Other comprehensive loss	—	—	—	(10,864)	—	(10,864)
Payment of dividends, \$0.13 per share	—	—	(1,148,513)	—	—	(1,148,513)
Stock options exercised for 5,389 shares, net	—	68,469	—	—	(68,469)	—
Issuance of 58,532 shares of common stock from the treasury	—	(227,939)	—	—	515,409	287,470
Employee stock option and grant compensation	—	638,416	—	—	—	638,416
Balance at December 31, 2017	10,300,000	35,193,152	58,129,382	(10,864)	(13,911,244)	89,700,426
Net income	—	—	13,097,429	—	—	13,097,429
Cumulative adjustment due to adoption of ASU 2016-01 (see Note 1)	—	—	(10,864)	10,864	—	—
Payment of dividends, \$0.25 per share	—	—	(2,250,537)	—	—	(2,250,537)
Issuance of 66,632 shares of common stock from the treasury	—	(316,705)	—	—	592,705	276,000
Stock options exercised for 31,488 shares, net	—	246,757	—	—	(395,508)	(148,751)
Employee stock option and grant compensation	—	826,998	—	—	—	826,998
44,378 shares issued in connection with at-the-market offering	—	570,638	—	—	411,883	982,521
Balance at December 31, 2018	\$ 10,300,000	\$ 36,520,840	\$ 68,965,410	\$ —	\$ (13,302,164)	\$ 102,484,086

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows
Years ended December 31, 2018, 2017 and 2016

	2018	2017	2016
Operating activities			
Net income (loss)	\$ 13,097,429	\$ 1,341,362	\$ (7,093,301)
Income from discontinued operations, net of tax	—	—	99,334
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation expense	6,411,900	5,294,695	4,235,203
Amortization expense	2,363,277	2,443,117	2,459,787
Amortization of debt issuance costs	132,030	60,529	72,290
Unrealized loss on equity securities	2,572,703	—	—
Deferred income taxes	(382,922)	(1,037,183)	(1,407,462)
Gain on sale of available for sale securities	—	(310,043)	—
Earn-out adjustments	1,430,682	688,523	—
Payments of MUSA-Stainless earn-out liability in excess of acquisition date fair value	(194,462)	—	—
Provision for (reduction of) losses on accounts receivable	239,851	201,641	(45,151)
Provision for losses on inventories	1,827,574	1,196,428	983,505
(Gain) loss on sale of property, plant and equipment	(17,762)	25,730	2,294,917
Amortization of deferred gain on sale-leaseback	(334,273)	(334,273)	(83,569)
Straight line lease cost	445,230	397,071	101,633
Change in cash value of life insurance	—	—	1,502
Change in fair value of interest rate swap	(19,484)	(96,696)	12,997
Issuance of treasury stock for director fees	276,000	287,500	330,000
Employee stock option and grant compensation	826,998	638,416	459,473
Dividend on stock grant forfeiture	—	—	360
Changes in operating assets and liabilities:			
Accounts receivable	(10,413,480)	(10,877,176)	(37,676)
Inventories	(41,157,779)	(7,088,100)	2,032,621
Other assets and liabilities	(1,523,569)	11,229,799	(11,767,808)
Accounts payable	(234,353)	7,572,308	4,418,578
Accrued expenses	2,093,353	(9,424,395)	9,582,445
Accrued income taxes	1,339,561	26,197	(1,294,557)
Net cash (used in) provided by continuing operating activities	(21,221,496)	2,235,450	5,355,121
Net cash used in discontinued operating activities	—	—	(3,843,137)
Net cash (used in) provided by operating activities	(21,221,496)	2,235,450	1,511,984
Investing activities			
Purchases of property, plant and equipment	(7,354,737)	(5,278,608)	(3,044,411)
Proceeds from sale of property, plant and equipment	—	72,789	22,215,362
Purchases of equity securities	(4,970,470)	(4,382,865)	—
Proceeds from available for sale securities	—	4,141,564	—
Acquisition of the stainless pipe and tube assets of Marcegaglia USA, Inc. ("MUSA")	—	(11,953,513)	(3,000,000)
Acquisition of the galvanized pipe and tube assets of MUSA	(10,378,282)	—	—
Proceeds from life insurance policies	—	—	1,502,283
Net cash (used in) provided by investing activities	(22,703,489)	(17,400,633)	17,673,234
Financing activities			
Net borrowings from line of credit	50,491,901	17,109,351	6,928,640
Net proceeds from at-the-market offering	982,519	—	—
Payments on long-term debt	—	—	(26,068,228)
Payments on capital lease obligation	(336,711)	(124,999)	(65,966)
Payments on earn-out liabilities to MUSA sellers	(2,260,984)	(518,456)	—
Payments of debt issuance costs	(382,206)	(200,367)	(54,326)
Proceeds from exercised stock options	141,853	—	—
Dividends paid	(2,215,215)	(1,148,513)	—
Tax withholdings related to net share settlements of exercised stock options	(290,606)	—	—
Purchase of common stock	—	—	(253,889)
Net cash provided by (used in) financing activities	46,130,551	15,117,016	(19,513,769)
Increase (decrease) in cash and cash equivalents	2,205,566	(48,167)	(328,551)
Cash and cash equivalents at beginning of year	14,706	62,873	391,424
Cash and cash equivalents at end of year	\$ 2,220,272	\$ 14,706	\$ 62,873

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

Description of Business

Synalloy Corporation (the "Company") was incorporated in Delaware 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.

The Company's business is divided into two reportable operating segments, the Metals Segment and the Specialty Chemicals Segment. As of December 31, 2018, the Metals Segment operated as three reportable units including BRISMET, Palmer, and Specialty. As of January 1, 2019, the Metals Segment also includes ASTI; see Note 23 to the consolidated financial statements. Two other operations, Bristol Fab (a division of BRISMET) and Ram-Fab, LLC, were sold or closed during 2014; see Note 19. BRISMET manufactures stainless steel and special alloy pipe and tube, Palmer manufactures liquid storage solutions and separation equipment and Specialty is a master distributor of seamless carbon pipe and tube. The Specialty Chemicals Segment operates as one reportable unit and is comprised of MC and CRI Tolling, and produces specialty chemicals.

Principles of Consolidation

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

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

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

Inventories

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

Inventory cost is adjusted when its recorded cost is below net realizable value. At the end of each quarter, all facilities review recent sales reports to identify sales price trends that would indicate products or product lines that are being sold below cost. This would indicate that an adjustment would be required.

In addition, the Company establishes inventory reserves for:

- Estimated obsolete or unmarketable inventory. The Company identified inventory items with no sales activity for finished goods or no usage for raw materials for a certain period of time. For those inventory items not currently being marketed and unable to be sold, a reserve was established for 100 percent of the inventory cost less any estimated scrap proceeds. The Company reserved \$316,903 and \$411,157 at December 31, 2018 and December 31, 2017, respectively.
- Estimated quantity losses. The Company performs an annual physical count of inventory during the fourth quarter each year. For those facilities that complete their physical inventory counts before the end of December, a reserve is established for the potential quantity losses that could occur subsequent to their physical inventory. This reserve is based upon the most recent physical inventory results. At December 31, 2018 and December 31, 2017, the Company had \$359,505 and \$285,627, respectively, reserved for physical inventory quantity losses.

Property, Plant and Equipment

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

Business Combinations

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

Goodwill, Intangible Assets and Deferred Charges

Goodwill, arising from the excess of purchase price over fair value of net assets of businesses acquired, is not amortized but is reviewed annually, at the reporting unit level, in the fourth quarter for impairment and whenever events or circumstances indicate that the carrying value may not be recoverable. No goodwill impairment was identified as a result of the testing procedures performed for the years ended December 31, 2018 and December 31, 2017.

Intangible assets represent the fair value of intellectual, non-physical assets resulting from business acquisitions. Deferred charges represent other intangible assets and debt issuance costs. Intangible assets are amortized over their estimated useful lives using either an accelerated or straight-line method. Deferred charges are amortized over their estimated useful lives using the straight-line method. Deferred charges are amortized over a period ranging from three to ten years and intangible assets are amortized over a period ranging from eight to 15 years. The weighted average amortization period for the customer relationships is approximately eleven years.

Deferred charges and intangible assets totaled \$23,247,498 and \$21,837,351 at December 31, 2018 and December 31, 2017, respectively. Accumulated amortization of deferred charges and intangible assets as of December 31, 2018 and December 31, 2017 totaled \$13,043,424 and \$10,693,175, respectively.

Estimated amortization expense for the next five fiscal years based on existing intangible assets, excluding deferred charges is as follows:

2019	2,297,570
2020	2,129,528
2021	2,021,486
2022	1,790,631
2023	328,416
Thereafter	1,128,754

The Company recorded amortization expense of \$2,363,277, \$2,443,117 and \$2,459,787 for 2018, 2017 and 2016, respectively, which excludes amortization expense of debt issuance costs, which is reflected in the consolidated financial statements as interest expense.

Earn-Out Liability

In connection with the MUSA-Stainless acquisition on February 28, 2017, the Company is required to make contingent earn-out payments to the prior owners based on actual sales levels of stainless steel pipe and tube (outside diameter of ten inches or less). The Company determined the fair value of the earn-out liability on the acquisition date using a Monte Carlo simulation model. Changes to the fair value of the earn-out liability are determined each quarter-end and charged to income or expense in the "Earn-Out Adjustments" line item in the Consolidated Statements of Operations and Comprehensive Income.

In connection with the MUSA-Galvanized acquisition on July 1, 2018, the Company is required to make quarterly earn-out payments for a period of four years following closing, based on actual sales levels of galvanized pipe and tube. The fair value of

the contingent consideration was estimated by applying the probability-weighted expected return method using management's estimates of pounds to be shipped and future price per unit. Changes to the fair value of the earn-out liability are determined each quarter-end and charged to income or expense in the "Earn-Out Adjustments" line item in the Consolidated Statements of Operations and Comprehensive Income.

Revenue Recognition

Revenues are recognized when control of the promised goods or services is transferred to our customers upon shipment, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Substantially all of the Company's revenues are derived from contracts with customers where performance obligations are satisfied at a point-in-time. Our contracts with customers may include multiple performance obligations. For such arrangements, revenue for each performance obligation is based on its standalone selling price and revenue is recognized as each performance obligation is satisfied. The Company generally determines standalone selling prices based on the prices charged to customers using the adjusted market assessment approach or expected cost plus margin. Deferred revenues are recorded when cash payments are received in advance of satisfying the performance obligation, including amounts which are refundable.

Shipping Costs

Shipping costs of approximately \$9,846,616, \$7,502,945 and \$4,488,041 in 2018, 2017 and 2016, respectively, are recorded in cost of goods sold.

Research and Development Expenses

The Company incurred research and development expense of approximately \$548,464, \$556,181 and \$603,067 in 2018, 2017 and 2016, respectively.

Income Taxes

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

Additionally, the Company maintains reserves for uncertain tax provisions.

Earnings Per Share of Common Stock

Earnings per share of common stock are computed based on the weighted average number of basic and diluted shares outstanding during each period.

Fair Market Value

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

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

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

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

Estimates of fair value using levels 2 and 3 may require judgments as to the timing and amount of cash flows, discount rates, and other factors requiring significant judgment, and the outcomes may vary widely depending on the selection of these assumptions. The Company's most significant fair value estimates as of December 31, 2018 and December 31, 2017 relate to the purchase price allocation relating to the 2017 MUSA-Stainless and 2018 MUSA-Galvanized acquisitions, earn-out liabilities, nickel forward

option contracts, estimating the fair value of the reporting units in testing goodwill for impairment, estimating the fair value of the interest rate swap, and providing disclosures of the fair values of financial instruments.

Use of Estimates

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

Concentrations of Credit Risk

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

Recent accounting pronouncements

Recently Issued Accounting Standards - Adopted

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, "*Revenue from Contracts with Customers (Topic 606)*". Topic 606 supersedes the revenue recognition requirements in Topic 605 "Revenue Recognition" (Topic 605), and requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted Topic 606 as of January 1, 2018 using the modified retrospective transition method. The adoption of this Topic did not have an effect on the Company's consolidated financial statements. See Note 22 for further details.

In January 2016, the FASB issued ASU No. 2016-01, "*Financial Instruments (Topic 825)*", to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The standard requires equity investments (except for those under the equity method of accounting) to be measured at fair value, with changes in fair value recognized in net income. The amendments in the update supersede the guidance to classify equity securities with readily determinable fair values into different categories, and require equity securities to be measured at fair value with changes recognized in net income as opposed to comprehensive income. The Company adopted ASU 2016-01 effective January 1, 2018 and the effects of this standard are included in the accompanying consolidated financial statements. The Company applied the standard by means of a cumulative effective adjustment to the balance sheet as of January 1, 2018, which resulted in a reclassification of \$10,864 from Accumulated Other Comprehensive Loss to Retained Earnings. The adoption of this standard also resulted in a \$2,573,000 mark-to-market valuation loss on investments in equity securities recognized in net income in 2018, which would have previously been recorded to Comprehensive Income.

In January 2017, the FASB issued ASU No. 2017-01 "*Business Combinations (Topic 805): Clarifying the Definition of a Business.*" ASU 2017-01 provides guidance to evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. If substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single asset or a group of similar assets, the assets acquired (or disposed of) are not considered a business. The Company adopted ASU 2017-01 as of January 1, 2018 on a prospective basis. The adoption of this Topic did not have an effect on the Company's consolidated financial statements as of December 31, 2018.

In May 2017, the FASB issued ASU 2017-09, "*Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting,*" which amends the scope of modification accounting for share-based payment arrangements, provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. The Company adopted ASU 2017-09 as of January 1, 2018 on a prospective basis. The adoption of this Topic did not have an effect on the Company's consolidated financial statements as of December 31, 2018.

Recently Issued Accounting Standards - Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02 "*Leases (Topic 842)*", as amended, which generally requires lessees to recognize operating and financing lease liabilities and corresponding right-of-use assets on the balance sheet and to provide enhanced disclosures surrounding the amount, timing and uncertainty of cash flows arising from leasing arrangements. We will adopt the new standard effective January 1, 2019 on a modified retrospective basis and will not restate comparative periods. We will elect the package of practical expedients permitted under the transition guidance, which allows us to carryforward our historical lease classification, our assessment on whether a contract is or contains a lease, and our initial direct costs for any leases that exist prior to adoption of the new standard. We did not elect the hindsight practical expedient to determine the reasonably certain lease

term for existing leases. We also elected to combine lease and non-lease components and elected the short-term lease recognition exemption for all leases that qualify. On adoption, we currently expect to recognize additional operating liabilities ranging from \$32,000,000 to \$36,000,000 with corresponding right-of-use assets of a materially similar amount based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases. The Company will also record a cumulative-effect adjustment to equity totaling approximately \$6,000,000 related to the derecognition of the existing deferred gain for a sale leaseback transaction that occurred in 2016 (see note 12 to the Consolidated Financial Statements). We do not expect the new standard to have a material impact on the consolidated statement of operations.

In August 2018, the FASB issued ASU No. 2018-13 "Fair Value Measurement (Topic 820)". The updated guidance improves the disclosure requirements on fair value measurements. The updated guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for any removed or modified disclosures. The Company is currently assessing the impact of adopting the updated provisions.

Note 2 Fair Value of Financial Instruments

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

Level 1 Financial Instruments

For short-term instruments, other than those required to be reported at fair value on a recurring basis and for which additional disclosures are included below, management concluded the historical carrying value is a reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization. Therefore as of December 31, 2018 and December 31, 2017, the carrying amount 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, approximates their fair value.

During 2018, the Company recorded an unrealized loss on its Level 1 investment in equity securities of \$2,572,703 which is included in "Other expense (income)" on the accompanying Consolidated Statement of Operations. The fair value of equity securities held by the Company as of December 31, 2018 and December 31, 2017 was \$2,935,000 and \$537,233, respectively, and is included in "Prepaid expenses and other current assets" on the accompanying Consolidated Balance Sheets. The equity securities are classified as Level 1 financial instruments. The Company did not have any equity securities at December 31, 2016.

During 2017, the Company sold shares of its equity securities investments. Proceeds from the sale totaled \$4,141,564 which resulted in a realized gain of \$310,043 which is included in other income on the accompanying consolidated statements of operations. As a result of the sale, unrealized gains of \$555,979, \$366,346 net of taxes, were reclassified out of accumulated other comprehensive income ("AOCI") with the realized gain on sale included in earnings. The Company used the average cost method to determine the realized gain or loss for each transaction.

Level 2 Financial Instruments

The Company has one interest rate swap contract, which is classified as a Level 2 financial instrument as it is not actively traded and is valued using pricing models that use observable market inputs. The fair value of the interest rate swap contract entered into on August 21, 2012 was an asset of \$147,465 and \$127,981 at December 31, 2018 and December 31, 2017, respectively. The interest rate swap was priced using discounted cash flow techniques. Changes in its fair value were recorded to other income (expense) with corresponding offsetting entries to current assets or liabilities, as appropriate. Significant inputs to the discounted cash flow model include projected future cash flows based on projected one-month LIBOR and the average margin for companies with similar credit ratings and similar maturities. See Note 17 for further discussion of interest rate swap.

To manage the impact on earnings of fluctuating nickel prices, the Company occasionally enters into three-month forward option contracts, which are classified as Level 2. At December 31, 2018, the Company had no such contracts in place. At December 31, 2017, the Company had contracts in place with notional quantities totaling 1,351,494 pounds with strike prices ranging from \$3.75 to \$4.64 per pound. The fair value of the option contracts was an asset of \$9,027 at December 31, 2017. The fair value of the contracts was priced using discounted cash flow techniques based on forward curves and volatility levels by asset class determined on the basis of observable market inputs, when available. Changes in their fair value were recorded to "Other expense (income)" with corresponding offsetting entries to other current assets.

Level 3 Financial Instruments

The fair value of contingent consideration liabilities ("earn-out") resulting from the 2017 MUSA-Stainless acquisition and 2018 MUSA-Galvanized acquisition are classified as Level 3. The fair value of the MUSA-Stainless earn-out was estimated by applying the Monte Carlo Simulation approach using management's projection of pounds to be shipped and future price per unit. The fair value of the MUSA-Galvanized earn-out was estimated by applying the probability-weighted expected return method, using

management's projection of pounds to be shipped and future price per unit. Each quarter-end, the Company re-evaluates its assumptions for both 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 the results of operations 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. There were no changes in the carrying amount of the earn-out liability for the year ended December 31, 2016.

The following table presents a summary of changes in fair value of the Company's Level 3 liabilities measured on a recurring basis for 2018:

MUSA Earn-Out Liabilities	
Balance at December 31, 2016	\$ —
Fair value of the earn-out liability associated with the MUSA-Stainless acquisition	4,663,783
Earn-out payments to MUSA	(518,456)
Changes in fair value during the period	688,523
Balance at December 31, 2017	\$ 4,833,850
Fair value of the earn-out liability associated with the MUSA-Galvanized acquisition	3,800,298
Earn-out payments to MUSA	(2,455,446)
Changes in fair value during the period	1,430,682
Balance at December 31, 2018	\$ 7,609,384

There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 in the years ended December 31, 2018 or December 31, 2017. There have also been no changes in the fair value methodologies used by the Company during the years ended December 31, 2018 or December 31, 2017.

Note 3 Property, Plant and Equipment

Property, plant and equipment consist of the following:

	2018	2017
Land	\$ 62,916	\$ 62,916
Leasehold improvements	1,162,942	544,186
Buildings	412,301	412,301
Machinery, fixtures and equipment	91,514,620	81,229,311
Machinery and equipment under capital lease	1,416,114	401,077
Construction-in-progress	3,643,795	2,881,654
	98,212,688	85,531,445
Less accumulated depreciation	57,288,233	50,451,436
Property, plant and equipment, net	\$ 40,924,455	\$ 35,080,009

The Company recorded depreciation expense of \$6,411,900, \$5,294,695, and \$4,235,203 for 2018, 2017 and 2016, respectively. Accumulated depreciation includes \$707,112 and \$86,357 at December 31, 2018 and December 31, 2017, respectively, for assets acquired under capital leases.

Note 4 Goodwill

Changes in the carrying amount of goodwill by segment for the year ended December 31, 2018 and December 31, 2017 are as follows:

	Specialty Chemicals Segment	Metals Segment	Total
Balance at December 31, 2016	\$ 1,354,730	\$ —	\$ 1,354,730
MUSA-Stainless Acquisition	—	4,648,795	4,648,795
Balance at December 31, 2017	\$ 1,354,730	\$ 4,648,795	\$ 6,003,525
MUSA-Galvanized Acquisition	—	3,796,467	3,796,467
Balance at December 31, 2018	\$ 1,354,730	\$ 8,445,262	\$ 9,799,992

Note 5 Long-term Debt

	2018	2017
\$100,000,000 Revolving line of credit, due December 20, 2021	\$ 76,405,458	\$ 25,913,557

On August 31, 2016, the Company amended its Credit Agreement with its bank to create a new credit facility in the form of an asset-based revolving line of credit (the "Line") in the amount of \$45,000,000. The Line was used to refinance and consolidate all previous debt agreements. The maturity date of the Line was February 28, 2019. Interest on the Line was calculated using the One Month LIBOR Rate (as defined in the Credit Agreement), plus a pre-defined spread. Borrowings under the Line were limited to an amount equal to a Borrowing Base calculation (as defined in the Credit Agreement) that includes eligible accounts receivable and inventory.

Pursuant to the Credit Agreement, the Company was required to pledge all of its tangible and intangible properties, including the stock and membership interests of its subsidiaries. In the Credit Agreement, the Company's bank agreed to release its liens on the real estate properties covered by the Purchase and Sale Agreement with Store Funding, as described in Note 12.

On October 30, 2017, the Company amended its Credit Agreement with its bank to increase the limit of the Line by \$20,000,000 to a maximum of \$65,000,000 and extended the maturity date to October 30, 2020. None of the other provisions of the Credit Agreement were changed as a result of this amendment.

On June 29, 2018, the Company amended its Credit Agreement with its bank to increase the limit of the Line by \$15,000,000 to a maximum of \$80,000,000. As a result of the amendment, the interest rate on the Line is now calculated using One Month LIBOR plus a spread of 1.65 percent. None of the other provisions of the Credit Agreement were changed as a result of this amendment.

On December 20, 2018, the Company amended its Credit Agreement with its bank to refinance and increase its Line from \$80,000,000 to \$100,000,000 and to create a new 5-year term loan in the principal amount of \$20,000,000 (the "Term Loan"). The Term Loan was used to finance the purchase of substantially all of the assets of American Stainless (see Note 23). The Term Loan's maturity date is February 1, 2024, and shall be repaid in 60 consecutive monthly installments. Interest on the Term Loan is calculated using the One Month LIBOR Rate (as defined in the Credit Agreement), plus 1.90 percent. The Line will be used for working capital needs and as a source for funding future acquisitions. The maturity date has been extended to December 20, 2021. Interest on the Line remains unchanged and is calculated using the One Month LIBOR Rate, plus 1.65 percent. Borrowings under the Line are limited to an amount equal to a Borrowing Base calculation that includes eligible accounts receivable and inventory.

Covenants under the Credit Agreement include maintaining a minimum fixed charge coverage ratio, maintaining a minimum tangible net worth, and a limitation on the Company's maximum amount of capital expenditures per year, which is in line with currently projected needs. The Company evaluated this transaction and determined the restructuring should be accounted for as a debt modification. The Company incurred lender and third party costs associated with the debt restructuring that were capitalized on the balance sheet in non-current assets. At December 31, 2018, the Company was in compliance with all debt covenants.

The Line interest rate was 4.19 percent and 3.44 percent at December 31, 2018 and December 31, 2017, respectively. Additionally, the Company is required to pay a fee equal to 0.15 percent on the average daily unused amount of the Line on a quarterly basis. As of December 31, 2018, the amount available for borrowing under the Line was \$93,860,450 of which \$76,405,458 was borrowed, leaving \$17,454,992 of availability. Average Line borrowings outstanding during fiscal 2018 and 2017 were \$49,030,098 and \$27,895,901 with weighted average interest rates of 4.51 percent and 3.09 percent, respectively.

The Company made interest payments on all credit facilities of \$1,725,150 in 2018, \$856,651 in 2017 and \$826,478 in 2016.

Note 6 Accrued Expenses

Accrued expenses consist of the following:

	2018	2017
Salaries, wages, and commissions	5,208,495	3,219,190
Taxes, other than income taxes	852,116	921,476
Current portion of earn-out liability	2,906,822	1,663,751
Advances from customers	177,518	184,874
Insurance	321,000	372,000
Professional fees	256,296	343,706
Warranty reserve	38,020	37,771
Benefit plans	265,605	208,717
Insurance financing liability	347,440	224,961
Current portion, capital lease obligation	267,028	76,198
Customer rebate liability	701,361	439,912
Current portion, environmental reserves	—	549,000
Current portion, deferred gain sale-leaseback	334,273	334,273
Other accrued items	487,712	417,625
Total accrued expenses	\$ 12,163,686	\$ 8,993,454

Note 7 Environmental Compliance Costs

Prior to 1987, the Company utilized certain products at its chemical facilities that are currently classified as hazardous materials. Testing of the groundwater in the areas of the former wastewater treatment impoundments at these facilities disclosed the presence of certain contaminants. In addition, several solid waste management units ("SWMUs") at the plant sites have been identified. During 2014, at the former Augusta, GA plant site, the Georgia Department of Natural Resources, Environmental Protection Division ("EPD") closed the surface impoundment regulated unit since the Company met post-closure clean-up goals and the Company renewed the Corrective Action Permit, which includes a site-wide corrective action plan, long-term monitoring and institutional controls; such actions were completed in the second quarter of 2018. In the first quarter of 2019, the Company and EPD executed an Environmental Covenant with respect to the Augusta, GA plant site. Because the Company does not anticipate material future costs associated with the corrective action efforts, no reserve was deemed necessary at December 31, 2018. At December 31, 2017, the Company had accrued \$474,000 for the completion of the site-wide corrective action plan. As a result of the evolving nature of the environmental regulations, the difficulty in estimating the extent and remedy of environmental contamination and the availability and application of technology, the estimated costs for future environmental compliance and remediation are subject to uncertainties and it is not possible to predict the amount or timing of future costs of environmental matters which may subsequently be determined.

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

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

Note 8 Deferred Compensation

The Company has deferred compensation agreements with certain former officers providing for payments for the longer of ten years or life from age 65. The present value of such vested future payments, \$116,785 at December 31, 2018 and \$159,080 at December 31, 2017, has been accrued.

Note 9 Stock Options, Stock Grants and New Stock Issues

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

	Weighted Average Exercise Price	Options Outstanding	Weighted Average Contractual Term (in years)	Intrinsic Value of Options	Options Available
At January 01, 2016	\$ 12.79	173,985	6.4	\$ —	152,028
Expired	\$ 16.01	(937)			937
At December 31, 2016	\$ 12.77	173,048	5.4	\$ —	152,965
Exercised	\$ 11.55	(25,632)		\$ 78,818	
Expired	\$ 15.26	(1,905)			1,905
At December 31, 2017	\$ 12.96	145,511	4.6	\$ 156,445	154,870
Exercised	\$ 12.09	(85,440)		\$ 842,742	
Expired	\$ 16.01	(975)			975
At December 31, 2018	\$ 14.16	59,096	4.8	\$ 143,737	155,845
Exercisable options	\$ 13.82	49,127	4.5	\$ 136,123	
Options expected to vest:					
				Grant Date Fair Value	
At December 31, 2016	\$ 14.72	43,286	7.1	\$ 6.24	
Vested	\$ 14.35	(17,574)		\$ 5.96	
Forfeited options	\$ 15.38	(62)			
At December 31, 2017	\$ 14.72	25,650	6.5	\$ 6.41	
Vested	\$ 14.78	(15,380)		\$ 6.38	
Forfeited options	\$ 16.01	(301)			
At December 31, 2018	\$ 15.83	9,969	6.0	\$ 6.44	

The following table summarizes information about stock options outstanding at December 31, 2018:

Range of Exercise Prices	Outstanding Stock Options			Exercisable Stock Options	
	Shares	Weighted Average		Shares	Weighted Average Exercise Price
		Exercise Price	Remaining Contractual Life in Years		
\$ 11.35	13,402	\$ 11.35	3.10	13,402	\$ 11.35
\$ 13.70	15,933	\$ 13.70	4.10	15,933	\$ 13.70
\$ 14.76	8,109	\$ 14.76	5.14	6,643	\$ 14.76
\$ 16.01	21,652	\$ 16.01	6.11	13,149	\$ 16.01
	59,096			49,127	

The 2011 Long-Term Incentive Stock Option Plan (the "2011 Plan") is an incentive stock option plan; therefore, there are no income tax consequences to the Company when an option is granted or exercised. The stock options will vest in 20 percent increments annually on a cumulative basis, beginning one year after the date of grant. In order for the options to vest, the employee must be in the continuous employment of the Company since the date of the grant. Any portion of the grant that has not vested will be forfeited upon termination of employment. Shares representing grants that have not yet vested will be held in escrow by the Company. An employee will not be entitled to any voting rights with respect to any shares not yet vested, and the shares are not transferable. On February 10, 2015, the Company granted options to purchase 32,532 shares of its common stock at an exercise price of \$16.01 per share to participants in the 2011 Plan. The per share weighted-average fair value of this stock option grant was \$6.39. The Black-Scholes model for this grant was based on a risk-free interest rate of two percent, an expected life of seven years, an expected volatility of 0.46 and a dividend yield of two percent.

In 2018 and 2017, options for 85,440 and 25,632 shares, respectively, were exercised by employees and directors for an aggregate exercise price of \$1,033,110 and \$296,050, respectively. The proceeds received by the Company were generated from the surrender of 10,578 shares previously owned from employees and directors in 2018 and from cash received of \$141,855 in 2018. No options were exercised by employees or directors in 2016. At the 2018, 2017 and 2016 respective year ends, options to purchase 49,127, 119,861 and 129,762 shares, respectively, with weighted average exercise prices of \$13.82, \$12.45 and \$12.12, respectively, were fully exercisable. Compensation cost charged against income before taxes for the options was approximately \$46,529 for 2018, \$80,966 for 2017 and \$135,085 for 2016. As of December 31, 2018, there was \$36,420 of unrecognized compensation cost related to unvested stock options granted under the Company's stock option plans. The weighted average period over which the stock option compensation cost is expected to be recognized is 1.06 years.

The Compensation & Long-Term Incentive Committee ("Compensation Committee") of the Board of Directors of the Company approved stock grants under the Company's 2005 Stock Awards Plan to certain management employees of the Company. The stock grants will vest in 20 percent increments annually on a cumulative basis, beginning one year after the date of grant. In order for the grants to vest, the employee must be in the continuous employment of the Company since the date of the grant. Any portion of the grant that has not vested will be forfeited upon termination of employment. Shares representing grants that have not yet vested will be held in escrow by the Company. An employee will not be entitled to any voting rights with respect to any shares not yet vested, and the shares are not transferable.

The 2015 Stock Awards Plan was approved by the Compensation Committee and authorizes the issuance of up to 250,000 shares which can be awarded for a period of 10 years from the effective date of the plan. Prior to May 9, 2017, as discussed below, the stock awards vest in 20 percent increments annually on a cumulative basis, beginning one year after the date of grant from shares held in treasury with the Company. In order for the awards to vest, the employee must be in the continuous employment of the Company since the date of the award. Any portion of an award that has not vested is forfeited upon termination of employment. The Company may terminate any portion of the award that has not vested upon an employee's failure to comply with all conditions of the award or the 2015 Stock Awards Plan. An employee is not entitled to any voting rights with respect to any shares not yet vested, and the shares are not transferable.

On February 19, 2016, the Compensation Committee approved stock grants under the Company's 2015 Stock Awards Plan to certain management employees of the Company where 50,062 shares with a market price of \$7.51 per share were granted under the Plan. On May 5, 2016, the Compensation Committee approved stock grants under the Company's 2015 Stock Awards Plan to certain management employees of the Company where 42,193 shares with a market price of \$8.05 per share were granted under the Plan.

On February 8, 2017, the Compensation Committee approved stock grants under the Company's 2015 Stock Awards Plan to certain management employees of the Company where 44,687 shares with a market price of \$12.30 per share were granted under the Plan.

On February 7, 2018, the Compensation Committee approved stock grants under the Company's 2015 Stock Awards Plan to certain management employees of the Company where 65,527 shares with a market price of \$12.47 per share were granted under the Plan. These stock awards vest in either 20 percent or 33 percent increments annually on a cumulative basis, beginning one year after the date of grant.

Effective May 1, 2017, the Company's Board of Directors approved the First Amendment to the 2015 Stock Awards Plan. The amendment grants the Compensation Committee the authority to establish and amend vesting schedules for stock awards made pursuant to the 2015 Stock Awards Plan. On May 9, 2017, the Committee approved the amendment of the vesting schedules for the May 5, 2016 and February 8, 2017 stock grants reducing the vesting period from five years to three years. As a result of this amendment, compensation expense increased in 2017 by \$75,756 and \$67,180, for the five employees receiving grants on May 5, 2016 and eight employees receiving grants on February 8, 2017, respectively.

On May 17, 2018, a majority of the shareholders of the Company, upon the recommendation of the Company's Board of Directors, voted to amend and restate the 2015 Stock Awards Plan to increase the authorization of issuances from 250,000 shares to 500,000 shares.

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

	Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2015	51,440	\$ 15.57
Granted February 19, 2016	50,062	\$ 7.51
Granted May 5, 2016	42,193	\$ 8.05
Vested	(21,133)	\$ 13.12
Forfeited	(1,260)	\$ 17.73
Outstanding at December 31, 2016	121,302	\$ 10.03
Granted February 8, 2017	44,687	\$ 12.30
Vested	(34,322)	\$ 10.45
Outstanding at December 31, 2017	131,667	\$ 10.69
Granted February 7, 2018	65,527	\$ 12.47
Vested	(51,775)	\$ 10.84
Forfeited	(3,245)	\$ 10.96
Outstanding at December 31, 2018	142,174	\$ 11.45

Compensation expense on the grants issued is charged against earnings equally before forfeitures, if any, over a period of 60 months from the date of the grants for grants prior to May 5, 2016, with the offset recorded in Shareholders' Equity. Compensation expense on grants issued after that date is charged against earnings over 36 months. Compensation cost charged against income for the awards was approximately \$780,469, \$616,571 net of income taxes, or \$0.07 per share for 2018, \$557,450, \$354,538 net of income taxes, or \$0.04 per share for 2017 and \$324,388, \$206,311 net of income taxes, or \$0.02 per share, for 2016. As of December 31, 2018, there was \$1,077,095 of total unrecognized compensation cost related to unvested stock grants under the Company's Stock Awards Plan. The weighted average period over which the stock grant compensation cost is expected to be recognized is 1.88 years.

Each year, the Company allows each non-employee director to elect to receive up to 100 percent of their annual retainer in restricted stock. The number of restricted shares issued is determined by the average of the high and low common stock price on the day prior to the Annual Meeting of Shareholders or the date prior to the appointment to the Board for those individuals that are appointed mid-term. On May 17, 2018, May 18, 2017 and May 5, 2016, non-employee directors received an aggregate of 14,857, 24,209 and 40,991 shares, respectively, of restricted stock in lieu of total retainer fees of \$276,000, \$287,500 and \$330,000, respectively. The shares granted to the directors are not registered under the Securities Act of 1933 and are subject to forfeiture in whole or in part upon the occurrence of certain events.

Note 10 Income Taxes

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

	2018	2017
Deferred income tax assets:		
Sale leaseback deferred gain	\$ 1,310,850	\$ 1,382,270
Inventory valuation reserves	174,377	209,745
Allowance for doubtful accounts	35,955	7,944
Inventory capitalization	1,500,710	943,203
Environmental reserves	—	124,029
Warranty accrual	8,084	8,132
Deferred compensation	28,090	36,617
Accrued bonus	910,824	483,238
Accrued expenses	22,957	24,749
State net operating loss carryforwards	1,934,071	2,069,258
Equity security mark to market	622,189	3,248
Straight line lease	230,841	123,570
Other	507,997	352,520
Total deferred income tax assets	7,286,945	5,768,523
Valuation allowance	(1,765,993)	(2,087,860)
Total net deferred income tax assets	5,520,952	3,680,663
Deferred income tax liabilities:		
Tax over book depreciation and amortization	5,120,533	3,971,816
Prepaid expenses	377,498	174,322
Interest rate swap	103,708	87,016
Other	172,201	83,419
Total deferred income tax liabilities	5,773,940	4,316,573
Deferred income taxes	\$ (252,988)	\$ (635,910)

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

	2018	2017	2016
Current:			
Federal	\$ 3,468,673	\$ 1,067,490	\$ (980,495)
State	290,459	106,832	190,230
Total current	3,759,132	1,174,322	(790,265)
Deferred:			
Federal	(107,879)	(1,043,384)	(1,329,302)
State	(275,043)	6,201	(78,433)
Total deferred	(382,922)	(1,037,183)	(1,407,735)
Total	\$ 3,376,210	\$ 137,139	\$ (2,198,000)

Tax benefit from discontinued operations amounted to \$51,000 for the fiscal year ended December 31, 2016. The Company did not have any discontinued operations for 2018 and 2017.

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

	2018		2017		2016	
	Amount	%	Amount	%	Amount	%
Tax at U.S. statutory rates	\$ 3,459,464	21.0 %	\$ 502,690	34.0 %	\$ (3,125,382)	34.0 %
State income taxes, net of federal tax benefit	268,924	1.6 %	65,546	4.4 %	(48,842)	0.5 %
State valuation allowance	(314,505)	(1.9)%	8,498	0.6 %	95,961	(1.0)%
Life insurance cash surrender value	—	— %	—	— %	503,700	(5.5)%
Manufacturing exemption	—	— %	(116,980)	(7.9)%	—	— %
Stock option compensation	(39,401)	(0.2)%	226	— %	45,929	(0.5)%
Rate change effects	—	— %	(380,961)	(25.8)%	—	— %
Other, net	1,728	— %	58,120	4.0 %	330,634	(3.6)%
Total	\$ 3,376,210	20.5 %	\$ 137,139	9.3 %	\$ (2,198,000)	23.9 %

Income tax payments of \$2,419,009, \$2,576,515 and \$991,888 were made in 2018, 2017 and 2016, respectively. The Company had state net operating loss carryforwards at the end of fiscal years 2018 and 2017 of \$46,511,086 and \$49,711,027, respectively. The majority of these losses will expire between the years of 2018 and 2037, while various losses are not subject to expiration. A valuation allowance has been set up against \$41,742,152 of these state net operating loss carryforwards because it is not more likely than not that the losses will be realized in the foreseeable future. The portion of the valuation allowance for the state net operating loss carryforwards was \$1,689,246 and \$2,064,674 at December 31, 2018 and December 31, 2017, respectively. In addition, a \$76,747 and \$23,186 valuation allowance was established at December 31, 2018 and 2017 respectively, for other deferred tax assets. This resulted in a valuation allowance decrease of \$321,867 all related to continuing operations.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The Company is no longer subject to U.S. federal examinations for years before 2014 or state income tax examinations for years before 2013.

The Company had no uncertain tax position activity during 2018 or 2017. The Company's continuing practice is to recognize interest and/or penalties related to income tax matters in the provision for income taxes. The Company had no accruals for uncertain tax positions including interest and penalties at the end of 2018.

On December 22, 2017, the Tax Cuts and Jobs Act ("The Tax Act") was signed into law by the President of the United States, enacting significant changes to the Internal Revenue Code effective January 1, 2018. The Tax Act includes a number of provisions including, but not limited to, a permanent reduction of the U.S. corporate tax rate from 35 percent to 21 percent, eliminating the deduction for domestic production activities, limiting the tax deductibility of interest expense, accelerating the expensing of certain business assets and reducing the amount of executive pay that could qualify as a tax deduction. Many effects of The Tax Act are international in nature, such as the one-time transition tax, base erosion anti-abuse tax and the global intangible low-taxed income tax, and thus would not pertain to the Company as it has no international operations.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of The Tax Act. During the fourth quarter ended December 31, 2018 the Company completed the accounting of certain income tax effects upon filing of the U.S. corporate income tax return. As a result, the Company recorded an insignificant amount of income tax expense to complete its accounting for The Tax Act, allowed under SAB 118.

Note 11 Benefit Plans and Collective Bargaining Agreements

The Company has a 401(k) Employee Stock Ownership Plan (the "401(k)/ESOP Plan") covering all non-union employees. Employees could contribute to the 401(k)/ESOP Plan up to 100 percent of their wages with a maximum of \$18,500 for 2018. Under the Economic Growth and Tax Relief Reconciliation Act, employees who are age 50 or older could contribute an additional \$6,000 per year for a maximum of \$24,500 for 2018. Contributions by the employees are invested in one or more funds at the direction of the employee; however, employee contributions cannot be invested in Company stock. For the year ended December 31, 2015, contributions by the Company were made in cash and then used by the 401(k)/ESOP Plan Trustee to purchase Company stock. Effective January 1, 2016, contributions by the Company are made in accordance with the investment elections made by each participant for his or her deferral contributions. The Company contributes on behalf of each eligible participant a matching contribution equal to a percentage determined each year by the Board of Directors. For 2018, 2017 and 2016 the maximum was 100 percent of employee contributions up to a maximum of four percent of their eligible compensation. The matching contribution is applied to the employee accounts after each payroll. Matching contributions of approximately \$694,795, \$608,473 and \$516,991 were made for 2018, 2017 and 2016, respectively. The Company may also make a discretionary contribution, which if made, would be distributed to all eligible participants regardless of whether they contribute to the 401(k)/ESOP Plan. No discretionary contributions were made to the 401(k)/ESOP Plan in 2018, 2017 or 2016.

The Company also has a 401(k) and Profit Sharing Plan (the "Bristol Plan") covering all employees as part of the United Steel Workers of America, Local Union 4586 Collective Bargaining Agreement ("Bristol CBA"). Employees could contribute to the Bristol Plan up to 60 percent of pretax annual compensation, as defined in the Bristol Plan, with a maximum of \$18,500 for 2018. Under the Economic Growth and Tax Relief Reconciliation Act, employees who are age 50 or older could contribute an additional \$6,000 per year for a maximum of \$24,500 for 2018. The Company contributes three percent of a participant's eligible compensation for the plan year, regardless of whether the participants contribute to the Bristol Plan. The Company's contributions were \$215,778, \$174,229 and \$136,763 for 2018, 2017 and 2016, respectively. Additional profit sharing amounts may also be contributed at the option of the Company's Board of Directors, which if made, would be allocated to participants based on the ratio of the participant's compensation to the total compensation of all participants eligible to participate in the Bristol Plan. No discretionary contributions were made to the Bristol Plan in 2018, 2017 or 2016.

In connection with the MUSA-Stainless acquisition discussed in Note 18, the Company assumed the rights and obligations pursuant to the Collective Bargaining Agreement (the "Munhall CBA") between MUSA and the United Steel Workers of America, Local Union 5852-22 (the "Munhall Union"). As a part of this Munhall CBA, the Company assumed the obligation of participating in the Steelworkers Pension Trust, a union-sponsored multi-employer defined benefit plan (the "Munhall Plan"), which covers all the Company's eligible Munhall Union employees. The Munhall Plan has a calendar plan year. Per the most recent available annual funding notice, the plan was at least 80 percent funded for the plan year ended December 31, 2017. Per the terms of the Munhall CBA the Company contributes 4 percent of each participant's eligible compensation for the 2018 plan year. Munhall Union employees make no contributions to the Munhall Plan. The Company's contributions are less than 5 percent of total contributions to the plan based on contributions for the plan year ended December 31, 2016. The Company's contributions to the Munhall Plan totaled \$129,403 and \$69,245 for the years ended December 31, 2018 and December 31, 2017, respectively. Additionally, as part of the Munhall CBA, members of the union are eligible to make deferral contributions to the Company's 401(k)/ESOP Plan per the plan guidelines; however they do not receive matching contributions of the 401(k)/ESOP Plan.

The Company also maintains a Collective Bargaining Agreement (the "Mineral Ridge CBA") with the United Steel Workers of America, Local Union 4564-07, which represents employees at the Specialty-Mineral Ridge facility. In connection with the Mineral Ridge CBA, the Company contributes to union-sponsored defined contribution retirement plans. Contributions relating to these plans were approximately \$32,034, \$29,042 and \$22,256 for 2018, 2017 and 2016, respectively.

Note 12 Leases

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

On September 30, 2016, pursuant to the terms and conditions of the PSA, the Syalloy Companies completed the sale of their real estate properties in Tennessee, South Carolina, Texas and Ohio to Store Funding for a purchase price of \$22,000,000. The net book value of the real estate properties sold totaled \$17,769,883 and the Company recognized a loss on the sale of certain locations of \$2,455,347. The Company also recognized a deferred gain of \$6,685,464 on the sale of certain locations which is being amortized on the straight-line method over the initial lease term of 20 years. The deferred gain recognized during the fourth quarter of 2016 totaled \$83,568 and reduced the net loss recognized at December 31, 2016 in the accompanying consolidated statements of operations to \$2,371,778. The deferred gain in each of the years ended 2018 and 2017 was \$334,273. Concurrent with the sale of its real properties, the Company leased back all real properties sold to Store Funding pursuant to a Master Lease Agreement dated September 30, 2016 (the "Master Lease"). The closing of the sale-leaseback transaction provided the Company with net proceeds

(after transaction-related costs) of \$21,925,000. The net proceeds were used to pay down debt under the Company's Credit Agreement, as described in Note 5.

The initial non-cancellable term of the lease was 20 years, with two renewal options of 10 years each. The lease includes a rent escalator equal to the lesser of 1.25 times the percentage increase in the Consumer Price Index since the previous increase or two percent. The lease met the operating lease requirements and has been accounted for as such.

On June 29, 2018, the Company and Store Funding amended and restated the Master Lease, pursuant to which the Company will lease the Munhall, PA facility, purchased by Store from MUSA on June 29, 2018, for the remainder of the initial term of 20 years set forth in the Master Lease, with two renewal options of 10 years each. The amended Master Lease includes a rent escalator equal to the lesser of 1.25 times the percentage increase in the Consumer Price Index since the previous increase or two percent.

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

The amount of future minimum lease payments under operating leases are as follows:

2019	3,207,053
2020	3,243,694
2021	3,238,745
2022	3,224,810
2023	3,102,815
Thereafter	45,337,403

Rent expense related to operating leases was \$3,994,012, \$3,339,600 and \$1,143,895 in 2018, 2017 and 2016, respectively.

The Company leases machinery and equipment for its manufacturing facilities in Cleveland, Tennessee and Andrews, Texas under capital leases. Future minimum commitments for capital leases are as follows:

2019	\$	354,299
2020		357,733
2021		346,570
2022		18,407
2023		—
Total minimum lease payments		1,077,009
Less imputed interest costs		164,826
Present value of net minimum lease payments	\$	912,183

The current portion due under the capital lease is included in accrued expenses and the long-term portion is included in other long-term liabilities in the accompanying consolidated balance sheets as of December 31, 2018 and December 31, 2017.

Note 13 Commitments and Contingencies

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

Note 14 Earnings Per Share

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

	2018	2017	2016
Numerator:			
Net income (loss) from continuing operations	\$ 13,097,429	\$ 1,341,362	\$ (6,993,967)
Net loss from discontinued operations, net of income taxes	\$ —	\$ —	\$ (99,334)
Denominator:			
Denominator for basic earnings per share - weighted average shares	8,806,079	8,704,730	8,649,745
Effect of dilutive securities:			
Employee stock options and stock grants	71,530	22,757	—
Denominator for diluted earnings per share - weighted average shares	8,877,609	8,727,487	8,649,745
Net earnings (loss) per share from continuing operations:			
Basic	\$ 1.49	\$ 0.15	\$ (0.81)
Diluted	\$ 1.48	\$ 0.15	\$ (0.81)
Net loss per share from discontinued operations:			
Basic	\$ —	\$ —	\$ (0.01)
Diluted	\$ —	\$ —	\$ (0.01)

The diluted earnings per share calculations exclude the effect of potentially dilutive shares when the inclusion of those shares in the calculation would have an anti-dilutive effect. The Company had weighted average shares of common stock of 600 in 2018, 86,524 in 2017 and 295,287 in 2016, which were not included in the diluted earnings per share calculation as their effect was anti-dilutive.

Note 15 Industry Segments

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

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

Segment operating income is the segment's total revenue less operating expenses. Identifiable assets, all of which are located in the United States, are those assets used in operations by each segment. The Metals Segment's identifiable assets did not include any goodwill in 2016. In relation to 2017 MUSA-Stainless and 2018 MUSA-Galvanized acquisitions (see Note 18), the Metals Segment recognized goodwill of \$4,648,795 in 2017 and \$3,796,467 in 2018, respectively. The Specialty Chemicals Segment's identifiable assets include goodwill of \$1,354,730 in 2018 and 2017. Centralized data processing and accounting expenses are

allocated to the two segments based upon estimates of their percentage of usage. Unallocated corporate expenses include environmental charges of \$50,617, \$37,748 and \$48,000 for 2018, 2017 and 2016, respectively. Corporate assets consist principally of cash, certain investments and equipment.

Segment Information:

All values are for continuing operations only.

	2018	2017	2016
Net sales			
Metals Segment	\$ 222,242,145	\$ 152,957,195	\$ 90,214,537
Specialty Chemicals Segment	58,599,274	48,190,487	48,351,245
	<u>\$ 280,841,419</u>	<u>\$ 201,147,682</u>	<u>\$ 138,565,782</u>
Operating income (loss)			
Metals Segment	\$ 27,543,907	\$ 5,424,624	\$ (4,820,374)
Gain (loss) on sale-leaseback	239,604	239,604	(2,166,136)
Total Metals Segment	<u>27,783,511</u>	<u>5,664,228</u>	<u>(6,986,510)</u>
Specialty Chemicals Segment	3,879,405	4,295,576	4,887,143
Gain (loss) on sale-leaseback	94,669	94,669	(205,642)
Total Specialty Chemicals Segment	<u>3,974,074</u>	<u>4,390,245</u>	<u>4,681,501</u>
	<u>31,757,585</u>	<u>10,054,473</u>	<u>(2,305,009)</u>
Unallocated corporate expenses			
	7,877,847	6,513,839	5,835,162
Earn-out adjustments			
	1,430,682	688,523	—
Acquisition related costs			
	1,211,797	794,983	106,227
Operating income (loss)	<u>21,237,259</u>	<u>2,057,128</u>	<u>(8,246,398)</u>
Interest expense			
	2,210,506	985,366	932,572
Change in fair value of interest rate swap			
	(19,484)	(96,696)	12,997
Other income, net			
	2,572,598	(310,043)	—
Income (loss) before income taxes	<u>\$ 16,473,639</u>	<u>\$ 1,478,501</u>	<u>\$ (9,191,967)</u>
Identifiable assets			
Metals Segment	\$ 192,195,733	\$ 130,456,857	
Specialty Chemicals Segment	28,174,675	25,394,078	
Corporate	8,028,438	4,023,215	
	<u>\$ 228,398,846</u>	<u>\$ 159,874,150</u>	
Depreciation and amortization			
Metals Segment	\$ 7,197,814	\$ 6,280,681	\$ 5,132,506
Specialty Chemicals Segment	1,427,629	1,302,579	1,449,437
Corporate	149,734	154,552	113,047
	<u>\$ 8,775,177</u>	<u>\$ 7,737,812</u>	<u>\$ 6,694,990</u>
Capital expenditures			
Metals Segment	\$ 5,969,216	\$ 3,405,552	\$ 2,198,535
Specialty Chemicals Segment	1,297,762	1,649,967	475,703
Corporate	87,759	223,089	370,173
	<u>\$ 7,354,737</u>	<u>\$ 5,278,608</u>	<u>\$ 3,044,411</u>
Sales by product group			
Specialty chemicals	\$ 58,599,274	\$ 48,190,487	\$ 48,351,245
Stainless steel pipe	146,237,630	100,253,823	56,065,642
Seamless carbon steel pipe and tube	32,473,950	25,103,641	14,913,133
Liquid storage tanks and separation equipment	31,653,832	27,599,731	19,235,762
Galvanized pipe and tube	11,876,733	—	—
	<u>\$ 280,841,419</u>	<u>\$ 201,147,682</u>	<u>\$ 138,565,782</u>
Geographic sales			
United States	\$ 273,244,175	\$ 196,172,279	\$ 132,313,157
Elsewhere	7,597,244	4,975,403	6,252,625
	<u>\$ 280,841,419</u>	<u>\$ 201,147,682</u>	<u>\$ 138,565,782</u>

Note 16 Quarterly Results (Unaudited)

The following is a summary of quarterly operations for 2018 and 2017:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2018				
Net sales	\$ 58,480,602	\$ 71,893,763	\$ 77,792,878	\$ 72,674,176
Gross profit	11,233,418	15,716,322	14,028,366	10,259,233
Net income	3,835,163	3,677,272	5,035,558	549,436
Per common share				
Basic	0.44	0.42	0.57	0.06
Diluted	0.44	0.41	0.56	0.06
2017				
Net sales	\$ 42,203,579	\$ 51,511,045	\$ 54,595,924	\$ 52,837,134
Gross profit	7,403,579	8,177,927	4,836,620	7,662,824
Net income (loss)	701,542	829,879	(1,206,752)	1,016,693
Other comprehensive income (loss)	—	366,346	(366,346)	(10,864)
Comprehensive income (loss)	—	1,196,225	(1,573,098)	1,005,829
Per common share				
Basic	0.08	0.10	(0.14)	0.11
Diluted	0.08	0.10	(0.14)	0.11

Note 17 Interest Rate Swap

As discussed in Note 5, the Company has an interest rate swap associated with its current credit facility which effectively is expected to offset variable interest in the borrowing; hedge accounting was not utilized. The notional amount of the swap was \$8,250,000 and \$10,500,000 at December 31, 2018 and December 31, 2017, respectively. The fair value is recorded in current assets or liabilities, as appropriate, with corresponding changes to fair value recorded to other income (expense). The interest rate swap will remain in place for the remainder of the current credit facility's term. The Company recorded an asset of \$147,465 and \$127,981 for the fair value of the swap at December 31, 2018 and December 31, 2017, respectively.

Note 18 Acquisitions***Acquisition of the Galvanized Pipe and Tube Assets of Marcegaglia USA, Inc.***

On July 1, 2018, BRISMET completed the MUSA-Galvanized acquisition. The purpose of the transaction was to enhance the Company's on-going business with additional capacity and technological advantages. The transaction was funded through an increase to the Company's current credit facility (refer to Note 5). The purchase price for the transaction totaled \$10,378,281. The tangible assets purchased and liabilities assumed from MUSA include accounts receivable, inventory, equipment, and accounts payable.

MUSA will receive quarterly earn-out payments for a period of four years following closing. Earn-out payments will equate to three percent of BRISMET's galvanized steel pipe and tube revenue. As of July 1, 2018, the Company forecasted earn-out payments to be \$4,244,939, for which the Company established a fair value of \$3,800,298 using a probability-weighted expected return method and a discount rate applicable to future revenue of five percent. In determining the appropriate discount rate to apply to the contingent payments, the risk associated with the functional form of the earn-out, and the credit risk associated with the payment of the earn-out were all considered. The fair value of the contingent consideration was estimated by applying the probability-weighted expected return method using management's estimates of pounds to be shipped and future price per unit. At December 31, 2018 the fair value of the earn-out totaled \$3,357,800 with \$990,823 of this liability classified as a current liability because the payments will be made quarterly.

In the fourth quarter of 2018, management adjusted the fair value of the customer list intangible asset. Because this adjustment was determined within the measurement period, the customer list intangible was decreased by \$251,000 and goodwill was increased by \$251,000. Goodwill arising from the MUSA-Galvanized transaction increased from \$3,545,467 to \$3,796,467 and the fair value of the customer list intangible asset was decreased from \$1,424,000 to \$1,173,000. All other changes in fair value have been included as earn-out adjustments in the Company's consolidated statements of operations.

The total purchase price was allocated to the acquired net tangible and identifiable intangible assets based on their estimated fair values as of July 1, 2018. The fair value assigned to the customer list intangible is being amortized on an accelerated basis over 15 years. The excess of the consideration transferred over the fair value of the net tangible and identifiable intangible assets is reflected as goodwill. Goodwill consists of manufacturing cost synergies expected from combining Munhall-Galvanized's production capabilities with BRISMET's current operations. All of the goodwill recognized was assigned to the Company's Metals Segment and is expected to be deductible for income tax purposes. During the fourth quarter of 2018, the Company finalized the purchase price allocation for the MUSA-Galvanized acquisition.

The following table shows the initial estimate of value and revisions made during 2018:

	Initial estimate	Revisions	Final
Inventories	\$ 2,746,000	\$ —	2,746,000
Accounts Receivable	2,187,141	—	2,187,141
Other current assets - production and maintenance supplies	746,729	—	746,729
Property, plant and equipment	4,883,847	—	4,883,847
Customer list intangible	1,424,000	(251,000)	1,173,000
Goodwill	3,545,467	251,000	3,796,467
Earn-out Liability	(3,800,298)	—	(3,800,298)
Accounts payable	(1,051,239)	—	(1,051,239)
Other liabilities	(303,366)	—	(303,366)
	<u>\$ 10,378,281</u>	<u>\$ —</u>	<u>\$ 10,378,281</u>

MUSA-Galvanized's results of operations since acquisition are reflected in the Company's consolidated statements of operations as follows:

	<u>2018</u>
Net sales	\$ 11,876,733
Income before income taxes	64,971

The following unaudited pro-forma information is provided to present a summary of the combined results of the Company's operations with Munhall-Galvanized as if the acquisition had occurred on January 1, 2017. The unaudited pro-forma financial information is for information purposes only and is not necessarily indicative of what the results would have been had the acquisition been completed on the date indicated above.

Pro-Forma (Unaudited)			
	<u>2018</u>	<u>2017</u>	
Pro-forma net sales	\$ 292,793,331	\$ 225,375,581	
Pro-forma net income (loss)	\$ 11,920,277	\$ 20,960	
Earnings (loss) per share:			
Basic	\$ 1.35	n/a	
Diluted	\$ 1.34	n/a	

The 2018 pro-forma calculation excludes non-recurring acquisition costs of \$666,357 that were incurred by the Company during 2018. Munhall-Galvanized's historical financial results were adjusted for both years to eliminate interest expense charged by the prior owner. Pro-forma net income was reduced for both years for the amount of amortization on Munhall-Galvanized's customer list intangible and an estimated amount of interest expense associated with the additional line of credit borrowings.

Acquisition of the Stainless Steel Pipe and Tube Assets of Marcegaglia USA, Inc.

On December 9, 2016, BRISMET entered into a definitive agreement to acquire the stainless steel pipe and tube assets of MUSA located in Munhall, PA ("MUSA-Stainless") to enhance its on-going business with additional capacity and technological advantages. The transaction closed on February 28, 2017 and was funded through an increase to the Company's credit facility (See Note 5). The purchase price for the transaction, which excluded real estate and certain other assets, totaled \$14,953,513. The assets purchased from MUSA included inventory, production and maintenance supplies and equipment less specific identified liabilities assumed. In accordance with the agreement, on December 9, 2016, BRISMET entered into an escrow agreement and deposited \$3,000,000 into the escrow fund. The deposit was remitted to MUSA at the close of the transaction and was reflected as a credit against the purchase price.

The transaction was accounted for using the acquisition method of accounting for business combinations. During the fourth quarter of 2017, the Company finalized the purchase price allocation for the MUSA-Stainless acquisition.

MUSA will receive quarterly earn-out payments for a period of four years following closing. Aggregate earn-out payments will be at least \$3,000,000, with no maximum. Actual payouts will equate to three percent of BRISMET's incremental revenue, if any, from the amount of small diameter stainless steel pipe and tube (outside diameter of ten inches or less) sold. At February 28, 2017, the acquisition date, the Company forecasted earn-out payments to be \$4,063,204, which was discounted to a present value of \$3,604,330 using a discount rate applicable to future revenue of five percent. In determining the appropriate discount rate to apply to the contingent payments, the risk associated with the functional form of the earn-out, the credit risk associated with the payment of the earn-out and the methodology to quantify the earn-out were all considered. The fair value of the contingent consideration was estimated by applying the Monte Carlo simulation approach using management's estimates of pounds shipped.

In the second quarter of 2017, management adjusted the selling price used in the earn-out calculation associated with the MUSA-Stainless acquisition. Since this adjustment was determined within the measurement period, the beginning earn-out liability and goodwill were increased by \$1,059,453. Goodwill related to the MUSA-Stainless acquisition increased from \$3,589,342 to \$4,648,795 and the fair value of contingent consideration was increased from \$3,604,330 to \$4,663,783. All other changes in fair value have been included as earn-out adjustments in the Company's consolidated statements of operations.

The total purchase price was allocated to Munhall-Stainless' net tangible and identifiable intangible assets based on their estimated fair values as of February 28, 2017. The fair value assigned to the customer list intangible is being amortized on an accelerated basis over 15 years. The excess of the consideration transferred over the fair value of the net tangible and identifiable intangible assets and liabilities is reflected as goodwill. Goodwill consists of manufacturing cost synergies expected from combining laser mill capabilities acquired as part of Munhall-Stainless with BRISMET's current operations. All of the goodwill recognized was assigned to the Company's Metals Segment and is expected to be deductible for income tax purposes.

The following table shows the initial estimate of value and revisions made during 2017:

	Initial estimate	Revisions	Final
Inventories	\$ 5,434,000	\$ —	\$ 5,434,000
Other current assets - production and maintenance supplies	1,548,701	—	1,548,701
Equipment	7,576,733	—	7,576,733
Customer list intangible	992,000	—	992,000
Goodwill	3,589,342	1,059,453	4,648,795
Earn-out liability	(3,604,330)	(1,059,453)	(4,663,783)
Other liabilities assumed	(582,933)	—	(582,933)
	<u>\$ 14,953,513</u>	<u>\$ —</u>	<u>\$ 14,953,513</u>

Munhall-Stainless' results of operations since acquisition are reflected in the Company's consolidated statements of operations. The amount of Munhall-Stainless' revenues and operating loss included in the consolidated statements of operations for the year ended December 31, 2017 was \$25,766,689 and \$245,408, respectively.

On March 1, 2017, pursuant to the terms and conditions of the MUSA asset purchase agreement, the Company entered into a lease agreement to lease manufacturing and warehouse space at MUSA's Munhall, PA facility for \$33,333 per month for the initial lease term of 15 months. In February 2018, the lease was amended to extend the term of the lease for the period beginning June 1, 2018 and ending May 31, 2023 and includes escalating rent payments. The lease met the operating lease requirements and was accounted for as such in 2017.

As part of the MUSA-Galvanized acquisition that occurred on July 1, 2018, the Company amended and restated the Master Lease, effective June 29, 2018, pursuant to which the Company leased the Munhall, PA facility, purchased by Store Funding from MUSA for the remainder of the initial term of 20 years set forth in the Master Lease (see Note 12).

Note 19 Dispositions and Closures

Associated with the closure of Bristol Fab in 2014, Bristol Fab's collective bargaining agreement with the Union expired and the Company was legally obligated to pay a withdrawal liability to the Union's pension fund of approximately \$1,904,628. This obligation was payable over 26 months ending October 1, 2016 with an interest rate of 4.51 percent.

During 2016, the Company successfully completed the items and processes identified when the one-time closing charges were developed. A charge of \$99,334 and \$1,251,058, net of tax respectively, was recorded as discontinued operations during 2016 and 2015 for a legal claim filed against Synalloy Fabrication. The matter was settled during 2016 and the settlement was paid in full by September 2016. As such, the facility closing reserve was zero as of December 31, 2016. Bristol Fab was reported as a part of the Metals Segment.

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

	2016
Net sales	\$ —
Loss before income taxes	\$ (150,334)
Benefit from income taxes	(51,000)
Net loss from discontinued operations	\$ (99,334)

Note 20 Payment of Dividends

At the end of each fiscal year the Board reviews the financial performance and capital needed to support future growth to determine the amount of cash dividend, if any, which is appropriate. In 2018, the Company paid a \$0.25 cash dividend on December 12, 2018 for a total of \$2,250,537. In 2017, the Company paid a \$0.13 cash dividend totaling \$1,148,513. In 2016, no dividends were declared or paid by the Company.

Note 21 At the Market Offering

On August 9, 2018, the Company entered into an Equity Distribution Agreement pursuant to which the Company had the ability to issue and sell, from time to time, shares of the Company's common stock (the "Shares"), par value \$1.00 per share, with aggregate gross sales proceeds of up to \$10 million, through an "at-the-market" equity offering program under which BB&T Capital Markets, a division of BB&T Securities, LLC and Ladenburg Thalmann & Co. Inc. (the "Agents") were sales agents (the "ATM Program").

In 2018, the Company issued and sold 44,378 shares in connection with the ATM Program, with total net proceeds of \$982,519. The Agents received \$20,470 in commission on the sales.

On November 16, 2018, the Company terminated the ATM Program. The Company has not sold any shares under the ATM Offering since September 30, 2018, and will no longer offer any shares under this program.

Note 22 Revenues

Adoption of ASC Topic 606, "Revenue from Contracts with Customers"

On January 1, 2018, the Company adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605. The Company operates as a manufacturer of various products, and revenue is comprised of short-term contracts with point-in-time performance obligations. As a result, the Company did not identify any differences in its recognition of revenue between Topic 606 and Topic 605. Accordingly, there was no adjustment required to opening retained earnings for the cumulative impact of adopting Topic 606 and no impact to revenues for the year-ended December 31, 2018 as a result of applying Topic 606.

Revenue Recognition

Revenues are recognized when control of the promised goods or services is transferred to our customers upon shipment, in an amount that reflects the consideration we expect to be entitled to 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.

	Twelve Months Ended	
	Dec 31, 2018	Dec 31, 2017
Storage tank and vessel	\$ 31,653,832	\$ 27,599,731
Seamless carbon steel pipe and tube	32,473,950	25,103,641
Stainless steel pipe	146,237,630	100,253,823
Galvanized pipe	11,876,733	—
Specialty chemicals	58,599,274	48,190,487
Total revenues	\$ 280,841,419	\$ 201,147,682

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.

Deferred Revenues

Deferred revenues are recorded when cash payments are received in advance of satisfying the performance obligation, including amounts which are refundable. The deferred revenue balance decreased \$7,356 during 2018 to \$177,518 as of December 31, 2018 due to receiving \$2,597,792 in advance of satisfying our performance obligations during the period, offset by \$2,605,148 of revenue that was recognized during the period after satisfying the performance obligations that were included in the beginning deferred revenue balance or received during the current period. Deferred revenues are included in "Accrued expenses" on the accompanying Consolidated Balance Sheets.

Our payment terms vary by the financial strength or location of our customer and the products offered. The length of time between invoicing and when payment is due is not significant. For certain customers, payment is required before the products or services are delivered to the customer.

Practical Expedients and Election

When shipping and handling activities are performed after a customer obtains control of goods, the Company reflects shipping and handling activities as part of satisfying the obligation of providing goods to the customer.

In some instances, the Company withholds various states' sales taxes upon shipments into those states. Accordingly, management makes an accounting policy election to exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are imposed on and concurrent with a specific revenue-producing transaction and collected from a customer.

The Company expenses sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded within selling, general, and administrative expenses.

The Company does not disclose the value of unsatisfied performance obligations since contracts are expected to be completed within one year.

Note 23 Subsequent Events

On January 1, 2019, Synalloy Corporation's wholly-owned subsidiary, ASTI, completed its purchase of substantially all of American Stainless' assets and operations in Statesville and Troutman, North Carolina. The purchase price for the all-cash acquisition was approximately \$22,736,854, subject to a post-closing working capital adjustment. American Stainless will also receive quarterly earn-out payments for a period of three years following closing. Pursuant to the asset purchase agreement between ASTI and American Stainless, earn-out payments will equate to six and one-half percent (6.5 percent) of ASTI's revenue over the three-year earn-out period. Synalloy funded the acquisition with a new five-year \$20,000,000 term note and a draw against its recently increased \$100,000,000 asset based line of credit, both with Synalloy's current lender. Proforma information related to this acquisition is not included in the notes to the consolidated financial statements because the initial accounting for the business combination was not complete at the time the financial statements were issued.

On January 1, 2019, Synalloy Store Funding amended and restated the Master Lease, pursuant to which Synalloy will lease the properties purchased by Store from American Stainless on January 1, 2019, for the remainder of the initial term of 20 years set forth in the Master Lease, with two renewal options of 10 years each. First year rent expense will be \$430,000. The lease includes a rent escalator equal to the lesser of 1.25 times the percentage increase in the Consumer Price Index since the previous increase or two percent. Synalloy will sublease both properties to ASTI.

On February 21, 2019, the Board of Directors authorized a stock repurchase program for up to 850,000 shares of its outstanding common stock over the next twenty-four 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.

Management's Annual Report on Internal Control Over Financial Reporting

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

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

Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2018 using the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission in the *Internal Control-Integrated Framework (COSO 2013)*. Based on that evaluation, management believes the Company's internal control over financial reporting was effective as of December 31, 2018.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2018, has been audited by KPMG LLP, an independent registered public accounting firm, which also audited the Company's Consolidated Financial Statements for the year ended December 31, 2018. KPMG LLP's report on the Company's internal control over financial reporting is set forth below.

Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the Company's fourth quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company believes that its disclosure controls and procedures were operating effectively as of December 31, 2018.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Synalloy Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Synalloy Corporation and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and financial statement schedule (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 18, 2019, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2015.

Richmond Virginia
March 18, 2019

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Synalloy Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Synalloy Corporation and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and financial statement schedule (collectively, the consolidated financial statements), and our report dated March 18, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ KPMG LLP

Richmond, Virginia
March 18, 2019

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

None.

Item 9A Controls and Procedures

Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), as amended. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of December 31, 2018. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls subsequent to the date the Company completed the evaluation.

Item 9B Other Information

Not applicable.

PART III

Item 10 Directors, Executive Officers and Corporate Governance

In accordance with General Instruction G(3), information called for by Part III, Item 10, is incorporated herein by reference from the information appearing under the caption "Proposal 1 - Election of Directors," "Executive Officers," and "Section 16(a) Beneficial Ownership Reporting Compliance" in the definitive Proxy Statement for the 2017 Annual Meeting of Shareholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

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

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

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

Item 11 Executive Compensation

In accordance with General Instruction G(3), information called for by Part III, Item 11, is incorporated herein by reference from the information appearing under the caption "Board of Directors and Committees - Compensation Committee Interlocks and Insider Participation," "Director Compensation," "Discussion of Executive Compensation" and "Compensation Committee Report"

in the definitive Proxy Statement for the 2019 Annual Meeting of Stockholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

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

In accordance with General Instruction G(3), information called for by Part III, Item 12, is incorporated by reference from the information appearing under the caption "Beneficial Owners of More Than Five Percent of the Company's Common Stock" and "Security Ownership of Certain Beneficial Owners and Management" in the definitive Proxy Statement for the 2019 Annual Meeting of Shareholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

Equity Compensation Plan Information. The following table sets forth aggregated information as of December 31, 2018 about all of the Company's equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) ⁽¹⁾ (c)
Equity compensation plans approved by security holders	59,096	\$ 14.16	300,776
Equity compensation plans not approved by security holders	—	—	—
Total	59,096	\$ 14.16	300,776

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

Non-employee directors are paid an annual retainer of \$102,000, and each director has the opportunity to elect to receive 100 percent of the retainer in restricted stock. For 2018, non-employee directors received an aggregate of \$276,000 of the annual retainer in restricted stock. The number of restricted shares is determined by the average of the high and low sale price of the Company's stock on the day prior to the Annual Meeting of Shareholders. For 2018, six non-employee directors each received an aggregate of 14,857 shares. Issuance of the shares granted to the directors is not registered under the Securities Act of 1933 and the shares are subject to forfeiture in whole or in part upon the occurrence of certain events. The above table does not reflect these shares issued to non-employee directors.

Item 13 Certain Relationships and Related Transactions, and Director Independence

In accordance with General Instruction G(3), information called for by Part III, Item 13, is incorporated by reference from the information appearing under the caption "Board of Directors and Committees – Related Party Transactions" and "– Director Independence" in the definitive Proxy Statement for the 2019 Annual Meeting of Shareholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

Item 14 Principal Accounting Fees and Services

In accordance with General Instruction G(3), information called for by Part III, Item 14, is incorporated by reference from the information appearing under the caption "Independent Registered Public Accounting Firm - Fees Paid to Independent Registered Public Accounting Firm" and "– Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm" in the definitive Proxy Statement for the 2019 Annual Meeting of Shareholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

PART IV

Item 15 Exhibits, Financial Statement Schedules

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

1. Financial Statements: The following consolidated financial statements of Synalloy Corporation are included in Part II, Item 8:

Consolidated Balance Sheets as of December 31, 2018 and December 31, 2017

Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2018, December 31, 2017 and December 31, 2016

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2018, December 31, 2017 and December 31, 2016

Consolidated Statements of Cash Flows for the years ended December 31, 2018, December 31, 2017 and December 31, 2016

Notes to Consolidated Financial Statements

2. Financial Statements Schedules: The following consolidated financial statements schedule of Synalloy Corporation is included in Item 15:

Schedule II - Valuation and Qualifying Accounts for the years ended December 31, 2018, December 31, 2017 and December 31, 2016

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

3. Listing of Exhibits:

See "Exhibit Index"

Item 16 Form 10-K Summary

None.

Schedule II Valuation and Qualifying Accounts

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Charged to (Reduction of) Cost and Expenses	Deductions	Balance at End of Period
Year ended December 31, 2018				
Deducted from asset account:				
Allowance for doubtful accounts	\$ 35,000	\$ 240,000	\$ (106,000)	\$ 169,000
Inventory reserves	\$ 697,000	\$ 1,828,000	\$ (1,849,000)	\$ 676,000
Year ended December 31, 2017				
Deducted from asset account:				
Allowance for doubtful accounts	\$ 82,000	\$ 202,000	\$ (249,000)	\$ 35,000
Inventory reserves	\$ 966,000	\$ 1,237,000	\$ (1,506,000)	\$ 697,000
Year ended December 31, 2016				
Deducted from asset account:				
Allowance for doubtful accounts	\$ 247,000	\$ (45,000)	\$ (120,000)	\$ 82,000
Inventory reserves	\$ 682,000	\$ 984,000	\$ (700,000)	\$ 966,000

Index to Exhibits

Exhibit No. from Item 601 of Regulation S-K	Description
1.1	Underwriting Agreement dated September 24, 2013, incorporated by reference to Registrant's Form 8-K filed September 24, 2013
1.2	Equity Distribution Agreement, dated August 9, 2018, between Synalloy Corporation and BB&T Capital Markets, a division of BB&T Securities, LLC, and Ladenburg Thalmann & Co. Inc., incorporated by reference to Registrant's Form 8-K filed August 10, 2018
3.1	Restated Certificate of Incorporation of Registrant, as amended, incorporated by reference to Registrant's Form 10-Q for the period ended April 2, 2005
3.2	Restated Certificate of Incorporation of Registrant, as amended, incorporated by reference to Registrant's Form 8-K filed May 18, 2015
3.3	Bylaws of Registrant, incorporated by reference to Registrant's Form 10-Q for the period ended March 31, 2001, as amended, which amendments are incorporated by reference to Registrant's Form 8-K filed August 13, 2007
4.1	Form of Common Stock Certificate, incorporated by reference to Registrant's Form 10-Q for the period ended March 31, 2001
10.1	Synalloy Corporation 2005 Stock Awards Plan, incorporated by reference to the Proxy Statement for the 2005 Annual Meeting of Shareholders
10.2	Amendment 1 to the Synalloy Corporation 2005 Stock Awards Plan, incorporated by reference to Registrant's Form 10-K for the year ended December 29, 2007
10.3	Amendment 2 to the Synalloy Corporation 2005 Stock Awards Plan, incorporated by reference to Registrant's Form 10-K for the year ended January 3, 2015
10.4	Synalloy Corporation 2015 Stock Awards Plan, incorporated by reference to the Proxy Statement for the 2015 Annual Meeting of Shareholders
10.5	Amended and Restated Synalloy Corporation 2015 Stock Awards Plan, incorporated by reference to Registrant's Form 10-Q for the period ended June 30, 2018
10.6	2011 Long-Term Incentive Stock Option Plan, incorporated by reference to Registrant's Proxy Statement for the 2011 Annual Meeting of Shareholders
10.7	Agreement between Registrant's Bristol Metals, LLC subsidiary and the United Steelworkers of America Local 4586, dated February 1, 2015, incorporated by reference to Registrant's Form 10-K for the year ended December 31, 2015
10.8	Agreement between Registrant's Specialty Pipe & Tube, Inc. subsidiary and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union Local 4564-07, dated July 1, 2014, incorporated by reference to Registrant's Form 10-K for the year ended January 3, 2015
10.9	Agreement between Registrant's Bristol Metals, LLC subsidiary and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union Local 5852-22, dated March 12, 2018, but effective January 6, 2018, incorporated by reference to Registrant's Form 10-K for the year ended December 31, 2017
10.10	Second Amended and Restated Loan Agreement, dated as of August 31, 2016, between Registrant and Branch Banking and Trust ("BB&T"), incorporated by reference to Registrant's Form 10-Q for the period ended September 30, 2016
10.11	Third Amended and Restated Loan Agreement, dated as of October 30, 2017, between Registrant and BB&T, incorporated by reference to Registrant's Form 10-Q for the period ended September 30, 2017
10.12	First Amendment to Third Amended and Restated Loan Agreement, dated as of June 29, 2018, between Registrant and BB&T, incorporated by reference to Registrant's Form 10-Q for the period ended June 30, 2018
10.13	Second Amendment to Third Amended and Restated Loan Agreement, dated as of December 20, 2018, between Registrant and BB&T.
10.14	Employment Agreement, dated as of March 1, 2019, between Registrant and Craig C. Bram.
10.15	Employment Agreement, dated as of March 1, 2019, between Registrant and Dennis M. Loughran.
10.16	Employment Agreement, dated as of March 1, 2019, between Registrant and J. Kyle Pennington.
10.17	Employment Agreement, dated as of March 1, 2019, between Registrant and James G. Gibson.
10.18	Stock Purchase Agreement, dated as of August 10, 2012, among Jimmie Dean Lee, James Varner, Steven C. O'Brate and Registrant, incorporated by reference to Registrant's Form 8-K filed on August 24, 2012

- [10.19](#) [Stock Purchase Agreement, dated as of November 21, 2014, between The Davidson Corporation and Registrant, incorporated by reference to Registrant's Form 8-K filed on November 25, 2014](#)
- [10.20](#) [Asset Purchase Agreement, dated as of December 9, 2016, between Marcegaglia USA, Inc. and Registrant's Bristol Metals, LLC subsidiary, incorporated by reference to Registrant's Form 10-K for the year ended December 31, 2016](#)
- [10.21](#) [Amendment No. 1 to Asset Purchase Agreement, dated as of February 28, 2017, between Marcegaglia USA, Inc. and Registrant's Bristol Metals, LLC subsidiary, amending the Asset Purchase Agreement between the parties dated December 9, 2016, incorporated by reference to Registrant's Form 10-K for the year ended December 31, 2016](#)
- [10.22](#) [Amendment No. 2 to Asset Purchase Agreement, dated as of July 1, 2018, between Marcegaglia USA, Inc. and Registrant's Bristol Metals, LLC subsidiary, further amending the Asset Purchase Agreement between the parties dated December 9, 2016, incorporated by reference to Registrant's Form 10-Q for the period ended June 30, 2018](#)
- [10.23](#) [Asset Purchase Agreement, dated as of June 29, 2018, but with a closing effective date of July 1, 2018, between Marcegaglia USA, Inc. and Registrant's Bristol Metals, LLC subsidiary, incorporated by reference to Registrant's Form 10-Q for the period ended June 30, 2018](#)
- [10.24](#) [Asset Purchase Agreement, dated as of November 30, 2018, between American Stainless Tubing, Inc. \(now HLM Legacy Group, Inc.\) and Registrant's ASTI Acquisition, LLC \(now American Stainless Tubing, LLC\) subsidiary](#)
- [10.25](#) [Purchase and Sale Agreement, dated as of September 1, 2016, between Store Capital Acquisition, LLC and Registrant's Bristol Metals, LLC, Specialty Pipe & Tube, Inc., Palmer of Texas Tanks, Inc., Manufacturers Soap & Chemical Company, Manufacturers Chemicals, LLC subsidiaries, and Registrant, incorporated by reference to Registrant's Form 10-Q for the period ended September 30, 2016](#)
- [10.26](#) [Master Lease Agreement, dated as of September 30, 2016 between Registrant and Store Master Funding XII, LLC, incorporated by reference to Registrant's Form 10-K for the year ended December 31, 2016](#)
- [10.27](#) [Purchase and Sale Agreement, dated as of May 25, 2018, between Marcegaglia USA, Inc. and Registrant's Bristol Metals, LLC subsidiary, incorporated by reference to Registrant's Form 10-Q for the period ended June 30, 2018](#)
- [10.28](#) [Agreement to Designate and Lease, dated as of June 29, 2018, between Registrant and Store Capital Acquisitions, LLC, incorporated by reference to Registrant's Form 10-Q for the period ended June 30, 2018](#)
- [10.29](#) [Amended and Restated Master Lease Agreement, dated as of June 29, 2018, between Registrant and Store Master Funding XII, LLC, incorporated by reference to Registrant's Form 10-Q for the period ended June 30, 2018](#)
- [10.30](#) [Purchase and Sale Agreement, dated as of November 30, 2018, between American Stainless Tubing, Inc. \(now HLM Legacy Group, Inc.\) and Registrant's ASTI Acquisition, LLC \(now American Stainless Tubing, LLC\) subsidiary](#)
- [10.31](#) [Amended and Restated Master Lease, dated as of January 1, 2019, between Registrant and Store Master Funding XII, LLC.](#)
- [21](#) [Subsidiaries of the Registrant](#)
- [23.1](#) [Consent of KPMG LLP, independent registered public accounting firm](#)
- [31.1](#) [Rule 13a-14\(a\)/15d-14\(a\) Certifications of Chief Executive Officer](#)
- [31.2](#) [Rule 13a-14\(a\)/15d-14\(a\) Certification of the Chief Financial Officer](#)
- [32](#) [Certifications Pursuant to 18 U.S.C. Section 1350](#)
- 101.INS* XBRL Instance Document
- 101.SCH* XBRL Taxonomy Extension Schema
- 101.CAL* XBRL Taxonomy Extension Calculation Linkbase
- 101.LAB* XBRL Taxonomy Extension Label Linkbase
- 101.PRE* XBRL Taxonomy Extension Presentation Linkbase
- 101.DEF* XBRL Taxonomy Extension Definition Linkbase

* In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Annual Report on Form 10-K shall be deemed "furnished" and not "filed."

Signatures

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

SYNALLOY CORPORATION

By /s/ Craig C. Bram

Craig C. Bram
President and Chief Executive Officer
(principal executive officer)

March 18, 2019
Date

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

/s/ Murray H. Wright

Murray H. Wright
Chairman of the Board

March 18, 2019
Date

/s/ Anthony A. Callander

Anthony A. Callander
Director

March 18, 2019
Date

/s/ Amy J. Michtich

Amy J. Michtich
Director

March 18, 2019
Date

/s/ James W. Terry, Jr.

James W. Terry, Jr.
Director

March 18, 2019
Date

/s/ Henry L. Guy

Henry L. Guy
Director

March 18, 2019
Date

/s/ Susan S. Gayner

Susan S. Gayner
Director

March 18, 2019
Date

/s/ Craig C. Bram

Craig C. Bram
Chief Executive Officer and Director

March 18, 2019
Date

/s/ Dennis M. Loughran

Dennis M. Loughran
Senior Vice President and Chief Financial Officer
(principal financial and accounting officer)

March 18, 2019
Date

BB&T

Second Amendment to Third Amended and Restated Loan Agreement

9520406872

Account Number

This Second Amendment to Third Amended and Restated Loan Agreement (this “*Amendment*”) is made as of December 20, 2018 by and among **BRANCH BANKING AND TRUST COMPANY**, a North Carolina banking corporation (“*Bank*”) and **Synalloy Corporation**, a Delaware corporation, **Synalloy Fabrication, LLC**, a South Carolina limited liability company, **Synalloy Metals, Inc.**, a Tennessee corporation, **Bristol Metals, LLC**, a Tennessee limited liability company, **Manufacturers Soap & Chemical Company**, a Tennessee corporation, **Manufacturers Chemicals, LLC**, a Tennessee limited liability company, **Palmer of Texas Tanks, Inc.**, a Texas corporation, **CRI Tolling, LLC**, a South Carolina limited liability company, **Specialty Pipe & Tube, Inc.**, a Delaware corporation and **ASTI Acquisition, LLC**, a North Carolina limited liability company (sometimes individually a “*Borrower*” and collectively, the “*Borrowers*”) for purposes of amending (without novation, accord nor satisfaction) certain aspects and provisions of the following (all of the following sequentially, cumulatively and collectively, the “*Loan Agreement*”): the Third Amended and Restated Loan Agreement dated as of October 30, 2017, together with Schedules DD and EE of the same as amended by that certain First Amendment to Third Amended and Restated Loan Agreement dated June 29, 2018.

Agreement

1. Defined Terms from Loan Agreement

Capitalized terms used in this Amendment without definition retain (except, to the extent applicable, as amended hereby) the meanings respectfully assigned to such terms in the Loan Agreement.

2. Recitals and Loan Agreement Incorporated Herein by Reference

Each and all of opening paragraphs, statements, information and other provisions of this Amendment above constitute an integral part of this Amendment among the parties and are to be considered binding upon the parties. In addition, the statements, recitals, terms, conditions and agreements of and in the Loan Agreement are hereby incorporated herein by this reference thereto as if set forth herein in full.

3. Joinder of ASTI Acquisition LLC

ASTI does hereby join and agree to be bound by all provisions of and/or relating to the Line of Credit, the Loan Agreement, the Line Note, the Term Note and each and every other Loan Document and any and all other agreements, instruments and other documents relating thereto, as an additional "Borrower" or "Debtor" (or other similar term howsoever nominated, as applicable) thereunder and with respect thereto, and all *mutatis mutandis*, subject to all the obligations and agreements made on the part of the Borrowers hereunder and thereunder and the other agreements, documents and instruments referred to herein and/or therein. For purposes of this Amendment, the term "Loan Documents" includes without limitation each and every agreement, instrument, document, paper and other item set forth on Exhibit A hereto.

All Borrowers, including ASTI, acknowledge, ratify and confirm that all of the obligations of the Borrowers, whether of payment or performance, under the Line of Credit, the Loan Agreement, the Line Note, the Term Note, and each and every other Loan Document and any and all other agreements, instruments and other documents relating thereto shall be the joint and several obligations of the Borrowers in nature.

ASTI does hereby represent and warrant to the Bank that it has fully read and understood this Agreement, the Loan Agreement, the Line Note, the Term Note, and all of the other agreements, instruments and other documents referenced therein and herein. ASTI represents the truth and accuracy of all representations and warranties set forth, on the part of the Borrowers, in the Loan Agreement and the other Loan Documents as if the same were made by it on and as of the date hereof, and expressly agrees to the covenants, obligations and other agreements thereunder and under the Line Note, and under the other Loan Documents as a Borrower party thereto.

4. Conditions to Effectiveness of Amendment.

The Amendments set forth in Section 5 hereof shall become effective on the date of or after the date hereof on which the following conditions have been satisfied:

Note Modification Agreement: Receipt of the Note Modification Agreement duly executed by Borrowers.

Second Amendment to Amended and Restated Security Agreement: Receipt of the Second Amendment to Amended and Restated Security Agreement duly executed by Borrowers.

Second Amendment to Amended and Restated Stock and LLC Pledge Agreement: Receipt of the Second Amendment to Amended and Restated Stock and LLC Interest Pledge Agreement.

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

Commitment Fee and Certain Other Fees: A commitment fee of \$212,500.00 and a commitment fee of \$50,000 payable to Bank on the date of execution of this Amendment. Without limiting any obligation set forth elsewhere for the Borrowers to pay any fees, expenses or the like of the Bank, Borrowers shall pay the expenses of the Bank and the expenses and reasonable professional fees and costs of legal counsel to the Bank in connection with the negotiation, preparation and closing of this Amendment and the other documents and instruments being delivered in connection herewith.

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

Declaration of Limited Liability Company: A declaration, consent or resolution from all Borrowers organized as a limited liability company authorizing the execution, delivery, and performance of this Amendment, the Note, and any other documents required by Bank on a form provided by or acceptable to Bank.

Certificate of Incumbency: A certificate of the Secretary or Member or other certified officer of Borrowers certifying the names and true signatures of the officers each of the Borrowers authorized to sign this Amendment, the Note and any other documents required by Bank.

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

Limited Liability Company Operating Agreement: A copy of the Operating Agreement for ASTI Acquisition, LLC ("ASTI"), certified by such Borrower's manager(s) and/or members, as applicable as to its completeness and accuracy.

Limited Liability Company Articles of Organization: A copy of the Articles of Organization and all other organizational documents of Borrower ASTI Acquisition, LLC.

Opinion of Counsel: An opinion of counsel satisfactory to Bank and Bank's counsel.

Asset Purchase Agreement: A copy of the fully executed Asset Purchase Agreement between American Steel Tubing, Inc. as Seller and ASTI Acquisition, LLC as Buyer together with copies of fully executed transfer documents contemplated therein.

Landlord Lien Waiver and Master Lease: A fully executed Landlord Lien Waiver from **Store Master Funding XII, LLC** waiving liens in connection with that certain Master Lease Agreement, and all amendments or supplements thereto, between Store Master Funding XII, LLC, as Landlord and Synalloy Corporation, as tenant together with a copy of the executed Master Lease Agreement and any amendments or supplements thereto.

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

5. Modifications to Specific Provisions of Loan Agreement

Line of Credit The fourth grammatical paragraph on the first page of the Loan Agreement beginning with "Line of Credit" is hereby deleted and replaced with the following:

Line of Credit ("Line of Credit") in the maximum principal amount not to exceed **\$100,000,000.00** at any one time outstanding for the purpose of working capital which shall be evidenced by the Borrowers' Promissory Note dated October 30, 2017, as amended by that certain Note Modification Agreement dated June 29, 2018 and that certain Note Modification Agreement dated December 20, 2018 which shall bear interest at the rate set forth in such note, the terms of which are incorporated herein by reference (the "**Line Note**"). The Line of Credit shall mature on **December 20, 2021** when the entire unpaid principal balance then outstanding plus accrued interest thereon shall be paid in full. Prior to maturity or the occurrence of any Event of Default hereunder and subject to Availability, as applicable, the Borrowers may borrow, repay, and reborrow under the Line of Credit through the

Maturity Date. The principal balance from time to time outstanding under the Line of Credit shall bear interest at the rate set forth in the Line Note. Bank shall make advances under the Line of Credit into the Borrowers' designated operating account or other designated deposit account maintained with Bank upon receipt of the written or oral request (thereafter confirmed in writing) of Borrowers provided that Bank shall not be required to make any advance which would cause Borrowers to exceed Availability (as defined in section 10 hereof), if applicable. If at any time the aggregate principal balance outstanding under the Line of Credit shall exceed Availability, Borrowers shall immediately upon demand pay the amount necessary to bring the outstanding balance thereunder within Availability. **Unused Line Fee:** Borrowers shall pay Bank, **quarterly** in arrears on the last day of each calendar quarter, an unused fee equal to **0.15% per annum** on the average daily unused amount of the Line of Credit for such calendar quarter calculated on the basis of a year of 360 days for the actual number of days elapsed.

Term Loan The following is added following the fourth grammatical paragraph ("Line of Credit Paragraph") on the first page of the Loan Agreement:

Term Loan ("**Term Loan**") in the principal amount of **\$20,000,000.00** for the purpose of the acquisition of the assets of American Stainless Tubing, Inc., which shall be evidenced by the Borrower's Promissory Note dated of even date herewith (the "**Term Note**") payable in sixty (60) consecutive monthly installments and shall bear interest at the rate set forth in such note, the terms of which are incorporated herein by reference. The Term Loan shall mature on **February 1, 2024**, when the entire unpaid principal balance then outstanding plus accrued interest thereon shall be paid in full. The Term Loan shall be secured by a lien and security interest in the Borrower's existing and hereafter acquired personal property and business assets, including Equipment, Inventory, Accounts, Goods, and General Intangibles.

The second grammatical paragraph on the second page of the Loan Agreement, which begins with the words "Additional terms...", is hereby deleted in its entirety and replaced with the following:

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

Section 3.08 is amended to add the following:

Annual Budget: As soon as available and not more than ninety (90) days after the end of each fiscal year, the consolidated budget and/or financial projections for Borrower for the following year(s), all in reasonable detail.

Section 5 of the Loan Agreement is amended to add the following:

Tangible Net Worth: A Tangible Net Worth not less than \$60,000,000.00 at any time. Tangible Net Worth means net worth minus net intangibles (good will, contract rights and distribution rights), and minus assets representing claims on shareholders and affiliates.

Section 10.01 Definitions is amended as follows:

The Definition of "Availability" is deleted in its entirety and replaced with the following:

“**Availability**” shall mean the lesser of (i) \$100,000,000.00 or (ii) the Collateral Loan Value shown on the Loan Base Report furnished by Borrowers to Bank on or before the 15th day of each month as long as this Agreement shall remain in force, or as provided and/or determined in accordance with Schedule DD.

Schedule DD to the loan is amended as follows:

The first sentence of Section DD.02(e) of Schedule DD is deleted and replaced with the following:

The advance sublimit applicable to Inventory (“**Inventory Advance Limit**”) shall be equal to the lesser of (i) 175% of the Available Accounts Limit (the “**Inventory Cap**”), and (ii) the Combined Division Sublimit, as defined in this Section DD.02(e).

6. Bringdown of Representations and Warranties

Borrowers represent and warrant to Bank the continued accuracy and completeness, as of the date hereof, of all representations made in the Loan Documents taking into account this Amendment constituting one of the Loan Documents.

7. Security

For the avoidance of doubt, all of the obligations of the Borrowers, whether of payment or performance, under the Line of Credit shall be and continue following the effectiveness of this Amendment to be (along with the other obligations referenced therein), secured by and enjoying the benefits of the pledges, collateral and other matters and security set forth in the Loan Documents.

8. Miscellaneous

Matters as to Amendment. This Amendment constitutes an amendment to the Loan Agreement (and, to the extent applicable, all other Loan Documents) and except for the effect of any matters expressly set forth in this Amendment, this Amendment, the Loan Agreement as previously amended, and each of the Loan Documents is, and shall continue to be following the effectiveness of this Amendment, in full force and effect in accordance with the terms thereof, and nothing in this Amendment shall otherwise be deemed to amend or modify any provision of the Loan Agreement, as previously amended, or the other Loan Documents, each of which shall remain in full force and effect except as otherwise expressly provided herein or therein. This Amendment is not intended to be, nor shall it be construed to create, a novation or accord and satisfaction. This Amendment does not affect the release of any collateral, does not disturb the perfection or priority of any existing liens, and does not affect the release of any obligor, guarantor or other party from its obligations. This Amendment shall be construed in accordance with and governed by the laws of the State of South Carolina and the Loan Documents shall bind each Borrowers’ heirs, personal representatives, successors and assigns and inure to the benefit of Bank’s successors and assigns.

[SIGNATURES ON FOLLOWING PAGE]

WAIVER OF JURY TRIAL. UNLESS EXPRESSLY PROHIBITED BY APPLICABLE LAW, THE UNDERSIGNED HEREBY WAIVE THE RIGHT TO TRIAL BY JURY OF ANY MATTERS OR CLAIMS ARISING OUT OF THIS AMENDMENT OR ANY OF THE LOAN DOCUMENTS EXECUTED IN CONNECTION HERewith OR OUT OF THE CONDUCT OF THE RELATIONSHIP BETWEEN THE UNDERSIGNED AND BANK. THIS PROVISION IS A MATERIAL INDUCEMENT FOR BANK TO MAKE THE LOAN AND ENTER INTO THIS AMENDMENT. FURTHER, THE UNDERSIGNED HEREBY CERTIFY THAT NO REPRESENTATIVE OR AGENT OF BANK, NOR BANK'S COUNSEL, HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT BANK WOULD NOT SEEK TO ENFORCE THIS WAIVER OR RIGHT TO JURY TRIAL PROVISION. NO REPRESENTATIVE OR AGENT OF BANK, NOR BANK'S COUNSEL, HAS THE AUTHORITY TO WAIVE, CONDITION OR MODIFY THIS PROVISION.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment under seal as of the date first written above.

Witness:

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

Print Name: _____

By: _____(SEAL)
Dennis M. Loughran
Senior Vice President and CFO or Senior Vice President, Finance *of and
on behalf of each of the above-named entities*

COMMONWEALTH OF VIRGINIA

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of December, 2018, by Dennis M. Loughran, Senior Vice President and CFO or Senior Vice President, Finance of **Synalloy Corporation**, a Delaware corporation, **Synalloy Fabrication, LLC**, a South Carolina limited liability company, **Synalloy Metals, Inc.**, a Tennessee corporation, **Bristol Metals, LLC**, a Tennessee limited liability company, **Manufacturers Soap & Chemical Company**, a Tennessee corporation, **Manufacturers Chemicals, LLC**, a Tennessee limited liability company, **Palmer of Texas Tanks, Inc.**, a Texas corporation, **CRI Tolling, LLC**, a South Carolina limited liability company, **Specialty Pipe & Tube, Inc.**, a Delaware corporation, and **ASTI Acquisitions, LLC**, a North Carolina limited liability company on behalf of each company.

Notary Public, Commonwealth of Virginia

Printed Name: _____

My commission expires: _____

BRANCH BANKING AND TRUST COMPANY

Witness:

Print Name: _____

By: _____

Stan W. Parker
Senior Vice President

EXHIBIT A

LOAN DOCUMENTS

1. Third Amended and Restated Loan Agreement dated as of October 30, 2017, together with Schedules DD and EE of the same as amended by that certain First Amendment to Third Amended and Restated Loan Agreement dated June 29, 2018 and that certain Second Amendment to Third Amended and Restated Loan Agreement dated December 20, 2018.
2. Promissory Note dated October 30, 2017 together with that certain Note Modification Agreement dated June 29, 2018 and that certain Note Modification Agreement dated of even date herewith together with that certain Addendum to Promissory Note dated December 20, 2018.
3. Promissory Note dated December 20, 2018 together with that certain Addendum to Promissory Note dated December 20, 2018.
4. Wire Terms and Conditions dated December 20, 2018.
5. Amended and Restated Security Agreement dated October 30, 2017 as amended by that certain First Amendment to Amended and Restated Security Agreement dated June 29, 2018 and that certain Second Amendment to Amended and Restated Security Agreement dated December 20, 2018.
6. Amended and Restated Stock and LLC Interest Pledge Agreement dated October 30, 2017 as amended by that certain First Amendment to Amended and Restated Stock and LLC Interest Pledge Agreement dated June 29, 2018 and that certain Second Amendment to Amended and Restated Stock and LLC Interest Pledge Agreement dated December 20, 2018.
7. Landlord Waiver and Consent made by Store Master Funding XII, LLC dated June 29, 2018.
8. Any and all UCC Financing Statements filed with the Delaware, Tennessee, Texas, South Carolina, and North Carolina Secretary of States' offices.

EMPLOYMENT AGREEMENT

This Employment Agreement (the “Agreement”) is made and entered into as of March 1, 2019 by and between Synalloy Corporation, a Delaware corporation (the “Corporation”), and Craig C. Bram, a resident of Richmond, Virginia (the “Employee”).

RECITALS

WHEREAS, the Corporation and the Employee executed and delivered an Employment Agreement dated May 1, 2014 and a Confidentiality, Non-Competition and Non-Solicitation Agreement dated May 27, 2015 (collectively, the “Prior Agreement”); and

WHEREAS, the Corporation and the Employee desire to terminate the Prior Agreement and to effectuate this Agreement as of March 1, 2019 according to the terms herein.

AGREEMENTS

NOW, THEREFORE, in consideration of the above premises and the terms and provisions hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, and intending to be legally bound hereby, the Corporation and the Employee hereby agree as follows:

1. Employment. The Corporation and the Employee hereby terminate the Prior Agreement effective March 1, 2019. The parties agree this Agreement then and thereafter shall be the sole employment agreement between the Corporation and the Employee pursuant to the terms and provisions set forth herein. The Corporation agrees to employ the Employee and the Employee agrees to serve as Chief Executive Officer and President of the Corporation, and in such other capacities as the Board of Directors of the Corporation (the “Board”) may designate from time to time, for a period of two (2) years beginning March 1, 2019, the effective date of this Agreement (this original term together with any extensions thereof shall be referred to

collectively as the “Term”); *provided, however*, that, commencing on March 1, 2021 and on each two-year anniversary of this Agreement thereafter, the Term shall automatically be extended for two (2) additional years unless, not later than ninety (90) days prior to the conclusion of the then current Term, the Corporation or Employee shall have given written notice that it does not wish to extend this Agreement; *provided, further*, that in no event shall any termination of this Agreement result in any forfeiture of rights that accrued prior to the date of such termination. During the Term, the Employee shall devote his full time, attention, skill and efforts to the performance of his duties for the Corporation. Notwithstanding the foregoing, nothing herein shall be construed to prevent Employee from serving on the Board of Directors of any other company without violating Section 9 below or continuing employment with Horizon Capital Management, Inc.

2. Compensation. Subject to the Committee’s (as defined below) annual review and adjustment as set forth herein, the Corporation shall pay the Employee during the Term hereunder a base salary of Four Hundred Ninety-Five Thousand and No Dollars (\$495,000.00) per year (the “Base Salary”) together with the Incentive Plan compensation payable as provided in Section 3 below, and except as otherwise provided in this Agreement. The Base Salary shall be payable monthly or on a less frequent basis by mutual agreement. The Compensation & Long-Term Incentive Committee of the Board (the “Committee”) shall review the Employee’s Base Salary on an annual basis. Based on such reviews, the Committee may increase, but shall not decrease, the Base Salary on an annual basis.

3. Incentive Plan. In addition to the Base Salary provided for in Section 2 above, for each fiscal year during which Employee serves as Chief Executive Officer and President of the Corporation and provided Employee is in the employ of the Corporation on the last day of such

fiscal year (except as provided in Sections 7 and 8 hereof), the Employee shall be entitled to a cash incentive (the “Cash Incentive”) and an equity incentive (the “Equity Incentive”) as provided for in the incentive plan (the “Incentive Plan”) established by the Committee before the beginning of each of the Corporation’s fiscal years.

The provisions of this Section 3 shall apply only to the Incentive Plan in effect for the applicable year during the Term. Each year’s Incentive Plan is developed and approved by the Committee, in its sole discretion, on an annual basis. Nothing set forth herein shall be construed to guarantee that an Incentive Plan will be effective for any year during the Term. The right of the Employee to Cash Incentive payments and Equity Incentive grants shall be governed solely by the Incentive Plan, if any, approved by the Committee in its absolute discretion for the relevant year.

4. Other Benefits. Employee shall be eligible to participate in all employee benefits plans in accordance with the terms of such plans.

5. Death or Disability. If because of death or illness, physical or mental disability, or other incapacity, certified by a physician acceptable to the Corporation, Employee shall fail to render the services provided for by this Agreement, or if Employee contracts an illness or injury, certified by a physician acceptable to the Corporation, which will permanently prevent the performance by him of the services provided for by this Agreement, then the Base Salary provided for in Section 2 hereof shall continue until the next anniversary date of this Agreement but in no event less than three (3) months, along with incentive payments as defined in the Incentive Plan.

6. Termination for Cause; Resignation. Nothing in this Agreement shall be construed to prevent the Corporation from terminating Employee’s employment hereunder at any

time for cause. Fraud, dishonesty, gross negligence, willful misconduct, misappropriation, embezzlement, material violation of any code of conduct adopted by the Board, excessive absences from work, entry of any order by the Securities and Exchange Commission pursuant to Section 21C of the Securities Exchange Act of 1934 (the "Exchange Act") or Section 8A of the Securities Act of 1933 prohibiting Employee from serving as an officer or director of an issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act, or the like, or any act or omission reasonably deemed by the Board to have been disloyal to the Corporation shall constitute cause for termination. Termination for cause by the Corporation pursuant to this Section 6 shall not constitute a breach of this Agreement by the Corporation and shall release the Corporation from all of its obligations pursuant to this Agreement (including without limitation any obligation to pay any Cash Incentive or Equity Incentive as described in Section 3) other than the obligation to pay any accrued but unpaid portion of Employee's Base Salary. Additionally, Employee may resign his employment with the Corporation at any time prior to the conclusion of the then current Term, provided that such resignation would constitute a release of the Corporation of all of its obligations pursuant to this Agreement (including without limitation any obligation to pay any Cash Incentive or Equity Incentive as described in Section 3) other than the obligation to pay any accrued but unpaid portion of Employee's Base Salary.

7. Termination Without Cause; Failure to Renew Agreement. The Corporation shall have the right to terminate the Employee at any time without cause or, in its sole discretion, not to renew this Agreement for any reason at the end of a then current Term. Upon the occurrence of either circumstance, Employee shall receive, in addition to the Corporation's accrued obligations with respect to Employee's Base Salary and pro-rata portion of the current year's

Incentive Plan compensation at the Target Level, as defined in the current Incentive Plan, the following as severance, provided that Employee agrees to, signs, and does not revoke a separation agreement presented by the Corporation that includes standard terms such as a release of all claims against the Corporation and reaffirms the restrictive covenants set forth in Section 9 herein: (i) one and one-half (1.5) times Employee's current Base Salary, which at the Corporation's option may be paid in the form of a lump-sum payment within ninety (90) days of termination or over the course of eighteen (18) months in accordance with the Corporation's normal payroll schedule, (ii) the average of the two (2) most recent Cash Incentive payments and Equity Incentive awards received by the Employee, which payment (lump sum) and award shall be made to Employee within ninety (90) days of termination, (iii) a lump sum payment to the Employee equal to the cost of COBRA health insurance premiums (for then-currently enrolled medical and dental policies and coverages) for twenty-four (24) months following the date of termination, and (iv) immediate vesting in one hundred percent (100%) of any previously granted Equity Incentives and grants of stock options ("Stock Options") under the Corporation's 2011 Long Term Incentive Stock Option Plan. Equity Incentives that are performance based will immediately vest at the Target Level, as defined in the current Incentive Plan. Stock Options shall be exercisable for a period of the earlier of (a) one (1) year after termination or (b) the expiration date of such Stock Options pursuant to their terms.

8. Change in Control. For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred if: (i) any person (as defined in Section 13(d) and 14(d) of the Exchange Act) is or becomes the beneficial owner (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Corporation representing more than fifty percent (50%) of the combined voting power of the Corporation's then outstanding securities, or (ii)

there is a consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Corporation (a "Business Combination"), in each case, unless, following such Business Combination, all or substantially all of the individuals and entities who were the beneficial owners of outstanding voting securities of the Corporation immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity which, as a result of such transaction, owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries).

If in connection with, or within two (2) years after, a Change in Control, (i) the Corporation shall terminate the Employee's employment other than for cause (and other than due to his death or disability) or (ii) the Employee is not retained in substantially the same or better role and at substantially the same or better compensation level, and Employee's primary work location is not within twenty (20) miles of Richmond, Virginia, all as prior to the Change in Control, the Employee shall receive, in addition to the Corporation's accrued obligations with respect to Employee's Base Salary and pro-rata portion of the current year's Cash Incentive and Equity Incentive at Target Level, as defined in the current Incentive Plan, the following as severance, provided that Employee agrees to, signs, and does not revoke a separation agreement presented by the Corporation that includes standard terms such as a release of all claims against the Corporation and reaffirms the restrictive covenants set forth in Section 9 herein: (a) for a period of thirty (30) months following the date of termination, continuation of Employee's then-current Base Salary, which at the Corporation's option may be paid in the form of a lump-sum

payment within ninety (90) days of termination or over the course of thirty (30) months in accordance with the Corporation's normal payroll schedule, (b) two and one-half (2.5) times the average of the two (2) most recent Cash Incentive payments and Equity Incentive awards received by the Employee, which payment (lump sum) and award shall be made to Employee within ninety (90) days of termination, (c) a lump sum payment to the Employee equal to the cost of COBRA health insurance premiums (for then-currently enrolled medical and dental policies and coverages) for twenty-four (24) months following the date of termination, and (d) immediate vesting in one hundred percent (100%) of any previously granted Equity Incentives and Stock Options. Equity Incentives that are performance based will immediately vest at the Target Level, as defined in the current Incentive Plan. Stock Options shall be exercisable for a period of the earlier of (i) one (1) year after termination due to Change in Control, as set forth in this Section 8 or (ii) the expiration date of such Stock Options pursuant to their terms. If any of the provisions of this Section 8 come into effect, the Corporation and the Employee agree to notify the Committee immediately in writing.

9. Restrictive Covenants.

(a) Non-Competition. Employee agrees during the term of employment and for a period of one (1) year after his employment terminates for any reason, the Employee will not, directly or indirectly (such as through a separate entity) without the prior written approval of the Board, become an officer, employee, consultant, agent, partner, director, shareholder or owner of beneficial interests in or of any following business enterprises:

(i) a business enterprise which competes with the Corporation and its subsidiaries/affiliates for customers, orders, supply sources, or contracts (a) in the continental United States, and (b) in those businesses in which the Corporation and its affiliates were engaged on the date his

employment terminated, unless, Employee's activities for such business enterprise are limited in such a way that Employee is not engaged, directly or indirectly, in competition with the Corporation or its affiliates for customers, orders, supply sources or contracts, or

(ii) a Target Company.

As used herein, "Target Company" means any business enterprise wherever located and of whatever type (including without limitation a business not currently competitive with the Corporation or its subsidiaries) which during the six (6) months immediately preceding the termination or other cessation of the Employee's employment with the Corporation either was (i) in discussions with the Corporation or its subsidiaries regarding a merger with the Corporation or any of its subsidiaries, *or* (ii) in discussions with the Corporation or its subsidiaries regarding their purchase of some or all of the Target Company's equity interests (including stock or limited liability company interests) or a material part of its assets or, alternatively, regarding their sale to the Target Company of some or all of the Corporation's or its subsidiaries' equity interests (including stock or limited liability company interests) or a material part of their respective assets; *or* (iii) identified by management employees of the Corporation or its subsidiaries as a potential business with which the Corporation or its subsidiaries will investigate for the purpose of potentially engaging in one or more of the activities described in subsections (i) and (ii) of this definition.

Further, passive ownership (not to exceed 5% of the total outstanding stock) of any publicly traded company will not in itself violate the provisions of this Section 9.

(b) Non-Solicitation. Employee agrees that while employed by the Corporation and for a period of eighteen (18) months following Employee's termination by or resignation from the Corporation, Employee will not, directly or indirectly, for Employee's own benefit or for the benefit of any other person or entity, solicit, attempt to solicit, divert, or attempt to divert business from

any customers, clients, or suppliers of the Corporation (or any of its subsidiaries) which were contacted by, solicited by, marketed to, or served by the Corporation during the two (2) year period immediately preceding Employee's resignation or termination.

Employee further agrees that while employed by the Corporation and for a period of eighteen (18) months following Employee's termination by or resignation from the Corporation, Employee will not, directly or indirectly, on Employee's own or on behalf of a third party, recruit, hire, or in any manner induce or assist in the inducement of any other employee of the Corporation away from the Corporation's employ or from the faithful discharge of such employee's obligations to serve the Corporation's interests. For purposes of this paragraph, "employee" shall mean any individual employed by the Corporation (or any of its subsidiaries) on the last day of Employee's employment or at any time within the one (1) year period prior to the last day of Employee's employment with the Corporation. The foregoing restriction will not apply to the employment of any employee of one party who, without notice or encouragement from the other party, initiates contact themselves or responds to a non-directed, public, general job advertisement.

(c) Employee will not disclose during Employee's employment or for a period of ten (10) years thereafter to anyone other than persons to whom disclosure is required in performance of Employee's duties as an employee of the Corporation or as required by law, any trade secrets or other information obtained while employed by the Corporation which Employee knows, or in the exercise of reasonable judgment should know, the disclosure of which would be damaging to or adverse to the interests of the Corporation. In accordance with 18 USC § 1833(b), nothing herein shall prohibit the Employee, and Employee shall have no criminal or civil liability, from confidentially disclosing trade secret information to a government official or attorney solely to

report (or to respond to an investigation concerning) a suspected violation of law or from disclosing trade secret information in a document filed in a legal proceeding so long as that document is filed under seal.

Employee acknowledges that the Corporation and its subsidiaries/affiliates are leaders in the chemical and metals industries in which they operate, and they have substantial customer relationships throughout the continental United States. Therefore, Employee agrees the geographic scope of Employee's restrictive covenant obligations is fair and reasonable. The provisions of this Section 9 shall survive any termination of this Agreement and shall be binding on the Employee notwithstanding any termination or cessation of his employment with the Corporation (including any termination pursuant to Sections 6, 7 and 8 above).

10. Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision hereof.

11. Mediation. Each party hereby agrees that before initiating any litigation, the parties shall first attempt to resolve their dispute through the means of non-binding mediation using a qualified and experienced third-party mediator in Richmond, Virginia. The costs of such mediation shall be equally divided between the parties. In the course of mediation, the parties agree to exchange such information as is reasonably necessary and relevant to the issues being mediated. If such mediation is unsuccessful, after a good faith attempt by both parties, then either party shall have the right to initiate litigation in the appropriate court as provided herein. In such event, no part of the mediation, including the statements made by the parties or the mediator shall be admissible against either party in the litigation. In the event a party seeks injunctive relief, specific performance

or in the event of an approaching deadline prescribed by any applicable statute of limitation, then there shall be no requirement that such party utilize the mediation process referred to herein.

12. Notices. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing, and if sent by registered or certified mail or overnight mail by a recognized national carrier, to his residence in the case of Employee, or to its Corporate Office in the case of the Corporation.

13. Benefit. This Agreement, in accordance with its terms and conditions, shall inure to the benefit of and be binding upon the Corporation, its successors and assigns, including but not limited to any corporation which may acquire all or substantially all of the Corporation's assets and business, or with or into which the Corporation may be consolidated or merged, and Employee, his heirs, executors, administrators, and legal representatives, provided that the obligations of the Employee hereunder may not be delegated. Employee agrees, however, that any Change of Control shall not be deemed a termination hereunder, subject to the provisions of Section 8 herein.

14. Choice of Law; Choice of Jurisdiction. This Agreement shall be construed in accordance with and governed by the laws of the Commonwealth of Virginia without giving effect to any choice-of-law provision or rule that would cause the application of the laws of any other jurisdiction. In all court proceedings brought in connection with this Agreement, the parties hereto irrevocably consent to non-exclusive personal jurisdiction by, and venue in, the Circuit Court of the County of Henrico, Virginia, and the United States District Court for the Eastern District of Virginia, Richmond Division (to the extent such court has subject matter jurisdiction). Each party waives any right to object to such jurisdiction. Each party hereby waives its right to a trial by jury. In any litigation between the parties in connection with this

Agreement, the substantially prevailing party shall be entitled to recover its reasonable attorneys' fees and other costs of litigation in such proceeding from the substantially non-prevailing party.

15. At Will Employment. Employee is an at-will employee of the Corporation. Nothing in this Agreement shall confer upon Employee any right to continue in the employ of the Corporation or shall in any way affect the right and power of the Corporation to terminate the employment of the Employee at any time with or without assigning a reason therefor to the same extent as the Corporation might have done absent this Agreement. Nothing in this Agreement gives rise to a contract for or guarantee of employment in any manner.

16. Entire Agreement. This instrument contains the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes and replaces all prior agreements related to the subject matter hereof, including the Prior Agreement. It may not be changed orally, but only by an agreement in writing.

17. Severability. Any provision of this Agreement that is found to be unenforceable in any court of the Commonwealth of Virginia or any other court or authority of competent jurisdiction for any reason shall not affect the validity of any other provisions contained in this Agreement.

18. Waiver. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Agreement, or the waiver by any party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

[Signatures Appear on the Next Page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year below written.

WITNESSES

SYNALLOY CORPORATION

As to Synalloy Corporation

By _____
Murray H. Wright
Its: Chairman of the Board of Directors

EMPLOYEE

As to Employee

Craig C. Bram

EMPLOYMENT AGREEMENT

This Employment Agreement (the “Agreement”) is made and entered into as of March 1, 2019 by and between Synalloy Corporation, a Delaware corporation (the “Corporation”), and Dennis M. Loughran, a resident of Richmond, Virginia (the “Employee”).

RECITALS

WHEREAS, the Corporation and the Employee executed and delivered an Employment Agreement dated January 11, 2016 and a Confidentiality, Non-Competition and Non-Solicitation Agreement dated June 13, 2015 (collectively, the “Prior Agreement”); and

WHEREAS, the Corporation and the Employee desire to terminate the Prior Agreement and to effectuate this Agreement as of March 1, 2019 according to the terms herein.

AGREEMENTS

NOW, THEREFORE, in consideration of the above premises and the terms and provisions hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, and intending to be legally bound hereby, the Corporation and the Employee hereby agree as follows:

1. Employment. The Corporation and the Employee hereby terminate the Prior Agreement effective March 1, 2019. The parties agree this Agreement then and thereafter shall be the sole employment agreement between the Corporation and the Employee pursuant to the terms and provisions set forth herein. The Corporation agrees to employ the Employee and the Employee agrees to serve as Senior Vice President and Chief Financial Officer of the Corporation, and in such other capacities as the Board of Directors of the Corporation (the “Board”) may designate from time to time, for a period of one (1) year beginning March 1, 2019, the effective date of this Agreement (this original term together with any extensions thereof shall

be referred to collectively as the “Term”); *provided, however*, that, commencing on March 1, 2020 and on each one-year anniversary of this Agreement thereafter, the Term shall automatically be extended for one (1) additional year unless, not later than ninety (90) days prior to the conclusion of the then current Term, the Corporation or Employee shall have given written notice that it does not wish to extend this Agreement; *provided, further*, that in no event shall any termination of this Agreement result in any forfeiture of rights that accrued prior to the date of such termination. During the Term, the Employee shall devote his full time, attention, skill and efforts to the performance of his duties for the Corporation.

2. Compensation. Subject to the Committee’s (as defined below) annual review and adjustment as set forth herein, the Corporation shall pay the Employee during the Term hereunder a base salary of Three Hundred Twenty-Two Thousand and Five Hundred and No Dollars (\$322,500.00) per year (the “Base Salary”) together with the Incentive Plan compensation payable as provided in Section 3 below, and except as otherwise provided in this Agreement. The Base Salary shall be payable monthly or on a less frequent basis by mutual agreement. The Compensation & Long-Term Incentive Committee of the Board (the “Committee”) shall review the Employee’s Base Salary on an annual basis. Based on such reviews, the Committee may adjust the Base Salary on an annual basis.

3. Incentive Plan. In addition to the Base Salary provided for in Section 2 above, for each fiscal year during which Employee serves as Senior Vice President and Chief Financial Officer of the Corporation and provided Employee is in the employ of the Corporation on the last day of such fiscal year (except as provided in Sections 7 and 8 hereof), the Employee shall be entitled to a cash incentive (the “Cash Incentive”) and an equity incentive (the “Equity

Incentive”) as provided for in the incentive plan (the “Incentive Plan”) established by the Committee before the beginning of each of the Corporation’s fiscal years.

The provisions of this Section 3 shall apply only to the Incentive Plan in effect for the applicable year during the Term. Each year’s Incentive Plan is developed and approved by the Committee, in its sole discretion, on an annual basis. Nothing set forth herein shall be construed to guarantee that an Incentive Plan will be effective for any year during the Term. The right of the Employee to Cash Incentive payments and Equity Incentive grants shall be governed solely by the Incentive Plan, if any, approved by the Committee in its absolute discretion for the relevant year.

4. Other Benefits. Employee shall be eligible to participate in all employee benefits plans in accordance with the terms of such plans.

5. Death or Disability. If because of death or illness, physical or mental disability, or other incapacity, certified by a physician acceptable to the Corporation, Employee shall fail to render the services provided for by this Agreement, or if Employee contracts an illness or injury, certified by a physician acceptable to the Corporation, which will permanently prevent the performance by him of the services provided for by this Agreement, then the Base Salary provided for in Section 2 hereof shall continue until the next anniversary date of this Agreement but in no event less than three (3) months, along with incentive payments as defined in the Incentive Plan.

6. Termination for Cause; Resignation. Nothing in this Agreement shall be construed to prevent the Corporation from terminating Employee’s employment hereunder at any time for cause. Fraud, dishonesty, gross negligence, willful misconduct, misappropriation, embezzlement, material violation of any code of conduct adopted by the Board, excessive

absences from work, entry of any order by the Securities and Exchange Commission pursuant to Section 21C of the Securities Exchange Act of 1934 (the "Exchange Act") or Section 8A of the Securities Act of 1933 prohibiting Employee from serving as an officer or director of an issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act, or the like, or any act or omission reasonably deemed by the Board to have been disloyal to the Corporation shall constitute cause for termination. Termination for cause by the Corporation pursuant to this Section 6 shall not constitute a breach of this Agreement by the Corporation, and shall release the Corporation from all of its obligations pursuant to this Agreement (including without limitation any obligation to pay any Cash Incentive or Equity Incentive as described in Section 3) other than the obligation to pay any accrued but unpaid portion of Employee's Base Salary. Additionally, Employee may resign his employment with the Corporation at any time prior to the conclusion of the then current Term, provided that such resignation would constitute a release of the Corporation of all of its obligations pursuant to this Agreement (including without limitation any obligation to pay any Cash Incentive or Equity Incentive as described in Section 3) other than the obligation to pay any accrued but unpaid portion of Employee's Base Salary.

7. Termination Without Cause; Failure to Renew Agreement. The Corporation shall have the right to terminate the Employee at any time without cause or, in its sole discretion, not to renew this Agreement for any reason at the end of a then current Term. Upon the occurrence of either circumstance, Employee shall receive, in addition to the Corporation's accrued obligations with respect to Employee's Base Salary and pro-rata portion of the current year's Incentive Plan compensation at the Target Level, as defined in the current Incentive Plan, the following as severance, provided that Employee agrees to, signs, and does not revoke a

separation agreement presented by the Corporation that includes standard terms such as a release of all claims against the Corporation and reaffirms the restrictive covenants set forth in Section 9 herein: (i) three-quarters (0.75) times Employee's current Base Salary, which at the Corporation's option may be paid in the form of a lump-sum payment within ninety (90) days of termination or over the course of nine (9) months in accordance with the Corporation's normal payroll schedule, (ii) one-half (0.5) times the average of the two (2) most recent Cash Incentive payments and Equity Incentive awards received by the Employee, which payment (lump sum) and award shall be made to Employee within ninety (90) days of termination, (iii) a lump sum payment to the Employee equal to the cost of COBRA health insurance premiums (for then-currently enrolled medical and dental policies and coverages) for twelve (12) months following the date of termination, and (iv) immediate vesting in one hundred percent (100%) of any previously granted Equity Incentives. Equity Incentives that are performance based will immediately vest at the Target Level, as defined in the current Incentive Plan.

8. Change in Control. For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred if: (i) any person (as defined in Section 13(d) and 14(d) of the Exchange Act) is or becomes the beneficial owner (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Corporation representing more than fifty percent (50%) of the combined voting power of the Corporation's then outstanding securities, or (ii) there is a consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Corporation (a "Business Combination"), in each case, unless, following such Business Combination, all or substantially all of the individuals and entities who were the beneficial owners of outstanding voting securities of the Corporation immediately prior to such Business Combination beneficially own, directly or indirectly, more

than fifty percent (50%) of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity which, as a result of such transaction, owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries).

If in connection with, or within two (2) years after, a Change in Control, (i) the Corporation shall terminate the Employee's employment other than for cause (and other than due to his death or disability) or (ii) the Employee is not retained in substantially the same or better role and at substantially the same or better compensation level, and Employee's primary work location is not within twenty (20) miles of Richmond, Virginia, all as prior to the Change in Control, the Employee shall receive, in addition to the Corporation's accrued obligations with respect to Employee's Base Salary and pro-rata portion of the current year's Cash Incentive and Equity Incentive at Target Level, as defined in the current Incentive Plan, the following as severance, provided that Employee agrees to, signs, and does not revoke a separation agreement presented by the Corporation that includes standard terms such as a release of all claims against the Corporation and reaffirms the restrictive covenants set forth in Section 9 herein: (a) for a period of twenty-four (24) months following the date of termination, continuation of Employee's then-current Base Salary, which at the Corporation's option may be paid in the form of a lump-sum payment within ninety (90) days of termination or over the course of twenty-four (24) months in accordance with the Corporation's normal payroll schedule, (b) two (2) times the average of the two (2) most recent Cash Incentive payments and Equity Incentive awards received by the Employee, which payment (lump sum) and award shall be made to Employee within ninety (90) days of termination, (c) a lump sum payment to the Employee equal to the

cost of COBRA health insurance premiums (for then-currently enrolled medical and dental policies and coverages) for twenty-four (24) months following the date of termination, and (d) immediate vesting in one hundred percent (100%) of any previously granted Equity Incentives. Equity Incentives that are performance based will immediately vest at the Target Level, as defined in the current Incentive Plan. If any of the provisions of this Section 8 come into effect, the Corporation and the Employee agree to notify the Committee immediately in writing.

9. Restrictive Covenants.

(a) Non-Competition. Employee agrees during the term of employment and for a period of one (1) year after his employment terminates for any reason, the Employee will not, directly or indirectly (such as through a separate entity) without the prior written approval of the Board, become an officer, employee, consultant, agent, partner, director, shareholder or owner of beneficial interests in or of any following business enterprises:

(i) a business enterprise which competes with the Corporation and its subsidiaries/affiliates for customers, orders, supply sources, or contracts (a) in the continental United States, and (b) in those businesses in which the Corporation and its affiliates were engaged on the date his employment terminated, unless, Employee's activities for such business enterprise are limited in such a way that Employee is not engaged, directly or indirectly, in competition with the Corporation or its affiliates for customers, orders, supply sources or contracts, or

(ii) a Target Company.

As used herein, "Target Company" means any business enterprise wherever located and of whatever type (including without limitation a business not currently competitive with the Corporation or its subsidiaries) which during the six (6) months immediately preceding the termination or other cessation of the Employee's employment with the Corporation either was (i)

in discussions with the Corporation or its subsidiaries regarding a merger with the Corporation or any of its subsidiaries, *or* (ii) in discussions with the Corporation or its subsidiaries regarding their purchase of some or all of the Target Company's equity interests (including stock or limited liability company interests) or a material part of its assets or, alternatively, regarding their sale to the Target Company of some or all of the Corporation's or its subsidiaries' equity interests (including stock or limited liability company interests) or a material part of their respective assets; *or* (iii) identified by management employees of the Corporation or its subsidiaries as a potential business with which the Corporation or its subsidiaries will investigate for the purpose of potentially engaging in one or more of the activities described in subsections (i) and (ii) of this definition.

Further, passive ownership (not to exceed 5% of the total outstanding stock) of any publicly traded company will not in itself violate the provisions of this Section 9.

(b) Non-Solicitation. Employee agrees that while employed by the Corporation and for a period of eighteen (18) months following Employee's termination by or resignation from the Corporation, Employee will not, directly or indirectly, for Employee's own benefit or for the benefit of any other person or entity, solicit, attempt to solicit, divert, or attempt to divert business from any customers, clients, or suppliers of the Corporation (or any of its subsidiaries) which were contacted by, solicited by, marketed to, or served by the Corporation during the two (2) year period immediately preceding Employee's resignation or termination.

Employee further agrees that while employed by the Corporation and for a period of eighteen (18) months following Employee's termination by or resignation from the Corporation, Employee will not, directly or indirectly, on Employee's own or on behalf of a third party, recruit, hire, or in any manner induce or assist in the inducement of any other employee of the Corporation away from the Corporation's employ or from the faithful discharge of such employee's obligations to serve the

Corporation's interests. For purposes of this paragraph, "employee" shall mean any individual employed by the Corporation (or any of its subsidiaries) on the last day of Employee's employment or at any time within the one (1) year period prior to the last day of Employee's employment with the Corporation. The foregoing restriction will not apply to the employment of any employee of one party who, without notice or encouragement from the other party, initiates contact themselves or responds to a non-directed, public, general job advertisement.

(c) Employee will not disclose during Employee's employment or for a period of ten (10) years thereafter to anyone other than persons to whom disclosure is required in performance of Employee's duties as an employee of the Corporation or as required by law, any trade secrets or other information obtained while employed by the Corporation which Employee knows, or in the exercise of reasonable judgment should know, the disclosure of which would be damaging to or adverse to the interests of the Corporation. In accordance with 18 USC § 1833(b), nothing herein shall prohibit the Employee, and Employee shall have no criminal or civil liability, from confidentially disclosing trade secret information to a government official or attorney solely to report (or to respond to an investigation concerning) a suspected violation of law or from disclosing trade secret information in a document filed in a legal proceeding so long as that document is filed under seal.

Employee acknowledges that the Corporation and its subsidiaries/affiliates are leaders in the chemical and metals industries in which they operate, and they have substantial customer relationships throughout the continental United States. Therefore, Employee agrees the geographic scope of Employee's restrictive covenant obligations is fair and reasonable. The provisions of this Section 9 shall survive any termination of this Agreement and shall be binding on the Employee

notwithstanding any termination of cessation of his employment with the Corporation (including any termination pursuant to Sections 6, 7 and 8 above).

10. Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision hereof.

11. Mediation. Each party hereby agrees that before initiating any litigation, the parties shall first attempt to resolve their dispute through the means of non-binding mediation using a qualified and experienced third-party mediator in Richmond, Virginia. The costs of such mediation shall be equally divided between the parties. In the course of mediation, the parties agree to exchange such information as is reasonably necessary and relevant to the issues being mediated. If such mediation is unsuccessful, after a good faith attempt by both parties, then either party shall have the right to initiate litigation in the appropriate court as provided herein. In such event, no part of the mediation, including the statements made by the parties or the mediator shall be admissible against either party in the litigation. In the event a party seeks injunctive relief, specific performance or in the event of an approaching deadline prescribed by any applicable statute of limitation, then there shall be no requirement that such party utilize the mediation process referred to herein.

12. Notices. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing, and if sent by registered or certified mail or overnight mail by a recognized national carrier, to his residence in the case of Employee, or to its Corporate Office in the case of the Corporation.

13. Benefit. This Agreement, in accordance with its terms and conditions, shall inure to the benefit of and be binding upon the Corporation, its successors and assigns, including but not limited to any corporation which may acquire all or substantially all of the Corporation's assets and business, or with or into which the Corporation may be consolidated or merged, and

Employee, his heirs, executors, administrators, and legal representatives, provided that the obligations of the Employee hereunder may not be delegated. Employee agrees, however, that any Change of Control shall not be deemed a termination hereunder, subject to the provisions of Section 8 herein.

14. Choice of Law; Choice of Jurisdiction. This Agreement shall be construed in accordance with and governed by the laws of the Commonwealth of Virginia without giving effect to any choice-of-law provision or rule that would cause the application of the laws of any other jurisdiction. In all court proceedings brought in connection with this Agreement, the parties hereto irrevocably consent to non-exclusive personal jurisdiction by, and venue in, the Circuit Court of the County of Henrico, Virginia, and the United States District Court for the Eastern District of Virginia, Richmond Division (to the extent such court has subject matter jurisdiction). Each party waives any right to object to such jurisdiction. Each party hereby waives its right to a trial by jury. In any litigation between the parties in connection with this Agreement, the substantially prevailing party shall be entitled to recover its reasonable attorneys' fees and other costs of litigation in such proceeding from the substantially non-prevailing party.

15. At Will Employment. Employee is an at-will employee of the Corporation. Nothing in this Agreement shall confer upon Employee any right to continue in the employ of the Corporation or shall in any way affect the right and power of the Corporation to terminate the employment of the Employee at any time with or without assigning a reason therefor to the same extent as the Corporation might have done absent this Agreement. Nothing in this Agreement gives rise to a contract for or guarantee of employment in any manner.

16. Entire Agreement. This instrument contains the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes and replaces all prior agreements

related to the subject matter hereof, including the Prior Agreement. It may not be changed orally, but only by an agreement in writing.

17. Severability. Any provision of this Agreement that is found to be unenforceable in any court of the Commonwealth of Virginia or any other court or authority of competent jurisdiction for any reason shall not affect the validity of any other provisions contained in this Agreement.

18. Waiver. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Agreement, or the waiver by any party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

[Signatures Appear on the Next Page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year below written.

WITNESSES

SYNALLOY CORPORATION

As to Synalloy Corporation

By _____
Craig C. Bram
Its: President and CEO

EMPLOYEE

As to Employee

Dennis M. Loughran

EMPLOYMENT AGREEMENT

This Employment Agreement (the “Agreement”) is made and entered into as of March 1, 2019 by and between Synalloy Corporation, a Delaware corporation (the “Corporation”), and J. Kyle Pennington, a resident of Kingsport, Tennessee (the “Employee”).

RECITALS

WHEREAS, the Corporation and the Employee executed and delivered an Employment Agreement dated January 11, 2016 and a Confidentiality, Non-Competition and Non-Solicitation Agreement dated May 31, 2015 (collectively, the “Prior Agreement”); and

WHEREAS, the Corporation and the Employee desire to terminate the Prior Agreement and to effectuate this Agreement as of March 1, 2019 according to the terms herein.

AGREEMENTS

NOW, THEREFORE, in consideration of the above premises and the terms and provisions hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, and intending to be legally bound hereby, the Corporation and the Employee hereby agree as follows:

1. Employment. The Corporation and the Employee hereby terminate the Prior Agreement effective March 1, 2019. The parties agree this Agreement then and thereafter shall be the sole employment agreement between the Corporation and the Employee pursuant to the terms and provisions set forth herein. The Corporation agrees to employ the Employee and the Employee agrees to serve as President of Synalloy Metals, Inc. Bristol Metals, LLC, and Palmer of Texas Tanks, Inc., all wholly owned subsidiaries of the Corporation (collectively, “Synalloy Metals”), and in such other capacities as the Board of Directors of the Corporation (the “Board”) may designate from time to time, for a period of one (1) year beginning March 1, 2019, the

effective date of this Agreement (this original term together with any extensions thereof shall be referred to collectively as the “Term”); *provided, however*, that, commencing on March 1, 2020 and on each one-year anniversary of this Agreement thereafter, the Term shall automatically be extended for one (1) additional year unless, not later than ninety (90) days prior to the conclusion of the then current Term, the Corporation or Employee shall have given written notice that it does not wish to extend this Agreement; *provided, further*, that in no event shall any termination of this Agreement result in any forfeiture of rights that accrued prior to the date of such termination. During the Term, the Employee shall devote his full time, attention, skill and efforts to the performance of his duties for the Corporation.

2. Compensation. Subject to the Committee’s (as defined below) annual review and adjustment as set forth herein, the Corporation shall pay the Employee during the Term hereunder a base salary of Two Hundred Ninety Five Thousand and No Dollars (\$295,000.00) per year (the “Base Salary”) together with the Incentive Plan compensation payable as provided in Section 3 below, and except as otherwise provided in this Agreement. The Base Salary shall be payable monthly or on a less frequent basis by mutual agreement. The Compensation & Long-Term Incentive Committee of the Board (the “Committee”) shall review the Employee’s Base Salary on an annual basis. Based on such reviews, the Committee may adjust the Base Salary on an annual basis.

3. Incentive Plan. In addition to the Base Salary provided for in Section 2 above, for each fiscal year during which Employee serves as President of Synalloy Metals and provided Employee is in the employ of the Corporation on the last day of such fiscal year (except as provided in Sections 7 and 8 hereof), the Employee shall be entitled to a cash incentive (the “Cash Incentive”) and an equity incentive (the “Equity Incentive”) as provided for in the

incentive plan (the "Incentive Plan") established by the Committee before the beginning of each of the Corporation's fiscal years.

The provisions of this Section 3 shall apply only to the Incentive Plan in effect for the applicable year during the Term. Each year's Incentive Plan is developed and approved by the Committee, in its sole discretion, on an annual basis. Nothing set forth herein shall be construed to guarantee that an Incentive Plan will be effective for any year during the Term. The right of the Employee to Cash Incentive payments and Equity Incentive grants shall be governed solely by the Incentive Plan, if any, approved by the Committee in its absolute discretion for the relevant year.

4. Other Benefits. Employee shall be eligible to participate in all employee benefits plans in accordance with the terms of such plans.

5. Death or Disability. If because of death or illness, physical or mental disability, or other incapacity, certified by a physician acceptable to the Corporation, Employee shall fail to render the services provided for by this Agreement, or if Employee contracts an illness or injury, certified by a physician acceptable to the Corporation, which will permanently prevent the performance by him of the services provided for by this Agreement, then the Base Salary provided for in Section 2 hereof shall continue until the next anniversary date of this Agreement but in no event less than three (3) months, along with incentive payments as defined in the Incentive Plan.

6. Termination for Cause; Resignation. Nothing in this Agreement shall be construed to prevent the Corporation from terminating Employee's employment hereunder at any time for cause. Fraud, dishonesty, gross negligence, willful misconduct, misappropriation, embezzlement, material violation of any code of conduct adopted by the Board, excessive

absences from work, entry of any order by the Securities and Exchange Commission pursuant to Section 21C of the Securities Exchange Act of 1934 (the "Exchange Act") or Section 8A of the Securities Act of 1933 prohibiting Employee from serving as an officer or director of an issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act, or the like, or any act or omission reasonably deemed by the Board to have been disloyal to the Corporation shall constitute cause for termination. Termination for cause by the Corporation pursuant to this Section 6 shall not constitute a breach of this Agreement by the Corporation, and shall release the Corporation from all of its obligations pursuant to this Agreement (including without limitation any obligation to pay any Cash Incentive or Equity Incentive as described in Section 3) other than the obligation to pay any accrued but unpaid portion of Employee's Base Salary. Additionally, Employee may resign his employment with the Corporation at any time prior to the conclusion of the then current Term, provided that such resignation would constitute a release of the Corporation of all of its obligations pursuant to this Agreement (including without limitation any obligation to pay any Cash Incentive or Equity Incentive as described in Section 3) other than the obligation to pay any accrued but unpaid portion of Employee's Base Salary.

7. Termination Without Cause; Failure to Renew Agreement. The Corporation shall have the right to terminate the Employee at any time without cause or, in its sole discretion, not to renew this Agreement for any reason at the end of a then current Term. Upon the occurrence of either circumstance, Employee shall receive, in addition to the Corporation's accrued obligations with respect to Employee's Base Salary and pro-rata portion of the current year's Incentive Plan compensation at the Target Level, as defined in the current Incentive Plan, the following as severance, provided that Employee agrees to, signs, and does not revoke a

separation agreement presented by the Corporation that includes standard terms such as a release of all claims against the Corporation and reaffirms the restrictive covenants set forth in Section 9 herein: (i) three-quarters (0.75) times Employee's current Base Salary, which at the Corporation's option may be paid in the form of a lump-sum payment within ninety (90) days of termination or over the course of nine (9) months in accordance with the Corporation's normal payroll schedule, (ii) one-half (0.5) times the average of the two (2) most recent Cash Incentive payments and Equity Incentive awards received by the Employee, which payment (lump sum) and award shall be made to Employee within ninety (90) days of termination, (iii) a lump sum payment to the Employee equal to the cost of COBRA health insurance premiums (for then-currently enrolled medical and dental policies and coverages) for twelve (12) months following the date of termination, and (iv) immediate vesting in one hundred percent (100%) of any previously granted Equity Incentives and grants of stock options ("Stock Options") under the Corporation's 2011 Long Term Incentive Stock Option Plan. Equity Incentives that are performance based will immediately vest at the Target Level, as defined in the current Incentive Plan. Stock Options shall be exercisable for a period of the earlier of (a) one (1) year after termination or (b) the expiration date of such Stock Options pursuant to their terms.

8. Change in Control. For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred if: (i) any person (as defined in Section 13(d) and 14(d) of the Exchange Act) is or becomes the beneficial owner (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Corporation representing more than fifty percent (50%) of the combined voting power of the Corporation's then outstanding securities, or (ii) there is a consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Corporation (a "Business Combination"), in each

case, unless, following such Business Combination, all or substantially all of the individuals and entities who were the beneficial owners of outstanding voting securities of the Corporation immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity which, as a result of such transaction, owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries).

If in connection with, or within two (2) years after, a Change in Control, (i) the Corporation shall terminate the Employee's employment other than for cause (and other than due to his death or disability) or (ii) the Employee is not retained in substantially the same or better role and at substantially the same or better compensation level, and Employee's primary work location is not within twenty (20) miles of Bristol, Tennessee, all as prior to the Change in Control, the Employee shall receive, in addition to the Corporation's accrued obligations with respect to Employee's Base Salary and pro-rata portion of the current year's Cash Incentive and Equity Incentive at Target Level, as defined in the current Incentive Plan, the following as severance, provided that Employee agrees to, signs, and does not revoke a separation agreement presented by the Corporation that includes standard terms such as a release of all claims against the Corporation and reaffirms the restrictive covenants set forth in Section 9 herein: (a) for a period of twenty-four (24) months following the date of termination, continuation of Employee's then-current Base Salary, which at the Corporation's option may be paid in the form of a lump-sum payment within ninety (90) days of termination or over the course of twenty-four (24) months in accordance with the Corporation's normal payroll schedule, (b) two (2) times the

average of the two (2) most recent Cash Incentive payments and Equity Incentive awards received by the Employee, which payment (lump sum) and award shall be made to Employee within ninety (90) days of termination, (c) a lump sum payment to the Employee equal to the cost of COBRA health insurance premiums (for then-currently enrolled medical and dental policies and coverages) for twenty-four (24) months following the date of termination, and (d) immediate vesting in one hundred percent (100%) of any previously granted Equity Incentives and Stock Options. Equity Incentives that are performance based will immediately vest at the Target Level, as defined in the current Incentive Plan. Stock Options shall be exercisable for a period of the earlier of (i) one (1) year after termination due to Change in Control, as set forth in this Section 8 or (ii) the expiration date of such Stock Options pursuant to their terms. If any of the provisions of this Section 8 come into effect, the Corporation and the Employee agree to notify the Committee immediately in writing.

9. Restrictive Covenants.

(a) Non-Competition. Employee agrees during the term of employment and for a period of one (1) year after his employment terminates for any reason, the Employee will not, directly or indirectly (such as through a separate entity) without the prior written approval of the Board, become an officer, employee, consultant, agent, partner, director, shareholder or owner of beneficial interests in or of any following business enterprises:

(i) a business enterprise which competes with the Corporation and its subsidiaries/affiliates for customers, orders, supply sources, or contracts (a) in the continental United States, and (b) in those businesses in which the Corporation and its affiliates were engaged on the date his employment terminated, unless, Employee's activities for such business enterprise are limited in

such a way that Employee is not engaged, directly or indirectly, in competition with the Corporation or its affiliates for customers, orders, supply sources or contracts, or

(ii) a Target Company.

As used herein, "Target Company" means any business enterprise wherever located and of whatever type (including without limitation a business not currently competitive with the Corporation or its subsidiaries) which during the six (6) months immediately preceding the termination or other cessation of the Employee's employment with the Corporation either was (i) in discussions with the Corporation or its subsidiaries regarding a merger with the Corporation or any of its subsidiaries, *or* (ii) in discussions with the Corporation or its subsidiaries regarding their purchase of some or all of the Target Company's equity interests (including stock or limited liability company interests) or a material part of its assets or, alternatively, regarding their sale to the Target Company of some or all of the Corporation's or its subsidiaries' equity interests (including stock or limited liability company interests) or a material part of their respective assets; *or* (iii) identified by management employees of the Corporation or its subsidiaries as a potential business with which the Corporation or its subsidiaries will investigate for the purpose of potentially engaging in one or more of the activities described in subsections (i) and (ii) of this definition.

Further, passive ownership (not to exceed 5% of the total outstanding stock) of any publicly traded company will not in itself violate the provisions of this Section 9.

(b) Non-Solicitation. Employee agrees that while employed by the Corporation and for a period of eighteen (18) months following Employee's termination by or resignation from the Corporation, Employee will not, directly or indirectly, for Employee's own benefit or for the benefit of any other person or entity, solicit, attempt to solicit, divert, or attempt to divert business from any customers, clients, or suppliers of the Corporation (or any of its subsidiaries) which were

contacted by, solicited by, marketed to, or served by the Corporation during the two (2) year period immediately preceding Employee's resignation or termination.

Employee further agrees that while employed by the Corporation and for a period of eighteen (18) months following Employee's termination by or resignation from the Corporation, Employee will not, directly or indirectly, on Employee's own or on behalf of a third party, recruit, hire, or in any manner induce or assist in the inducement of any other employee of the Corporation away from the Corporation's employ or from the faithful discharge of such employee's obligations to serve the Corporation's interests. For purposes of this paragraph, "employee" shall mean any individual employed by the Corporation (or any of its subsidiaries) on the last day of Employee's employment or at any time within the one (1) year period prior to the last day of Employee's employment with the Corporation. The foregoing restriction will not apply to the employment of any employee of one party who, without notice or encouragement from the other party, initiates contact themselves or responds to a non-directed, public, general job advertisement.

(c) Employee will not disclose during Employee's employment or for a period of ten (10) years thereafter to anyone other than persons to whom disclosure is required in performance of Employee's duties as an employee of the Corporation or as required by law, any trade secrets or other information obtained while employed by the Corporation which Employee knows, or in the exercise of reasonable judgment should know, the disclosure of which would be damaging to or adverse to the interests of the Corporation. In accordance with 18 USC § 1833(b), nothing herein shall prohibit the Employee, and Employee shall have no criminal or civil liability, from confidentially disclosing trade secret information to a government official or attorney solely to report (or to respond to an investigation concerning) a suspected violation of law or from disclosing

trade secret information in a document filed in a legal proceeding so long as that document is filed under seal.

Employee acknowledges that the Corporation and its subsidiaries/affiliates are leaders in the chemical and metals industries in which they operate, and they have substantial customer relationships throughout the continental United States. Therefore, Employee agrees the geographic scope of Employee's restrictive covenant obligations is fair and reasonable. The provisions of this Section 9 shall survive any termination of this Agreement and shall be binding on the Employee notwithstanding any termination or cessation of his employment with the Corporation (including any termination pursuant to Sections 6, 7 and 8 above).

10. Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision hereof.

11. Mediation. Each party hereby agrees that before initiating any litigation, the parties shall first attempt to resolve their dispute through the means of non-binding mediation using a qualified and experienced third-party mediator in Richmond, Virginia. The costs of such mediation shall be equally divided between the parties. In the course of mediation, the parties agree to exchange such information as is reasonably necessary and relevant to the issues being mediated. If such mediation is unsuccessful, after a good faith attempt by both parties, then either party shall have the right to initiate litigation in the appropriate court as provided herein. In such event, no part of the mediation, including the statements made by the parties or the mediator shall be admissible against either party in the litigation. In the event a party seeks injunctive relief, specific performance or in the event of an approaching deadline prescribed by any applicable statute of limitation, then there shall be no requirement that such party utilize the mediation process referred to herein.

12. Notices. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing, and if sent by registered or certified mail or overnight mail by a recognized national carrier, to his residence in the case of Employee, or to its Corporate Office in the case of the Corporation.

13. Benefit. This Agreement, in accordance with its terms and conditions, shall inure to the benefit of and be binding upon the Corporation, its successors and assigns, including but not limited to any corporation which may acquire all or substantially all of the Corporation's assets and business, or with or into which the Corporation may be consolidated or merged, and Employee, his heirs, executors, administrators, and legal representatives, provided that the obligations of the Employee hereunder may not be delegated. Employee agrees, however, that any Change of Control shall not be deemed a termination hereunder, subject to the provisions of Section 8 herein.

14. Choice of Law; Choice of Jurisdiction. This Agreement shall be construed in accordance with and governed by the laws of the Commonwealth of Virginia without giving effect to any choice-of-law provision or rule that would cause the application of the laws of any other jurisdiction. In all court proceedings brought in connection with this Agreement, the parties hereto irrevocably consent to non-exclusive personal jurisdiction by, and venue in, the Circuit Court of the County of Henrico, Virginia, and the United States District Court for the Eastern District of Virginia, Richmond Division (to the extent such court has subject matter jurisdiction). Each party waives any right to object to such jurisdiction. Each party hereby waives its right to a trial by jury. In any litigation between the parties in connection with this Agreement, the substantially prevailing party shall be entitled to recover its reasonable attorneys' fees and other costs of litigation in such proceeding from the substantially non-prevailing party.

15. At Will Employment. Employee is an at-will employee of the Corporation. Nothing in this Agreement shall confer upon Employee any right to continue in the employ of the Corporation or shall in any way affect the right and power of the Corporation to terminate the employment of the Employee at any time with or without assigning a reason therefor to the same extent as the Corporation might have done absent this Agreement. Nothing in this Agreement gives rise to a contract for or guarantee of employment in any manner.

16. Entire Agreement. This instrument contains the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes and replaces all prior agreements related to the subject matter hereof, including the Prior Agreement. It may not be changed orally, but only by an agreement in writing.

17. Severability. Any provision of this Agreement that is found to be unenforceable in any court of the Commonwealth of Virginia or any other court or authority of competent jurisdiction for any reason shall not affect the validity of any other provisions contained in this Agreement.

18. Waiver. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Agreement, or the waiver by any party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

[Signatures Appear on the Next Page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year below written.

WITNESSES

SYNALLOY CORPORATION

As to Synalloy Corporation

By _____
Craig C. Bram
Its: President and CEO

EMPLOYEE

As to Employee

J. Kyle Pennington

EMPLOYMENT AGREEMENT

This Employment Agreement (the “Agreement”) is made and entered into as of March 1, 2019 by and between Synalloy Corporation, a Delaware corporation (the “Corporation”), and James G. Gibson, a resident of Cleveland, Tennessee (the “Employee”).

RECITALS

WHEREAS, the Corporation and the Employee executed and delivered an Employment Agreement dated January 11, 2016 and a Confidentiality, Non-Competition and Non-Solicitation Agreement dated May 27, 2015 (collectively, the “Prior Agreement”); and

WHEREAS, the Corporation and the Employee desire to terminate the Prior Agreement and to effectuate this Agreement as of March 1, 2019 according to the terms herein.

AGREEMENTS

NOW, THEREFORE, in consideration of the above premises and the terms and provisions hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, and intending to be legally bound hereby, the Corporation and the Employee hereby agree as follows:

1. Employment. The Corporation and the Employee hereby terminate the Prior Agreement effective March 1, 2019. The parties agree this Agreement then and thereafter shall be the sole employment agreement between the Corporation and the Employee pursuant to the terms and provisions set forth herein. The Corporation agrees to employ the Employee and the Employee agrees to serve as President of Manufacturers Soap & Chemical Company, Manufacturers Chemicals, LLC, and CRI Tolling, LLC, all wholly owned subsidiaries of the Corporation (collectively, “Synalloy Chemicals”), and in such other capacities as the Board of Directors of the Corporation (the “Board”) may designate from time to time, for a period of one

(1) year beginning March 1, 2019, the effective date of this Agreement (this original term together with any extensions thereof shall be referred to collectively as the “Term”); *provided, however*, that, commencing on March 1, 2020 and on each one-year anniversary of this Agreement thereafter, the Term shall automatically be extended for one (1) additional year unless, not later than ninety (90) days prior to the conclusion of the then current Term, the Corporation or Employee shall have given written notice that it does not wish to extend this Agreement; *provided, further*, that in no event shall any termination of this Agreement result in any forfeiture of rights that accrued prior to the date of such termination. During the Term, the Employee shall devote his full time, attention, skill and efforts to the performance of his duties for the Corporation.

2. Compensation. Subject to the Committee’s (as defined below) annual review and adjustment as set forth herein, the Corporation shall pay the Employee during the Term hereunder a base salary of Two Hundred Seventy-Two Thousand and No Dollars (\$272,000.00) per year (the “Base Salary”) together with the Incentive Plan compensation payable as provided in Section 3 below, and except as otherwise provided in this Agreement. The Base Salary shall be payable monthly or on a less frequent basis by mutual agreement. The Compensation & Long-Term Incentive Committee of the Board (the “Committee”) shall review the Employee’s Base Salary on an annual basis. Based on such reviews, the Committee may adjust the Base Salary on an annual basis.

3. Incentive Plan. In addition to the Base Salary provided for in Section 2 above, for each fiscal year during which Employee serves as President of Synalloy Chemicals and provided Employee is in the employ of the Corporation on the last day of such fiscal year (except as provided in Sections 7 and 8 hereof), the Employee shall be entitled to a cash incentive (the

“Cash Incentive”) and an equity incentive (the “Equity Incentive”) as provided for in the incentive plan (the “Incentive Plan”) established by the Committee before the beginning of each of the Corporation’s fiscal years.

The provisions of this Section 3 shall apply only to the Incentive Plan in effect for the applicable year during the Term. Each year’s Incentive Plan is developed and approved by the Committee, in its sole discretion, on an annual basis. Nothing set forth herein shall be construed to guarantee that an Incentive Plan will be effective for any year during the Term. The right of the Employee to Cash Incentive payments and Equity Incentive grants shall be governed solely by the Incentive Plan, if any, approved by the Committee in its absolute discretion for the relevant year.

4. Other Benefits. Employee shall be eligible to participate in all employee benefits plans in accordance with the terms of such plans.

5. Death or Disability. If because of death or illness, physical or mental disability, or other incapacity, certified by a physician acceptable to the Corporation, Employee shall fail to render the services provided for by this Agreement, or if Employee contracts an illness or injury, certified by a physician acceptable to the Corporation, which will permanently prevent the performance by him of the services provided for by this Agreement, then the Base Salary provided for in Section 2 hereof shall continue until the next anniversary date of this Agreement but in no event less than three (3) months, along with incentive payments as defined in the Incentive Plan.

6. Termination for Cause; Resignation. Nothing in this Agreement shall be construed to prevent the Corporation from terminating Employee’s employment hereunder at any time for cause. Fraud, dishonesty, gross negligence, willful misconduct, misappropriation,

embezzlement, material violation of any code of conduct adopted by the Board, excessive absences from work, entry of any order by the Securities and Exchange Commission pursuant to Section 21C of the Securities Exchange Act of 1934 (the "Exchange Act") or Section 8A of the Securities Act of 1933 prohibiting Employee from serving as an officer or director of an issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act, or the like, or any act or omission reasonably deemed by the Board to have been disloyal to the Corporation shall constitute cause for termination. Termination for cause by the Corporation pursuant to this Section 6 shall not constitute a breach of this Agreement by the Corporation, and shall release the Corporation from all of its obligations pursuant to this Agreement (including without limitation any obligation to pay any Cash Incentive or Equity Incentive as described in Section 3) other than the obligation to pay any accrued but unpaid portion of Employee's Base Salary. Additionally, Employee may resign his employment with the Corporation at any time prior to the conclusion of the then current Term, provided that such resignation would constitute a release of the Corporation of all of its obligations pursuant to this Agreement (including without limitation any obligation to pay any Cash Incentive or Equity Incentive as described in Section 3) other than the obligation to pay any accrued but unpaid portion of Employee's Base Salary.

7. Termination Without Cause; Failure to Renew Agreement. The Corporation shall have the right to terminate the Employee at any time without cause or, in its sole discretion, not to renew this Agreement for any reason at the end of a then current Term. Upon the occurrence of either circumstance, Employee shall receive, in addition to the Corporation's accrued obligations with respect to Employee's Base Salary and pro-rata portion of the current year's Incentive Plan compensation at the Target Level, as defined in the current Incentive Plan, the

following as severance, provided that Employee agrees to, signs, and does not revoke a separation agreement presented by the Corporation that includes standard terms such as a release of all claims against the Corporation and reaffirms the restrictive covenants set forth in Section 9 herein: (i) three-quarters (0.75) times Employee's current Base Salary, which at the Corporation's option may be paid in the form of a lump-sum payment within ninety (90) days of termination or over the course of nine (9) months in accordance with the Corporation's normal payroll schedule, (ii) one-half (0.5) times the average of the two (2) most recent Cash Incentive payments and Equity Incentive awards received by the Employee, which payment (lump sum) and award shall be made to Employee within ninety (90) days of termination, (iii) a lump sum payment to the Employee equal to the cost of COBRA health insurance premiums (for then-currently enrolled medical and dental policies and coverages) for twelve (12) months following the date of termination, and (iv) immediate vesting in one hundred percent (100%) of any previously granted Equity Incentives and grants of stock options ("Stock Options") under the Corporation's 2011 Long Term Incentive Stock Option Plan. Equity Incentives that are performance based will immediately vest at the Target Level, as defined in the current Incentive Plan. Stock Options shall be exercisable for a period of the earlier of (a) one (1) year after termination or (b) the expiration date of such Stock Options pursuant to their terms.

8. Change in Control. For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred if: (i) any person (as defined in Section 13(d) and 14(d) of the Exchange Act) is or becomes the beneficial owner (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Corporation representing more than fifty percent (50%) of the combined voting power of the Corporation's then outstanding securities, or (ii) there is a consummation of a reorganization, merger or consolidation or sale or other disposition

of all or substantially all of the assets of the Corporation (a “Business Combination”), in each case, unless, following such Business Combination, all or substantially all of the individuals and entities who were the beneficial owners of outstanding voting securities of the Corporation immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity which, as a result of such transaction, owns the Corporation or all or substantially all of the Corporation’s assets either directly or through one or more subsidiaries).

If in connection with, or within two (2) years after, a Change in Control, (i) the Corporation shall terminate the Employee’s employment other than for cause (and other than due to his death or disability) or (ii) the Employee is not retained in substantially the same or better role and at substantially the same or better compensation level, and Employee’s primary work location is not within twenty (20) miles of Cleveland, Tennessee, all as prior to the Change in Control, the Employee shall receive, in addition to the Corporation’s accrued obligations with respect to Employee’s Base Salary and pro-rata portion of the current year’s Cash Incentive and Equity Incentive at Target Level, as defined in the current Incentive Plan, the following as severance, provided that Employee agrees to, signs, and does not revoke a separation agreement presented by the Corporation that includes standard terms such as a release of all claims against the Corporation and reaffirms the restrictive covenants set forth in Section 9 herein: (a) for a period of twenty-four (24) months following the date of termination, continuation of Employee’s then-current Base Salary, which at the Corporation’s option may be paid in the form of a lump-sum payment within ninety (90) days of termination or over the course of twenty-four (24)

months in accordance with the Corporation's normal payroll schedule, (b) two (2) times the average of the two (2) most recent Cash Incentive payments and Equity Incentive awards received by the Employee, which payment (lump sum) and award shall be made to Employee within ninety (90) days of termination, (c) a lump sum payment to the Employee equal to the cost of COBRA health insurance premiums (for then-currently enrolled medical and dental policies and coverages) for twenty-four (24) months following the date of termination, and (d) immediate vesting in one hundred percent (100%) of any previously granted Equity Incentives and Stock Options. Equity Incentives that are performance based will immediately vest at the Target Level, as defined in the current Incentive Plan. Stock Options shall be exercisable for a period of the earlier of (i) one (1) year after termination due to Change in Control, as set forth in this Section 8 or (ii) the expiration date of such Stock Options pursuant to their terms. If any of the provisions of this Section 8 come into effect, the Corporation and the Employee agree to notify the Committee immediately in writing.

9. Restrictive Covenants.

(a) Non-Competition. Employee agrees during the term of employment and for a period of one (1) year after his employment terminates for any reason, the Employee will not, directly or indirectly (such as through a separate entity) without the prior written approval of the Board, become an officer, employee, consultant, agent, partner, director, shareholder or owner of beneficial interests in or of any following business enterprises:

(i) a business enterprise which competes with the Corporation and its subsidiaries/affiliates for customers, orders, supply sources, or contracts (a) in the continental United States, and (b) in those businesses in which the Corporation and its affiliates were engaged on the date his employment terminated, unless, Employee's activities for such business enterprise are limited in

such a way that Employee is not engaged, directly or indirectly, in competition with the Corporation or its affiliates for customers, orders, supply sources or contracts, or

(ii) a Target Company.

As used herein, "Target Company" means any business enterprise wherever located and of whatever type (including without limitation a business not currently competitive with the Corporation or its subsidiaries) which during the six (6) months immediately preceding the termination or other cessation of the Employee's employment with the Corporation either was (i) in discussions with the Corporation or its subsidiaries regarding a merger with the Corporation or any of its subsidiaries, *or* (ii) in discussions with the Corporation or its subsidiaries regarding their purchase of some or all of the Target Company's equity interests (including stock or limited liability company interests) or a material part of its assets or, alternatively, regarding their sale to the Target Company of some or all of the Corporation's or its subsidiaries' equity interests (including stock or limited liability company interests) or a material part of their respective assets; *or* (iii) identified by management employees of the Corporation or its subsidiaries as a potential business with which the Corporation or its subsidiaries will investigate for the purpose of potentially engaging in one or more of the activities described in subsections (i) and (ii) of this definition.

Further, passive ownership (not to exceed 5% of the total outstanding stock) of any publicly traded company will not in itself violate the provisions of this Section 9.

(b) Non-Solicitation. Employee agrees that while employed by the Corporation and for a period of eighteen (18) months following Employee's termination by or resignation from the Corporation, Employee will not, directly or indirectly, for Employee's own benefit or for the benefit of any other person or entity, solicit, attempt to solicit, divert, or attempt to divert business from any customers, clients, or suppliers of the Corporation (or any of its subsidiaries) which were

contacted by, solicited by, marketed to, or served by the Corporation during the two (2) year period immediately preceding Employee's resignation or termination.

Employee further agrees that while employed by the Corporation and for a period of eighteen (18) months following Employee's termination by or resignation from the Corporation, Employee will not, directly or indirectly, on Employee's own or on behalf of a third party, recruit, hire, or in any manner induce or assist in the inducement of any other employee of the Corporation away from the Corporation's employ or from the faithful discharge of such employee's obligations to serve the Corporation's interests. For purposes of this paragraph, "employee" shall mean any individual employed by the Corporation (or any of its subsidiaries) on the last day of Employee's employment or at any time within the one (1) year period prior to the last day of Employee's employment with the Corporation. The foregoing restriction will not apply to the employment of any employee of one party who, without notice or encouragement from the other party, initiates contact themselves or responds to a non-directed, public, general job advertisement.

(c) Employee will not disclose during Employee's employment or for a period of ten (10) years thereafter to anyone other than persons to whom disclosure is required in performance of Employee's duties as an employee of the Corporation or as required by law, any trade secrets or other information obtained while employed by the Corporation which Employee knows, or in the exercise of reasonable judgment should know, the disclosure of which would be damaging to or adverse to the interests of the Corporation. In accordance with 18 USC § 1833(b), nothing herein shall prohibit the Employee, and Employee shall have no criminal or civil liability, from confidentially disclosing trade secret information to a government official or attorney solely to report (or to respond to an investigation concerning) a suspected violation of law or from disclosing

trade secret information in a document filed in a legal proceeding so long as that document is filed under seal.

Employee acknowledges that the Corporation and its subsidiaries/affiliates are leaders in the chemical and metals industries in which they operate, and they have substantial customer relationships throughout the continental United States. Therefore, Employee agrees the geographic scope of Employee's restrictive covenant obligations is fair and reasonable. The provisions of this Section 9 shall survive any termination of this Agreement and shall be binding on the Employee notwithstanding any termination or cessation of his employment with the Corporation (including any termination pursuant to Sections 6, 7 and 8 above).

10. Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision hereof.

11. Mediation. Each party hereby agrees that before initiating any litigation, the parties shall first attempt to resolve their dispute through the means of non-binding mediation using a qualified and experienced third-party mediator in Richmond, Virginia. The costs of such mediation shall be equally divided between the parties. In the course of mediation, the parties agree to exchange such information as is reasonably necessary and relevant to the issues being mediated. If such mediation is unsuccessful, after a good faith attempt by both parties, then either party shall have the right to initiate litigation in the appropriate court as provided herein. In such event, no part of the mediation, including the statements made by the parties or the mediator shall be admissible against either party in the litigation. In the event a party seeks injunctive relief, specific performance or in the event of an approaching deadline prescribed by any applicable statute of limitation, then there shall be no requirement that such party utilize the mediation process referred to herein.

12. Notices. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing, and if sent by registered or certified mail or overnight mail by a recognized national carrier, to his residence in the case of Employee, or to its Corporate Office in the case of the Corporation.

13. Benefit. This Agreement, in accordance with its terms and conditions, shall inure to the benefit of and be binding upon the Corporation, its successors and assigns, including but not limited to any corporation which may acquire all or substantially all of the Corporation's assets and business, or with or into which the Corporation may be consolidated or merged, and Employee, his heirs, executors, administrators, and legal representatives, provided that the obligations of the Employee hereunder may not be delegated. Employee agrees, however, that any Change of Control shall not be deemed a termination hereunder, subject to the provisions of Section 8 herein.

14. Choice of Law; Choice of Jurisdiction. This Agreement shall be construed in accordance with and governed by the laws of the Commonwealth of Virginia without giving effect to any choice-of-law provision or rule that would cause the application of the laws of any other jurisdiction. In all court proceedings brought in connection with this Agreement, the parties hereto irrevocably consent to non-exclusive personal jurisdiction by, and venue in, the Circuit Court of the County of Henrico, Virginia, and the United States District Court for the Eastern District of Virginia, Richmond Division (to the extent such court has subject matter jurisdiction). Each party waives any right to object to such jurisdiction. Each party hereby waives its right to a trial by jury. In any litigation between the parties in connection with this Agreement, the substantially prevailing party shall be entitled to recover its reasonable attorneys' fees and other costs of litigation in such proceeding from the substantially non-prevailing party.

15. At Will Employment. Employee is an at-will employee of the Corporation. Nothing in this Agreement shall confer upon Employee any right to continue in the employ of the Corporation or shall in any way affect the right and power of the Corporation to terminate the employment of the Employee at any time with or without assigning a reason therefor to the same extent as the Corporation might have done absent this Agreement. Nothing in this Agreement gives rise to a contract for or guarantee of employment in any manner.

16. Entire Agreement. This instrument contains the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes and replaces all prior agreements related to the subject matter hereof, including the Prior Agreement. It may not be changed orally, but only by an agreement in writing.

17. Severability. Any provision of this Agreement that is found to be unenforceable in any court of the Commonwealth of Virginia or any other court or authority of competent jurisdiction for any reason shall not affect the validity of any other provisions contained in this Agreement.

18. Waiver. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Agreement, or the waiver by any party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

[Signatures Appear on the Next Page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year below written.

WITNESSES

SYNALLOY CORPORATION

As to Synalloy Corporation

By _____
Craig C. Bram
Its: President and CEO

EMPLOYEE

As to Employee

James G. Gibson

ASSET PURCHASE AGREEMENT

BY AND BETWEEN

ASTI ACQUISITION, LLC,

AND

AMERICAN STAINLESS TUBING, INC.

DATED AS OF NOVEMBER 30, 2018

ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT (“Agreement”), dated as of November 30, 2018, by and between ASTI Acquisition, LLC, a North Carolina limited liability company (the “Buyer”), and American Stainless Tubing, Inc., a North Carolina corporation (the “Seller”). Seller and Buyer may each be referred to herein individually as a “Party” and together as the “Parties”.

WHEREAS, Seller is in the business of manufacturing and selling welded ornamental stainless steel tubing primarily in North America (the “Business”).

WHEREAS, Buyer desires to purchase and assume, and Seller desires to sell and assign, or cause to be sold and assigned, the Specified Assets (as defined herein) and the Specified Liabilities (as defined herein), upon the terms and conditions hereinafter set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements hereinafter set forth herein, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Parties hereto agree as follows:

SECTION 1. DEFINED TERMS

Certain defined terms used in this Agreement and not specifically defined in context shall have their respective meanings contained in Exhibit 1 attached hereto, the provisions of which are hereby incorporated into and made a part of this Agreement by reference.

SECTION 2. THE TRANSACTION

2.1 Sale and Purchase of Specified Assets. On the Closing, effective to the fullest extent possible at 12:01 a.m. Eastern Time, subject to the other terms and conditions of this Agreement, Seller shall sell, transfer, assign and convey to Buyer, and Buyer shall purchase, all right, title and interest in and to all of the Specified Assets free and clear of any Encumbrances.

2.1.1 Specified Assets. The “Specified Assets” means substantially all of the assets owned or held by Seller and used in the Business, including but not limited to those assets set forth below, but excluding the Excluded Assets:

2.1.1.1 All of Seller’s useable and saleable raw materials inventory, supplies inventory, work-in-process inventory and finished goods inventory owned by Seller at the Effective Time and set forth on Schedule 2.1.1.1, which schedule shall be delivered at Closing (collectively, the “Inventory”).

2.1.1.2 All of Seller’s fixed assets, equipment, vehicles, computers, fixtures and furniture including, but not limited to, the items listed on Schedule 2.1.1.2 hereto (the “Equipment”);

2.1.1.3 All of Seller’s trade accounts receivable including but not limited to those listed on Schedule 2.1.1.3 (the “Trade Accounts Receivable”), which schedule shall be agreed upon and delivered at Closing by and between the Parties;

2.1.1.4 All of Seller's current, former and prospective customer lists and customer sales files relating to the Business (the "Customer Lists").

2.1.1.5 Copies of all of Seller's employment and personnel records relating to Transferred Employees, and all books and records relating or pertaining to the Business, including all sales records and similar data, to the extent transferrable by law (collectively, the "Records").

2.1.1.6 The Intellectual Property held, used or owned by Seller, including but not limited to, the names "American Stainless Tubing" and "ASTI" as they are used in the Business.

2.1.1.7 All licenses and permits used by Seller and necessary to conduct the Business as it is currently being conducted, to the extent transferable with or without the consent of any Person, including any Environmental Permits and those listed on Schedule 2.1.1.6 (the "Licenses and Permits").

2.1.1.8 All of Seller's prepaid costs and expenses, customer prepaids and deposits, and vendor (and similar) rebates.

2.1.1.9 All other tangible and intangible properties which historically have been used or held for use in connection with the Business including, without limitation, all goodwill related to the Business excluding assets which are included in the Excluded Assets.

2.1.2 Excluded Assets. Notwithstanding any provision to the contrary in this Agreement, nothing in this Agreement shall constitute or be construed as requiring Seller to sell, assign, convey, transfer or deliver, and Buyer shall not be entitled to purchase, assume or acquire, any right, title or interest in, to or under the following assets and properties which are hereby excluded from the definition of Specified Assets (collectively, the "Excluded Assets"):

2.1.2.1 All cash, cash equivalents, and bank deposits, and any income, sales, payroll or other Tax receivables with respect to periods prior to at the Effective Time (in each case, whether held by Seller or any third party).

2.1.2.2 All Tax refunds or credits, which refunds or credits are with respect to periods entirely prior to at the Effective Time, whether directly or indirectly, regardless of when actually paid.

2.1.2.3 The minute books, stock transfer books, corporate seal, Tax Returns and other corporate records of Seller and its respective successors and assigns.

2.1.2.4 Seller's Real Property, pursuant to Section 8.10 hereof.

2.1.2.5 All assets and rights of the Seller in and with respect to the Employee Plans of the Seller

2.1.2.6 Non-material personal items and furnishings located in the offices of individual officers of Seller.

2.1.3 Specified Liabilities. At the Closing, Buyer will not assume any of the liabilities, obligations or debt of Seller except the following explicitly listed liabilities and then only to the extent solely related to the Business (the “Specified Liabilities”):

2.1.3.1 The Transferred Employees’ accrued vacation and sick leave accrued through at the Effective Time listed on Schedule 5.12.

2.1.3.2 The customer purchase orders listed on Schedule 2.1.3.2 (the “Purchase Orders”).

2.1.3.3 The trade accounts payable listed on Schedule 2.1.3.3 (the “Trade Accounts Payable”).

2.1.3.4 The operating leases and other vendor agreements listed on Schedule 2.1.3.4 (collectively, the “Vendor Contracts”).

2.1.4 No Other Liabilities. Except as otherwise set forth in this Agreement, Buyer shall not assume or be obligated to pay, perform or otherwise discharge any liabilities of Seller other than as specifically included in the Specified Liabilities. All such liabilities not being assumed by Buyer pursuant to Section 2.1.3 are referred to herein as the “Excluded Liabilities.”

SECTION 3. PURCHASE PRICE, ALLOCATION AND EARN OUT

3.1 Purchase Price. Subject to the terms of this Section 3, the aggregate purchase price for the Specified Assets (the “Purchase Price”) shall be equal to TWENTY ONE MILLION AND 00/100 DOLLARS (\$21,000,000.00) in cash consideration as set forth below, plus the amount of any Earn Out Payments as provided in Section 3.5.

3.1.1 Cash Consideration.

3.1.1.1 Not less than three (3) Business Days prior to the Closing, Seller shall have delivered to Buyer an estimated statement of Closing Date Working Capital (“Estimated Closing Date Working Capital”), which shall be prepared in a manner consistent with the calculation of the Target Closing Date Working Capital (as shown on Schedule 3.1.1.1) and with the past practices of the Seller in the preparation of the Financial Statements and subject to Buyer’s reasonable review and approval.

3.1.1.2 At the Closing, Buyer shall deliver as payment on account of the Purchase Price an amount (the “Closing Payment”) in cash equal to (i) TWENTY ONE MILLION AND 00/100 DOLLARS (\$21,000,000.00), (ii) *plus* the amount, if any, by which Estimated Closing Date Working Capital exceeds Target Closing Date Working Capital, (iii) *minus* the amount, if any, by which Target Closing Date Working Capital exceeds Estimated Closing Date Working Capital.

3.2 Payment of the Adjusted Purchase Price.

3.2.1 If the amount representing the Closing Date Working Capital as finally determined in accordance with Section 3.3 differs from the Estimated Closing Date Working Capital, the Purchase Price shall be adjusted upward or downward, as applicable, on a dollar-for-dollar basis by the cumulative amount of such difference.

3.2.2 If the adjustment, if any, under Section 3.3 results in an aggregate reduction in the Purchase Price, then within three Business Days after the final determination of the adjustment, Seller shall pay the amount of such reduction to Buyer by wire transfer of immediately available funds to an account designated by Buyer.

3.2.3 If the adjustment, if any, under Section 3.3 results in an aggregate increase in the Purchase Price, then within three Business Days after the final determination of the adjustment, Buyer shall pay to Seller the amount of such aggregate increase in the Purchase Price by wire transfer of immediately available funds to an account designated by Seller.

3.3 Adjustment Procedure.

3.3.1 Within ninety (90) days after the Closing, Buyer shall prepare and deliver to Seller a statement of the Closing Date Working Capital (the "Statement of Closing Date Working Capital"). The Statement of Closing Date Working Capital shall be based upon the books and records of the Seller and shall be prepared in a manner consistent with the calculation of the Target Closing Date Working Capital (as shown on Schedule 3.1.1.1) and with the past practices of the Seller in the preparation of the Financial Statements (including, without limitation, as to valuation methodology). Regarding the Inventory count and valuation, the Parties agree to take a physical observation and counting of the Inventory within thirty (30) days after Closing and to negotiate in good faith and agree upon the actual Inventory count and valuation as of the Effective Time, which agreed upon Inventory calculation shall be utilized in the Statement of Closing Date Working Capital.

3.3.2 Seller shall, during reasonable business hours, be given reasonable access to (and copies of) all of Buyer's books, records, and other documents, including work papers, worksheets, notes, and schedules, used in preparation of the Statement of Closing Date Working Capital, for the purpose of reviewing the Statement of Closing Date Working Capital.

3.3.3 If within thirty (30) days following delivery of the Statement of Closing Date Working Capital to Seller, Seller has not given Buyer notice of an objection as to any amounts set forth on the Statement of Closing Date Working Capital (which notice shall state in reasonable detail the basis of Seller's objections and Seller's proposed adjustments) (the "Objection Notice"), the Statement of Closing Date Working Capital as prepared by Buyer will be final, binding, and conclusive on the parties.

3.3.4 If Seller timely gives Buyer an Objection Notice and if Seller and Buyer fail to resolve the issues raised in the Objection Notice within thirty (30) days after delivery of the Objection Notice, Seller and Buyer shall submit the issues remaining in dispute for resolution to a recognized national or regional independent accounting firm mutually acceptable to Buyer and Seller (the "Independent Accountants"). If the Buyer and Seller cannot agree on the Independent Accountants to serve, each of them shall appoint a recognized national or regional independent

accounting firm and the two firms shall appoint a recognized national or regional accounting firm to serve as the Independent Accountants.

3.3.5 The Independent Accountants shall be directed to resolve only those issues in dispute and render a written report on their resolution of disputed issues with respect to the Statement of Closing Date Working Capital as promptly as practicable, but no later than thirty (30) days after the date on which the Independent Accountants are engaged. The determination by the Independent Accountants will be based solely on written submissions of Buyer, on the one hand, and Seller, on the other hand, and will not involve independent review. Any determination with respect to the Statement of Closing Date Working Capital by the Independent Accountants will not be outside the range established by the amounts in (i) the Statement of Closing Date Working Capital, and (ii) Seller's proposed adjustments thereto. Such determination will be final, binding, and conclusive on the parties as of the date of the determination notice sent by the Independent Accountants.

3.3.6 If issues are submitted to the Independent Accountants for resolution:

3.3.6.1 In the absence of mutual agreement of Seller and Buyer, or unless otherwise expressly provided for in this Agreement, the Independent Accountants shall determine the process to be followed in resolving the disputed matters, provided such process is consistent with this Agreement;

3.3.6.2 Seller and Buyer shall execute any agreement required by the Independent Accountants to accept their engagement pursuant to Section 3.3.4;

3.3.6.3 Seller and Buyer shall promptly furnish or cause to be furnished to the Independent Accountants such work papers and other documents and information relating to the disputed issues as the Independent Accountants may request and are available to that party or its accountants, and shall be afforded the opportunity to present to the Independent Accountants, with a copy to the other party, any other written material relating to the disputed issues;

3.3.6.4 The determination by the Independent Accountants, as set forth in a report to be delivered by the Independent Accountants to both Seller and Buyer, will include the Statement of Closing Date Working Capital as revised, reflecting the changes required as a result of the determination made by the Independent Accountants; and

3.3.6.5 The fees and expenses of the Independent Accountants shall be paid by Seller, on the one hand, and Buyer, on the other hand, based upon the percentage that the amount actually contested but not awarded to Seller or Buyer, respectively, bears to the aggregate amount actually contested by Seller and Buyer.

3.3.7 Any payments made pursuant to Section 3.3 shall be treated as an adjustment to the Purchase Price by the parties for Tax purposes, unless otherwise required by Law.

3.4 Allocation of Purchase Price. Buyer and Seller agree that the Purchase Price will be allocated to the Specified Assets and the restrictive covenants for all purposes (including Tax

and financial accounting purposes) as set forth on Schedule 3.4, which schedule shall be agreed upon and delivered at Closing by and between the Parties. The allocation of the Purchase Price is intended to comply with the requirements of Section 1060 of the Internal Revenue Code. Buyer and Seller shall file Internal Revenue Service Form 8594, Asset Acquisition Statement under Section 1060 of the Internal Revenue Code, with their respective income tax returns (including amended returns and claims for refund) for the taxable year that includes the date of Closing and information reports in a manner consistent with such allocation. Buyer and Seller agree to satisfy all of the reporting requirements of Section 1060 of the Internal Revenue Code.

3.5 Earn Out Payments.

3.5.1 As additional consideration for the Specified Assets, Buyer shall pay to Seller with respect to each Calculation Period within the Earn Out Period an amount (each, an “Earn Out Payment”) equal to six and one-half percent (6.5%) of all Revenue generated by Buyer from the Business; provided that in no event shall the aggregate Earn Out Payments exceed \$20,000,000.

3.5.2 Procedures Applicable to Determination of the Earn Out Payments.

3.5.2.1 On or before the date which is thirty (30) days after the last day of each Calculation Period (each such date, an “Earn Out Calculation Delivery Date”), Buyer shall prepare and deliver to Seller a written statement (in each case, an “Earn Out Calculation Statement”) setting forth in reasonable detail its determination of Revenue for the applicable Calculation Period and its calculation of the resulting Earn Out Payment (in each case, an “Earn Out Calculation”).

3.5.2.2 Seller shall have thirty (30) days after receipt of the Earn Out Calculation Statement for each Calculation Period (in each case, the “Review Period”) to review the Earn Out Calculation Statement and the Earn Out Calculation set forth therein. During the Review Period, Seller and its Representatives shall have the right to inspect the Company’s books and records during normal business hours at the Company’s offices, upon reasonable prior notice and solely for purposes reasonably related to the determinations of Revenue and the resulting Earn Out Payment. Prior to the expiration of the Review Period, Seller may object to the Earn Out Calculation set forth in the Earn Out Calculation Statement for the applicable Calculation Period by delivering a written notice of objection (an “Earn Out Calculation Objection Notice”) to Buyer. Any Earn Out Calculation Objection Notice shall specify the items in the applicable Earn Out Calculation disputed by Seller and shall describe in reasonable detail the basis for such objection, as well as the amount in dispute. If Seller fails to deliver an Earn Out Calculation Objection Notice to Buyer prior to the expiration of the Review Period, then the Earn Out Calculation set forth in the Earn Out Calculation Statement shall be final and binding on the parties hereto, and the Earn Out Payment shall be immediately due and payable. If Seller timely delivers an Earn Out Calculation Objection Notice, Buyer and Seller shall negotiate in good faith to resolve the disputed items and agree upon the resulting amount of the Revenue and the Earn Out Payment for the applicable Calculation Period. If Buyer and Seller are unable to reach agreement within thirty (30) days after such an Earn Out Calculation Objection Notice has been given, all unresolved disputed items shall be promptly referred to the Independent Accountants. The Independent Accountants shall be directed to render a written report on the unresolved disputed items with respect to the applicable Earn Out Calculation as promptly as practicable, but in no event greater than thirty (30) days after such

submission to the Independent Accountants, and to resolve only those unresolved disputed items set forth in the Earn Out Calculation Objection Notice. If unresolved disputed items are submitted to the Independent Accountants, Buyer and Seller shall each furnish to the Independent Accountants such work papers, schedules and other documents and information relating to the unresolved disputed items as the Independent Accountants may reasonably request. The Independent Accountants shall resolve the disputed items based solely on the applicable definitions and other terms in this Agreement and the presentations by Buyer and Seller, and not by independent review. The resolution of the dispute and the calculation of Revenue that is the subject of the applicable Earn Out Calculation Objection Notice by the Independent Accountants shall be final and binding on the parties hereto and shall not be outside the range established by the amounts in the (i) Earn Out Calculation Statement and (ii) Seller's proposed amount in dispute. The fees and expenses of the Independent Accountants shall be borne by Seller and Buyer in proportion to the amounts by which their respective calculations of Revenue differ from Revenue as finally determined by the Independent Accountants.

3.5.3 Independence of Earn Out Payments. Except as otherwise stated in this Agreement, Buyer's obligation to pay each of the Earn Out Payments to Seller in accordance with Section 3.3 is an independent obligation of Buyer and is not otherwise conditioned or contingent upon the determination or payment of any preceding or subsequent Earn Out Payment and the obligation to pay an Earn Out Payment to Seller shall not create any separate obligation of Buyer to pay any preceding or subsequent Earn Out Payment. For the avoidance of doubt and by way of example, if there is no payment of the Earn Out Payment for the first Calculation Period due to there being no Revenue in such period, but Revenue is received in the second Calculation Period, then Buyer would be obligated to pay such Earn Out Payment for the second Calculation Period for which Revenue was received, and not the Earn Out Payment for the first Calculation Period.

3.5.4 Timing of Payment of Earn Out Payments. Subject to Section 3.5.2, any Earn Out Payment that Buyer is required to pay pursuant to Section 3.5.1 hereof shall be paid in full no later than five (5) Business Days following the date upon which the determination of Revenue for the applicable Calculation Period becomes final and binding upon the Parties (including any final resolution of any dispute raised by Seller in an Earn Out Calculation Objection Notice). Buyer shall pay to Seller the applicable Earn Out Payment in cash by wire transfer of immediately available funds.

3.5.5 Post-closing Operation of the Business. Subject to the terms of this Agreement and the other Transaction Documents, subsequent to the Closing, Buyer shall have sole discretion with regard to all matters relating to the operation of the Business; provided, that Buyer shall not, directly or indirectly, take any actions in bad faith that would have the purpose of avoiding or reducing any of the Earn Out Payments hereunder. If Buyer makes changes in the operation of the Business that have a material negative effect on the calculation of the Earn Out Payments, then Buyer and Seller agree to negotiate in good faith to reasonably adjust the basis for determination of the Earn Out Payments to reasonably preserve the business understanding of the Parties with respect to the Earn Out Payments as of the Closing; provided nothing herein shall require either Party to agree to any such adjustment to the determination of the Earn Out Payments.

Notwithstanding the foregoing, Buyer has no obligation to operate the Business in order to achieve any Earn Out Payment or to maximize the amount of any Earn Out Payment.

3.5.6 Right of Set-off. Buyer shall have the right to withhold and set off against any amount otherwise due to be paid pursuant to this Section 3.5 the amount of any Losses to which any Buyer Indemnified Party may be entitled under Section 9 of this Agreement.

3.5.7 No Security. The Parties hereto understand and agree that (i) the contingent rights to receive any Earn Out Payment shall not be represented by any form of certificate or other instrument, are not transferable, except by operation of Laws relating to descent and distribution, divorce and community property, and do not constitute an equity or ownership interest in Buyer or any of its affiliates, (ii) Seller shall not have any rights as a security holder of Buyer or any of its affiliates as a result of Seller's contingent right to receive any Earn Out Payment hereunder, and (iii) no interest is payable with respect to any Earn Out Payment.

SECTION 4. CLOSING

4.1 Closing/Effective Time. The closing (the "Closing") shall take place at the offices of LeClairRyan, A Professional Corporation, 919 E. Main Street, 24th Floor, Richmond, Virginia 23219 at 10:30 a.m. local time on the date mutually agreed to by the Parties. The transfer of the Specified Assets and Specified Liabilities shall be effective as of 12:01 a.m. (local time) on January 1, 2019 (the "Effective Time"). In lieu of an in-person Closing, if the parties agree, they may close by e-mail (pdf)/mail/overnight delivery. Although the Closing will take place at the location set forth above, Buyer shall take possession of the Specified Assets at the Property. The Parties hereto acknowledge and agree that all proceedings to be taken and all documents to be executed and delivered by all parties at the Closing shall be deemed to have been taken and executed simultaneously, and no proceedings shall be deemed taken nor any documents executed or delivered until all have been taken, executed and delivered.

4.2 Deliveries of Seller. At or prior to the Closing, Seller shall execute and/or deliver the following items:

4.2.1 A Bill of Sale in a form agreed to by the Parties;

4.2.2 Original vehicle titles, duly endorsed by Seller, for all vehicles included in the Equipment;

4.2.3 An Assignment and Assumption Agreement in a form agreed to by the Parties;

4.2.4 A copy of the resolutions of the Board of Directors and shareholders of Seller authorizing the execution, delivery and performance of this Agreement and the transactions contemplated hereunder;

4.2.5 Copies of the Consents and approvals of all Persons which Seller is required to obtain in order to transfer the Specified Assets to Buyer and to consummate the transactions contemplated by this Agreement;

4.2.6 Evidence, in substance and form reasonably satisfactory to Buyer, that the Specified Assets are being transferred to Buyer free and clear of Encumbrances;

4.2.7 The Disclosure Schedules, updated, as necessary, as of the Effective Time;

4.2.8 The certificate required by Section 7.6.1.4;

4.2.9 The Employment Agreements;

4.2.10 The Statement of Estimated Closing Date Working Capital (to be delivered at least three (3) Business Days prior to Closing);

4.2.11 A Closing settlement statement mutually agreed to by the Parties;

4.2.12 The duly authorized and executed Amendment to the Articles of Incorporation of Seller pursuant to Section 8.11 hereof;

4.2.13 Such additional documents as Buyer may reasonably request.

4.3 Deliveries of Buyer. At or prior to the Closing, Buyer shall execute and/or deliver the following items:

4.3.1 The Closing Payment by wire transfer of immediately available funds pursuant to a wire direction letter provided by Seller to Buyer;

4.3.2 An Assignment and Assumption Agreement in a form agreed to by the Parties;

4.3.3 A copy of the resolutions of the Board of Directors of Buyer authorizing the execution, delivery and performance of this Agreement and the transactions contemplated hereunder;

4.3.4 The certificate required by Section 7.8.2.4;

4.3.5 The Employment Agreements;

4.3.6 A Closing settlement statement mutually agreed to by the Parties; and

4.3.7 Such additional documents as Seller may reasonably request.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE SELLER

Seller represents and warrants to Buyer and covenants with Buyer, as set forth below in this Section 5.

5.1 Organization. Seller is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of its incorporation. Seller possesses the full corporate

power and authority to enter into and perform its obligations under this Agreement and to consummate the transactions contemplated hereby. Seller is qualified or registered in all jurisdictions in which property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary.

5.2 Authority: Non-Contravention.

5.2.1 Seller has the right, power and authority to enter into and to perform its obligations under this Agreement, and the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby by Seller has been duly authorized by all necessary corporate action on the part of Seller. This Agreement constitutes a legal, valid and binding agreement of Seller and is enforceable against Seller in accordance with its terms, subject as to enforceability, to bankruptcy, insolvency, fraudulent transfer, moratorium, reorganization and other similar laws affecting creditors' rights generally.

5.2.2 Except as set forth on Schedule 5.2.2, neither the execution, delivery and performance of this Agreement nor the consummation or performance of any of the transactions contemplated hereby by Seller will directly or indirectly (with or without notice or lapse of time):

5.2.2.1 contravene, conflict with or result in a violation of (a) any of the provisions of the articles or certificates of formation, bylaws, shareholders agreements, or other organizational documents of Seller or (b) any resolution adopted by the Board of Directors of Seller;

5.2.2.2 contravene, conflict with or result in a violation or breach of, or result in a material default under, any provision of, any agreement, contract or other instrument of which Seller is a party or by which the Specified Assets are bound or subject;

5.2.2.3 violate any Law or regulation, or any Judgment, order or decree of any court, Governmental Body, commission, agency or arbitrator, applicable to Seller, any of the Specified Assets or the Business; or,

5.2.2.4 result in the creation of any Encumbrance on the Specified Assets.

5.2.3 Except as set forth on Schedule 5.2.3, Seller neither is nor will be required to make any filing with or give any notice to, or obtain any Consent from, any Person in connection with the execution and delivery of this Agreement, or the consummation or performance of any of the transactions contemplated hereby.

5.3 Title to Specified Assets. Except as set forth on Schedule 5.3, Seller has good and valid title to all of the Specified Assets and has the right to transfer all rights, title and interest in such Specified Assets, free and clear of any Encumbrance.

5.4 Legal Proceedings. There are no Proceedings pending or, to the Knowledge of Seller, threatened, in each case, that relate to the Specified Assets or the Business or that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. Seller is

not subject to any outstanding order, decree or ruling issued by any Governmental Body that relates to the Specified Assets.

5.5 Brokerage Fees. No broker, finder or investment banker, other than The VSTH Group LLC, whose fee is the sole responsibility of Seller, is entitled to any fee or commission from Seller for services rendered on behalf of Seller in connection with the transactions contemplated by this Agreement.

5.6 Compliance with Laws. Except with respect to compliance with Environmental Laws and Environmental Permits, which are covered exclusively in Section 5.16 and are not covered by this Section 5.6, (a) Seller has operated (since December 31, 2016) and is operating the Business in compliance with all Laws and regulations, federal, state, provincial or local, domestic or foreign applicable to Seller, the Specified Assets or the Business and (b) Seller has not received, at any time since December 31, 2016, any written notice from any Governmental Body regarding any violation of, or failure to comply with, any Laws.

5.7 Assumed Purchase Orders and Contracts. Each purchase order, contract and lease (the “Assumed Contracts”) listed on Schedules 2.1.3.2, 2.1.3.3 and 2.1.3.4 is valid and binding on Seller in accordance with its terms and is in full force and effect. To the Knowledge of the Seller, no event or circumstance has occurred that, with notice or lapse of time or both, would constitute or be reasonably expected to constitute an event of default under any Assumed Contract or result in a termination thereof or would cause or permit the acceleration or other changes of any right or obligation or the loss of any benefit thereunder. None of Seller or, to Seller's Knowledge, any other party thereto is in breach of or default under (or is alleged to be in breach of or default under), or has provided or received any notice of any intention to terminate, any Assumed Contract. Complete and correct copies of each Assumed Contract (including all modifications, amendments and supplements thereto and waivers thereunder) have been made available to Buyer. There are no material disputes pending or, to the Knowledge of Seller, threatened under any Assumed Contract.

5.8 Intellectual Property. Schedule 5.8 contains a correct, current and complete list of all Intellectual Property Registrations, specifying as to each, as applicable: the title, mark, or design; the jurisdiction by or in which it has been issued, registered or filed; the patent, registration or application serial number; the issue, registration or filing date; and the current status. All required filings and fees related to the Intellectual Property Registrations have been timely filed with and paid to the relevant Governmental Bodies and authorized registrars, and all Intellectual Property Registrations are otherwise in good standing. To the Knowledge of the Seller, unless otherwise noted in Schedule 5.8 (a) all of the Seller’s Intellectual Property assets are valid and enforceable, and all Intellectual Property Registrations are subsisting and in full force and effect. Seller has taken all reasonable and necessary steps to maintain and enforce the Intellectual Property assets and (b) no Person has infringed, misappropriated, or otherwise violated any of Seller’s Intellectual Property assets. There are no actions (including any opposition, cancellation, revocation, review, or other proceeding) settled, pending or, to Seller’s Knowledge, threatened (including in the form of offers to obtain a license): (i) alleging any infringement, misappropriation, or other violation of the Intellectual Property of any Person by Seller in the conduct of the Business; (ii) challenging the validity, enforceability, registrability, patentability, or ownership of any Intellectual Property assets

of Seller; or (iii) by Seller or any other Person alleging any infringement, misappropriation, or violation by any Person of any of Seller's Intellectual Property assets.

5.9 Tax Matters.

5.9.1 Seller has properly prepared and filed, in a timely manner, all Tax Returns, reports, related information and declarations (collectively, "Returns") related to the Business and required of Seller by applicable Law and has paid or made provision for the payment of all Taxes related to the Business which have or may become due and no extension of time for filing and Return is presently in effect. Except as set forth in Schedule 5.9, Seller has not received any assessment for unpaid Taxes, with respect to the Business, nor has agreed to any extension of time for the assessment of any federal, state, local, provincial, municipal or foreign Taxes related to the Business for any period. Adequate provisions have been made for the payment of all current Taxes related to the Business. There are no liens on the Specified Assets as a result of any Tax liabilities, except for Taxes not yet due and payable.

5.9.2 Seller is not a party to any Proceeding by any Taxing Authority. There are no pending or threatened Proceedings by any Taxing Authority. Seller is not a "foreign person" as that term is used in the Treasury Regulations Section 1.1445-2.

5.10 Product Warranty. Each product sold or delivered by the Business before Closing and has been sold and delivered in conformity with all applicable contractual commitments, Laws and all express warranties, and, Seller has no liability for replacement or repair thereof or other damages in connection therewith. No product sold or delivered by the Business is subject to any guaranty, warranty or other indemnity beyond Seller's applicable standard terms and conditions of sale, a copy of which has been provided to Buyer before Closing.

5.11 Product Liability. To the Knowledge of Seller, Seller has no liability arising out of any injury to individuals or property as a result of the ownership, possession or use of any product sold or delivered by the Business prior to the Closing.

5.12 Labor and Employment Matters. Schedule 5.12 contains a list of all employees of Seller employed in the Business and sets forth for each the following: (i) name, (ii) title or position, (iii) hire date, (iv) current annual compensation, (v) commission, bonus or incentive based compensation, and (vi) general description of Seller's fringe benefits and accrued vacation and sick leave policies. The Parties agree that Schedule 5.12 shall be updated and delivered with information current as of the Effective Time, with the addition of specific vacation and sick leave accrual information for each employee as of the Effective Time. Schedule 5.12 sets forth a complete and correct list of each employment agreement, severance agreement, deferred compensation agreement or similar arrangements to which Seller is a party or by which it is obligated. Seller has not agreed to pay any of its employees any bonus consideration based on the successful closing of the transactions contemplated under this Agreement. Except as set forth on Schedule 5.12, Seller is not a party to, bound by, or negotiating any collective bargaining agreement or similar arrangement with a labor organization, union or work council representing any of its employees. Seller is in full compliance with the terms of all agreements listed on Schedule 5.12. There is not, and has not been for the past eighteen (18) months, any union, works council or labor organization (collectively,

“Union”) representing or purporting to represent any employee of Seller, and, to Seller’s Knowledge, no Union or group of employees is seeking or has sought to organize employees for the purpose of collective bargaining. Seller has no duty to bargain with any Union. Except as set forth on Schedule 5.12, since January 1, 2015 there has not been, nor, to Seller’s Knowledge, has there been any threat of, any strike, slowdown, work stoppage, lockout, concerted refusal to work overtime or other similar labor activity or dispute affecting the Seller or the Business. There are no material controversies, claims or grievances pending, or, to the Knowledge of Seller, threatened between Seller and any of its employees. All individuals characterized and treated by Seller as consultants or independent contractors of the Business are properly treated as independent contractors under all applicable Laws. All employees of the Business classified as exempt under the Fair Labor Standards Act and state and local wage and hour laws are properly classified. Seller is in compliance with and has complied with (since January 1, 2014) all immigration laws, including Form I-9 requirements and any applicable mandatory E-Verify obligations. Seller is and has been (since January 1, 2016) in compliance with all applicable Laws pertaining to employment and employment practices, including all Laws relating to labor relations, equal employment opportunities, fair employment practices, employment discrimination, harassment, retaliation, reasonable accommodation, disability rights or benefits, immigration, wages, hours, overtime compensation, child labor, hiring, promotion and termination of employees, working conditions, meal and break periods, privacy, health and safety, workers’ compensation, leaves of absence and unemployment insurance. Except as set forth on Schedule 5.12, there are no claims against Seller pending, or to Seller’s Knowledge, threatened to be brought or filed, by or with any Governmental Body or arbitrator in connection with the employment of any current or former applicant, employee, consultant, volunteer, intern or independent contractor of Seller, including, without limitation, any claim relating to unfair labor practices, employment discrimination, harassment, retaliation, equal pay, wage and hours or any other employment related matter arising under applicable Laws. Seller has not taken any action prior to the date hereof that would trigger the WARN Act with respect to Seller.

5.13 Licenses and Permits. Schedule 2.1.1.6 lists all Licenses and Permits required to conduct the Business as it is presently being conducted. All such Licenses and Permits are in full force and effect and, except as set forth on Schedule 2.1.1.6, all of which are assignable. Seller has operated the Business in compliance in all material respects with all of the terms and conditions set forth in such Licenses and Permits. No notice of any violation of any such License or Permit has been received by Seller since January 1, 2017, or, to the Knowledge of Seller, recorded or published, and no proceeding is pending, or, to the Knowledge of Seller, threatened, to revoke any of them. No approval of or filing with a Governmental Body is required in order to consummate the transactions hereunder.

5.14 Financial Statements. Seller has delivered, or as of the Closing will have delivered, to Buyer the following financial statements and notes, true and correct copies of which are attached as Schedule 5.14 to this Agreement (collectively, the “Financial Statements”): (a) balance sheets of Seller as of each of December 31, 2016 and December 31, 2017, and the corresponding income statements of Seller for each of the calendar years ending December 31, 2016 and December 31, 2017; and (b) the balance sheet of Seller as of September 30, 2018, and the corresponding income statement of Seller as of September 30, 2018. The Financial Statements have been prepared in

accordance with GAAP applied on a consistent basis throughout the period involved, subject, in the case of the Financial Statements as of September 30, 2018, to (i) normal and recurring year-end adjustments (the effect of which will not be materially adverse) and the absence of notes (that, if presented, would not differ materially from those presented in the other Financial Statements) and (ii) the September 30, 2018 balance sheet being prepared on a tax basis. The Financial Statements have been prepared on a consistent basis throughout the period involved, are based on the books and records of the Business, and fairly present in all material respects the financial condition of the Business as of the respective dates they were prepared and the results of the operations of the Business for the periods indicated.

5.15 Employee Benefit Plans. Except as set forth in Schedule 5.15, Seller maintains no Employee Plans. All Employee Plans listed in Schedule 5.15 are in compliance in all material respects with the requirements prescribed by applicable statutes, orders, governmental rules and regulations, and Seller has complied in all material respects with all applicable laws and regulations in the establishment and administration of the Employee Plans. Seller has performed all obligations required to be performed by it under the Employee Plans, and Seller is not in any respect in material violation of, any of the Employee Plans. All payments which are due for each Employee Plan have been timely paid, and all payments for any period ending on or before the Effective Time which are not yet due have been timely paid or accrued. No action, suit, proceeding, hearing or investigation (other than routine claims for benefits) is pending or threatened with respect to any Employee Plan. Seller and each Benefit Plan is in compliance, in all material respects, with the Affordable Care Act (the “ACA”). All required taxes or penalties due and payable under the ACA have been paid, and no excise tax or penalty under the ACA is outstanding, has accrued, or will become due with respect to any period prior to the Closing. Except as set forth in Schedule 5.15, Seller has selected a measurement period and stability period for applicable full time employees covered under the ACA. All “group health plans,” as defined in Section 5000(b)(1) of the Code, covering the Target Companies’ employees and their affiliates have been maintained in timely compliance with the notice and healthcare continuation coverage requirements of Section 4980B of the Code and Part 6 of Subtitle B of Title I of ERISA.

5.16 Environmental Matters. Except as set forth in Schedule 5.16:

5.16.1 The operation of the Business and the Specified Assets have been since December 31, 2016 and currently are in compliance in all material respects with the Environmental Permits and Environmental Laws. To the Knowledge of the Seller, there has been no Release or threat of Release of any Hazardous Substances (requiring investigation, assessment, remediation or monitoring under any Environmental Laws) in, on, under, or from any real property owned, leased or used in connection with the ownership or operation of the Business or the Specified Assets. Seller has not, since December 31, 2016, received any written or, to Seller’s Knowledge oral, notice from any governmental authority or any third party alleging any non-compliance with or any potential liability under any Environmental Law or Environmental Permit relating to the Business or the Specified Assets.

5.16.2 To the Knowledge of the Seller, no underground storage tanks are located in, on or under the Real Property. Any aboveground storage tanks used to store Hazardous

Substances in or on the Real Property are in compliance in all material respects with all Environmental Laws.

5.16.3 To the Knowledge of Seller, there is not currently and never has been any material mold, fungal or other microbial growth in or on the Real Property, or conditions that could reasonably be expected to result in material mold, fungal or microbial growth (e.g. material problems with the heating, ventilation and air conditioning system, water leaks or building materials known to be conducive to material mold, fungal or microbial growth), that could reasonably be expected to result in material liability or material costs or expenses to remediate the mold, fungal or microbial growth or to remedy the conditions that could reasonably be expected to result in such material growth.

5.17 Inventory. All Inventory, whether or not reflected in the Financial Statements, consists of a quality and quantity usable and salable in the ordinary course of business consistent with past practice, except for obsolete, damaged, defective or slow-moving items that have been written off or written down to fair market value or for which adequate reserves have been established. All Inventory is owned by Seller free and clear of all Encumbrances, and no Inventory is held on a consignment basis. The quantities of each item of Inventory (whether raw materials, supplies, work-in-process or finished goods) are not excessive, but are reasonable in the present circumstances of Seller.

5.18 Condition and Sufficiency of the Equipment. Except as set forth on Schedule 5.18, the Equipment included in the Specified Assets is structurally sound, is in good operating condition and repair, and is adequate for the uses to which it is being put, and none of the Equipment is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost. The Specified Assets are sufficient for the continued conduct of the Business after the Closing in substantially the same manner as conducted prior to the Closing and constitute all of the rights, property and assets necessary to conduct the Business as currently conducted. None of the Excluded Assets are material to the Business.

5.19 Customers and Suppliers.

5.19.1 Schedule 5.19.1 sets forth with respect to the Business (i) each customer who has paid aggregate consideration to Seller for goods or services rendered in an amount greater than or equal to \$500,000 for each of the two most recent fiscal years (collectively, the "Material Customers"); and (ii) the amount of consideration paid by each Material Customer during such periods. Except as set forth on Schedule 5.19.1, Seller has not received any notice, and has no reason to believe, that any of the Material Customers has ceased, or intends to cease after the Closing, to use the goods or services of the Business or to otherwise terminate or materially reduce its relationship with the Business.

5.19.2 Schedule 5.19.2 sets forth with respect to the Business (i) each supplier to whom Seller has paid consideration for goods or services rendered in an amount greater than or equal to \$500,000 for each of the two most recent fiscal years (collectively, the "Material Suppliers"); and (ii) the amount of purchases from each Material Supplier during such periods. Seller has not received any notice, and has no reason to believe, that any of the Material Suppliers has ceased, or

intends to cease, to supply goods or services to the Business or to otherwise terminate or materially reduce its relationship with the Business

5.20 Absence of Certain Changes, Events and Conditions. Since January 1, 2018, and other than in the ordinary course of business consistent with past practice, there has not been any: (a) event, occurrence or development that has had, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect; (b) material change in any method of accounting or accounting practice for the Business, except as required by GAAP or as disclosed in the notes to the Financial Statements; (c) material change in cash management practices and policies, practices and procedures with respect to collection of Trade Accounts Receivable, establishment of reserves for uncollectible Trade Accounts Receivable, accrual of Trade Accounts Receivable, inventory control, prepayment of expenses, payment of trade accounts payable, accrual of other expenses, deferral of revenue and acceptance of customer deposits; (d) entry into any Contract that would constitute a Material Contract; (e) incurrence, assumption or guarantee of any indebtedness for borrowed money in connection with the Business except unsecured current obligations and liabilities incurred in the ordinary course of business consistent with past practice; (f) transfer, assignment, sale or other disposition of any of the Specified Assets shown or reflected in the December 31, 2017 balance sheet, except for the sale of Inventory and obsolete or surplus equipment in the ordinary course of business; (g) transfer or assignment of or grant of any license or sublicense under or with respect to any of Seller's Intellectual Property Assets (except non-exclusive licenses or sublicenses granted in the ordinary course of business consistent with past practice; (h) abandonment or lapse of or failure to maintain in full force and effect any Intellectual Property Registration, or failure to take or maintain reasonable measures to protect the confidentiality or value of any material Trade Secrets included in the Intellectual Property assets; (i) material damage, destruction or loss, or any material interruption in use, of any Specified Assets, whether or not covered by insurance; (j) acceleration, termination, material modification to or cancellation of any Assumed Contract, License or Permit; (k) imposition of any Encumbrance upon any of the Specified Assets; (l) grant of any bonuses, whether monetary or otherwise, or increase in any wages, salary, severance, pension or other compensation or benefits in respect of any current or former employees, officers, directors, independent contractors or consultants of the Business, (m) action to accelerate the vesting or payment of any compensation or benefit for any current or former employee, officer, director, consultant or independent contractor of the Business; (n) any loan to (or forgiveness of any loan to), or entry into any other transaction with, any current or former directors, officers or employees of the Business; (o) adoption of any plan of merger, consolidation, reorganization, liquidation or dissolution or filing of a petition in bankruptcy under any provisions of federal or state bankruptcy Law or consent to the filing of any bankruptcy petition against it under any similar Law; or (p) purchase, lease or other acquisition of the right to own, use or lease any property or assets in connection with the Business, except for purchases of Inventory or supplies in the ordinary course of business consistent with past practice.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller and covenants with Seller, as set forth below in this Section 6.

6.1 Organization. Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of its jurisdiction of organization. Buyer possesses the full limited liability company power and authority to enter into and perform its obligations under this Agreement and to consummate the transactions contemplated hereby.

6.2 Authority: Non-Contravention. Buyer has the right, power and authority to enter into and to perform its obligations under this Agreement, and the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby by Buyer have been duly authorized by all necessary corporate action by its sole member and manager. Buyer's execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby: (a) do not constitute a violation of or default under its respective charter or operating agreement; (b) do not constitute a default or breach (immediately or after the giving of notice, passage of time or both) under any contract to which Buyer is a party or by which Buyer is bound; (c) do not constitute a violation of any Law or Judgment that is applicable to Buyer or to its businesses or assets, or to the transactions contemplated by this Agreement; and (d) do not require the Consent of any Person. This Agreement constitutes a legal, valid and binding agreement of Buyer and is enforceable against Buyer in accordance with its terms, subject as to enforceability, to bankruptcy, insolvency, fraudulent transfer, moratorium, reorganization and other similar laws affecting creditors' rights generally.

6.3 Brokerage Fees. No broker, finder or investment banker is entitled to any fee or commission from Buyer for services rendered on behalf of Buyer in connection with the transactions contemplated by this Agreement.

SECTION 7. PRE-CLOSING COVENANTS; TERMINATION

7.1 Conduct of Business Prior to the Closing. From the date hereof until the Closing, except as otherwise provided in this Agreement or consented to in writing by Buyer (in its sole discretion), Seller shall (a) conduct the Business in the ordinary course of business consistent with past practice and (b) use reasonable best efforts to maintain and preserve intact the Specified Assets.

7.2 Access to Information. From the date hereof until the Closing, Seller shall (a) afford Buyer and its representatives, upon reasonable prior written notice, full and free access to and the right to inspect all of the properties, assets, books, records, contracts and other documents related to the Business and the Specified Assets, and (b) furnish Buyer and its representatives with such financial, operating and other data and information related to the Business as Buyer or any of its representatives may reasonably request.

7.3 No Solicitation of Other Bids. So long as this Agreement has not been properly terminated, Seller shall not, nor shall Seller permit or authorize any of its respective representatives or affiliates to, directly or indirectly, (a) encourage, solicit, initiate, facilitate or continue inquiries regarding the direct or indirect disposition, whether by sale, merger or otherwise, of all or any portion of the Business or the Specified Assets (an "Acquisition Proposal"), (b) enter into discussions or negotiations with, or provide any information to, any Person concerning a possible Acquisition

Proposal, or (c) enter into any agreements or other instruments (whether or not binding) regarding an Acquisition Proposal.

7.4 Notification of Certain Events. From the date hereof until the Closing, Seller shall promptly notify Buyer in writing of any fact, circumstance, event or action, the existence, occurrence or taking of which (a) has had, or could reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Business or the Specified Assets, (b) has resulted in, or could reasonably be expected to result in, any representations or warranties, including the corresponding Disclosure Schedules, made by Seller hereunder not being true and correct in any material respects or (c) has resulted in, or could reasonably be expected to result in, the failure of any of the conditions set forth in Section 7.8 to be satisfied. Buyer's receipt of information pursuant to this Section 7.4 shall not operate as a waiver or otherwise affect any representations, warranty or agreement given or made by Seller in this Agreement.

7.5 Accomplishment of Closing Conditions. From the date hereof until the Closing, each Party shall use reasonable best efforts to take such actions as are necessary to expeditiously satisfy the closing conditions set forth in Section 7.6 hereof.

7.6 Conditions to Closing.

7.6.1 The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Buyer's waiver of each of the following conditions:

7.6.1.1 The representations and warranties of Seller contained in Section 5 shall be true and correct in all material respects as of the Closing with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, which shall be true and correct in all material respects as of that specified date).

7.6.1.2 Seller shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing, including, but not limited to the deliveries contemplated by Section 4.2.

7.6.1.3 No Legal Proceeding shall have been commenced against Seller or Buyer, which would prevent the Closing. No injunction or restraining order shall have been issued by any Governmental Body, and be in effect, which restrains or prohibits any transaction contemplated hereby.

7.6.1.4 Buyer shall have received a certificate, dated the Closing date and signed by a duly authorized officer of Seller, that each of the conditions set forth in Section 7.6.1.1 and Section 7.6.1.2 have been satisfied.

7.6.1.5 No Material Adverse Change shall have occurred with respect to the Business or the Specified Assets.

7.6.1.6 Buyer shall have received evidence of the occurrence of the closing or satisfaction of all conditions for closing pursuant to the sale of the Real Property from Seller to Store Capital, as described in Section 8.10 hereof.

7.6.1.7 Seller shall have delivered a complete, substantive response to the United States Environmental Protection Agency's Request for Information Pursuant to Section 104(e) of CERCLA dated May 31, 2018 (the "EPA Request for Information") prior to Closing and shall have provided a draft of such response to Buyer at least ten (10) days prior to Closing.

7.6.2 The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Seller's waiver of each of the following conditions:

7.6.2.1 The representations and warranties of Buyer contained in Section 6 shall be true and correct in all material respects as of the Closing with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, which shall be true and correct in all material respects as of that specified date).

7.6.2.2 Buyer shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing date, including, but not limited to the deliveries contemplated by Section 4.3.

7.6.2.3 No Legal Proceeding shall have been commenced against Seller or Buyer, which would prevent the Closing. No injunction or restraining order shall have been issued by any Governmental Body, and be in effect, which restrains or prohibits any transaction contemplated hereby.

7.6.2.4 Seller shall have received a certificate, dated the Closing date and signed by a duly authorized officer of Buyer, that each of the conditions set forth in Section 7.6.2.1 and Section 7.6.2.2 have been satisfied.

7.6.2.5 Seller shall have received evidence of the occurrence of the closing or satisfaction of all conditions for closing pursuant to the sale of the Real Property from Seller to Store Capital, as described in Section 8.10 hereof.

7.7 Termination.

7.7.1 Termination Generally. This Agreement may be terminated at any time prior to the Closing:

7.7.1.1 By the mutual and written consent of the Parties hereto;

7.7.1.2 By Seller by written notice to Buyer if: (i) Seller is not then in material breach of any provision of this Agreement and there has been a breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Buyer pursuant to this

Agreement that would give rise to the failure of any of the conditions specified in Section 7.6.2, or (ii) any of the conditions set forth in Section 7.6.2 shall not have been, or likely will not be, fulfilled by January 15, 2019, unless such failure shall be due to the failure of Seller to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing.

7.7.1.3 By Buyer by written notice to Seller if: (i) Buyer is not then in material breach of any provision of this Agreement and there has been a breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Seller pursuant to this Agreement that would give rise to the failure of any of the conditions specified in Section 7.6.1, or (ii) any of the conditions set forth in Section 7.6.1 shall not have been, or likely will not be, fulfilled by January 15, 2019, unless such failure shall be due to the failure of Buyer to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing.

7.7.2 Effect of Termination. In the event of the termination of this Agreement in accordance with Section 7.7.1.1 (unless otherwise agreed in writing between the Parties in the mutual termination agreement), this Agreement shall forthwith become void. In the event of the termination of this Agreement in accordance with Sections 7.7.1.2, or 7.7.1.3, each party shall be entitled to seek any remedy at law for breach of contract with respect to this Agreement but no party shall be entitled to the equitable remedy of specific performance or to make any claims for indemnification pursuant to Section 9 hereof.

SECTION 8. POST-CLOSING COVENANTS

8.1 Post-Closing Cooperation of the Parties; Further Assurances. From and after the Closing: (a) Seller shall cooperate with Buyer to transfer to Buyer the full title, control and enjoyment of the Specified Assets; (b) Seller shall promptly deliver to Buyer all correspondence, papers, documents and other items and materials received by it or found to be in its possession which pertain to the Specified Assets; and (c) Seller shall cooperate with Buyer and its auditors with respect to requests for financial information relating to the Business prior to Closing, which financial information may be required to be reviewed, audited and publicly reported, pursuant to GAAP and/or applicable Law. In furtherance of the foregoing, Buyer shall promptly take all actions and do all things necessary in order for Buyer to take physical possession of the Specified Assets which constitute tangible personal property. Seller shall provide Buyer with access, upon reasonable prior notice from Buyer, to the Specified Assets to permit Buyer to comply with its obligations hereunder. At any time and from time to time after the Closing, at Buyer's request and without further consideration, Seller shall execute and deliver all such further agreements, certificates, instruments and documents and perform such further actions as Buyer may reasonably request, in order to fully consummate the transactions contemplated by this Agreement and fully carry out the purposes and intent of this Agreement.

8.2 Employees.

8.2.1 Employees Generally. At Closing, the employment by Seller of all its employees shall be terminated. Buyer shall offer employment to all employees of Seller upon such terms and with any such employee benefit plan (collectively, “Buyer Benefit Plans”) as Buyer determines. The employees who elect to become employees of Buyer are referred to as “Transferred Employees.” Unless otherwise required by applicable Law or otherwise prohibited by the Buyer Benefit Plans, Transferred Employees shall be eligible for Buyer Benefit Plans effective as of the commencement date of each employee’s employment with Buyer and, unless otherwise required by applicable Law or otherwise prohibited by such Buyer Benefit Plan, Buyer shall recognize all service of the Transferred Employees with Seller, as if such service were with Buyer, for vesting, eligibility and accrual purposes. Additionally, Buyer shall assume liability for the Transferred Employees’ vacation and sick leave accrued by Seller prior to Closing, as detailed on Schedule 5.12. Buyer agrees and acknowledges that it will be responsible for providing or continuing group health plan continuation coverage under Section 4980B of the Internal Revenue Code and Sections 601 through 609 of ERISA (“COBRA”) to all “M&A qualified beneficiaries” as required by COBRA and Treasury Regulation Section 54.4980B-9.

8.2.2 Seller 401(k) Plan Generally. Seller shall, after Closing, manage and administer the tasks associated with the wind-down of the American Stainless Tubing, Inc. 401(k) Plan (“Seller 401(k) Plan”). Such tasks are expected to include, without limitation, performing compliance tests, delivering to participants the notices required under Section 402(f) of the Code, distributing or rolling over participant accounts as directed by participants, filing Form 5310 with the IRS as part of a request for a favorable determination letter upon plan termination, obtaining the 2018 plan year audit, and preparing and filing the final Form 5500. After these wind-down activities are complete, Seller shall take the necessary corporate action to terminate the Seller 401(k) Plan.

8.2.3 Plan Loan Rollovers from Seller 401(k) Plan. Within a reasonable period of time after Closing, Buyer shall cause its parent company, Synalloy Corporation, to cause the Synalloy Corporation 401(k) Employee Stock Ownership Plan to accept the direct rollover of plan loans from the Seller 401(k) Plan. Seller shall execute such documents, take such actions and provide such information as Buyer may reasonably request to facilitate the foregoing.

8.3 Non-Competition, Non-Solicitation Confidentiality Covenants of Seller.

8.3.1 Confidentiality.

8.3.1.1. Seller has had access to, and familiarity with, the Proprietary and Confidential Information, which is known only to the shareholders, officers, and directors of the Seller or other employees, former employees, consultants or others in a confidential information relationship with the Seller. Without the prior written consent of Buyer, Seller hereby covenants and agrees that from and after the Closing, Seller shall not disclose to any other Person or use in any manner any Proprietary and Confidential Information; provided, however, that Seller may disclose or use any such Proprietary and Confidential Information (i) as it becomes generally available to the public other than through a breach of this Agreement by Seller or any of its Affiliates and representatives, (ii) as it becomes available to Seller on a non-confidential basis from a source

other than any other party hereto or such other party's Affiliates or representatives, provided that such source is not bound by a confidentiality agreement or other obligations of secrecy, (iii) as may be required in any report, statement or testimony required to be submitted to any Governmental Body having or claiming to have jurisdiction over Seller, or as may be otherwise required by applicable Law, or as may be required in response to any summons or subpoena or in connection with any litigation, (iv) as may be required to obtain any governmental approval or consent required in order to consummate the transactions contemplated by this Agreement, (v) as may be necessary to establish Seller's rights under this Agreement or (vi) as may be consented to in writing by Buyer or as may be necessary in Seller's performance of duties on behalf of Buyer following the date hereof; provided, further that in the case of clauses (iii) and (iv) above, Seller will promptly notify Buyer and, to the extent practicable and permitted by law, provide Buyer a reasonable opportunity to prevent public disclosure of such Proprietary and Confidential Information prior to use or disclosure thereof. Seller acknowledges responsibility for disclosures caused by Seller and any of its Affiliates and representatives.

8.3.1.2. For purposes of this Agreement, "Proprietary and Confidential Information" means any information of the Business that is not generally known to the public or to the Seller's competitors in the industry, is used in the Business, and gives the Business an advantage over businesses that do not know the information. "Proprietary and Confidential Information" includes know-how, trade secrets, client lists, supplier lists, referral source lists, computer software or data of any sort developed or compiled by the Seller, algorithms, source or other computer code, requirements and specifications, procedures, security practices, regulatory compliance information, personnel matters, drawings, specifications, instructions, methods, processes, techniques, formulae, costs, profits or margin information, markets, sales, pricing policies, operational methods, plans for future development, data drawings, samples, processes, products, the financial condition, results of operations, business, properties, assets, liabilities, or future prospects of the Seller with respect to the Business.

8.3.2 Non-competition and Non-solicitation Covenants. In consideration of the purchase by Buyer of the Specified Assets, Seller shall not, and shall cause its Affiliates, and shareholders not to, during the Non-Compete Period and within the Territory, in any manner, directly or indirectly or by assisting any other Person, (i) own, control, manage, engage in, fund, finance or be a consultant for any business competitive with the Business, except that the ownership of Seller of not more than three percent of the shares of stock of any corporation having a class of equity securities actively traded on an national securities exchange or on NASDAQ shall not be deemed by violate the prohibitions of this paragraph, (ii) knowingly sell or distribute in the Territory stainless steel pipe and tube, regardless of where the pipe and tube is manufactured, except as a partner of Buyer or one of its Affiliates, including selling to third parties that Seller knows ultimately distribute these product lines into the Territory, (iii) recruit, solicit, induce or hire (except as a result of a general advertisement), or attempt to recruit, solicit, induce or hire, any of the Transferred Employees or employees of Buyer (or any of its Affiliates) to terminate their employment with, or otherwise cease their relationship with, Buyer (or any of its Affiliates), or (iv) solicit, divert, reduce or otherwise modify or attempt to solicit, divert, reduce or otherwise modify, the business of the clients, suppliers, licensors, licensees, franchisees, customers, accounts or business relations, or prospective clients,

suppliers, licensors, licensees, franchisees, customers, accounts or business relations, of the Business.

8.3.3 In the event a judicial or arbitral determination is made that any provision of this Section 8.3 constitutes an unreasonable or otherwise unenforceable restriction against Seller, provisions of this Section 8.3 shall be rendered void only to the extent that such judicial or arbitral determination finds such provisions to be unreasonable or otherwise unenforceable with respect to Seller. In this regard, any judicial authority construing this Agreement shall be empowered to sever any portion of the Territory, any prohibited business activity or any time period from the coverage of this Section 8.3 and to apply the provisions of this Section 8.3 to the remaining portion of the Territory, the remaining business activities and the remaining time period not so severed by such judicial or arbitral authority. If any restriction set forth in this Section 8.3 is found by any court of competent jurisdiction or arbitration panel to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it is the intent of the Parties hereto that it extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

8.3.4 The restrictions contained in this Section 8.3 are necessary for the protection of the business and goodwill of Buyer and are considered by Seller to be reasonable for such purpose. Seller expressly acknowledges the value of the consideration received in connection with this Section 8.3, agrees that any breach of this Section 8.3 will cause Buyer substantial and irrevocable damage and therefore, in the event of any such breach, in addition to such other remedies which may be available at law or equity, Buyer shall have the right to seek specific performance and injunctive relief.

8.4 Taxes.

8.4.1 To the extent any sales, use, value-added, gross receipts, excise, registration, stamp duty, transfer or other similar taxes or governmental fees ("Transfer Taxes") are imposed or levied by reason of, in connection with or attributable to this Agreement and the transactions contemplated hereby, such Transfer Taxes shall be borne 50/50 by Seller and Buyer. All ad valorem Taxes, if any, on the Specified Assets for the year in which the Closing occurs shall be prorated per diem on a calendar-year basis. The Parties shall cooperate with each other to the extent reasonably requested and legally permitted to minimize any such Transfer Taxes. The Party required by law to file a Tax Return, if any, with respect to such Transfer Taxes or ad valorem taxes shall do so within the time period prescribed by law.

8.4.2 Seller and Buyer shall cooperate fully, as and to the extent reasonably requested by the other Party, in connection with any Tax proceeding relating to the Specified Assets or the transactions contemplated by this Agreement. Such cooperation shall include the retention and (upon the other Party's request) the provision of records and information which are reasonably relevant to any Tax audit, litigation or other Proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Seller agrees to retain all books and records with respect to Tax matters pertinent to the Specified Assets relating to any taxable period beginning before the Effective Time until the

longer of (x) sixty (60) days after the expiration of the statute of limitations of the respective taxable periods or (y) six years, and to abide by all record retention agreements entered into with any Taxing Authority to the extent related to the Specified Assets or the Business.

8.4.3 Bulk Sales Law. The Parties hereto waive compliance with the provisions of any “bulk sales laws” or similar Laws of any state or other jurisdiction which may be applicable to the transactions contemplated hereby or that may otherwise be applicable with respect to the sale of any or all of the Specified Assets to Buyer.

8.5 Public Announcements. Shortly after the date of this Agreement, Buyer, or an Affiliate of Buyer, will issue a Form 8-K (including press release), Form 8-K/A and other securities filings (collectively, the “Filings”) referencing the execution of this Agreement, the parties hereto and other material terms. Except in such Filings and other subsequent filings that may be required by securities Law, neither Seller nor Buyer shall disclose to any Person, other than an Affiliate of such Party, the financial or other terms of this Agreement without the prior written consent of the other Party, unless required to do so by a Governmental Body or Law or in accordance with the terms hereof. Notwithstanding the foregoing or anything else to the contrary in this Agreement, the Parties hereto (and each employee, representative or other agent of a Party) may disclose to any and all Persons the Tax treatment and Tax structure of the transactions contemplated by this Agreement and all materials of any kind that are provided to the Parties relating to such Tax treatment and Tax structure.

8.6 Assignment of Warranties. At Closing, Seller shall assign all supplier/manufacturer warranties regarding the Specified Assets to Buyer, including, but not limited to, any such warranties on the Equipment and raw material Inventory.

8.7 Employment Agreements. Effective upon the Closing, Buyer shall enter into employment agreements with Maria Haughton Roberson and Rex Haughton (collectively, the “Employment Agreements”). Seller and Buyer acknowledge and agree that fully executed Employment Agreements are a condition precedent to Buyer’s obligation to close the transactions contemplated by this Agreement.

8.8 Product Warranty Claims. If, following the Closing, Buyer receives a claim from any of its customers or any of the former customers of Seller that any of the Specified Assets or any other goods manufactured or sold by Seller prior to the Closing contain or suffer from any non-compliance with the terms or specifications of the purchase order or contract or makes any other warranty claim and, that as a result thereof, said customer has elected to either (i) reject the goods manufactured or sold by Seller, or (ii) claim a full or partial credit for the cost of such goods against any amounts owed to Buyer, then Buyer promptly shall notify Seller of such claim. Upon receipt of such notification, Seller shall have ten (10) days in which to determine whether to accept or reject each product warranty claim. If a product warranty claim is rejected by the Seller on commercially reasonable grounds, then Buyer may resolve such product warranty claim in any manner that Buyer deems necessary and appropriate under the circumstances and, to the extent that the relevant customer should obtain a valid and enforceable order from a competent court confirming that the claim is grounded and ordering Buyer to pay the customer to satisfy such product warranty, then

Buyer may seek to recover its reasonable costs and expenses from Seller under and pursuant to the terms of Section 9 of this Agreement. If Seller elects to accept any product warranty claims made by customers following the Closing, Seller shall assist Buyer in the resolution of such product warranty claims as more particularly described below. Seller may elect to either (x) pay the customer for the product plus freight in exchange for returned product, if any, or (y) request that Buyer repair, remanufacture or replace the product and reimburse Buyer for Buyer's actual costs (including depreciation costs, if any, and freight) in remanufacturing, repairing or replacing the product, less a credit for the amount of returned product based upon market value. In such a case, the Parties shall act in good faith to reach an agreement on the amount due by the Seller and the Seller shall make any such agreed reimbursement to Buyer within five (5) business days following the date of the agreement.

8.9 Accounts Receivable. The Trade Accounts Receivable reflected on the Estimated Closing Date Working Capital statement and the Trade Accounts Receivable as of the Effective Time are set forth on Schedule 2.1.1.3. For a period of 90 days after the Closing, Buyer will use commercially reasonable efforts to collect the Accounts Receivable. Such efforts shall not require Buyer to employ commercial collection agencies or file suit. Unless otherwise explicitly directed by a customer, all Accounts Receivable payments received by Buyer during the 90-day period shall be applied to the appropriate customer's oldest invoice(s) first. Within 15 days after expiration of the 90-day period following the Closing, Buyer shall provide to Seller a list of Accounts Receivable for which Buyer has not received a full payment (the "Uncollected Accounts Receivable"). Within 15 days of receipt of the list of Uncollected Accounts Receivable, Seller shall pay to Buyer, by wire transfer of immediately available funds, the amount, if any, by which the Uncollected Accounts Receivable exceed the reserve for doubtful or uncollectible accounts in the calculation on the Statement of Closing Date Working Capital (except to the extent the failure to collect such Uncollected Accounts Receivable have already been taken into account in the Statement of Closing Date Working Capital). If Seller fails to make such payment within such 15-day period, Buyer shall be entitled, in addition to any other remedy, to set off the amount of the Uncollected Accounts Receivable from Earn Out Payment(s) due to Seller pursuant to Section 3.5 hereof. Seller agrees to promptly forward to Buyer any and all payment for any Trade Accounts Receivable received by Seller during such 90-day period following the Closing. After the conclusion of the 90-day period, should Buyer collect any of the Uncollected Accounts Receivable, Buyer shall remit any such Uncollected Accounts Receivables to Seller and Buyer will assign any of the Uncollected Accounts Receivable to Seller at Seller's request.

8.10 Real Estate Transaction. Simultaneously with the Closing hereof, Seller and Store Capital Acquisitions, LLC, or one of its affiliates (together, "Store Capital"), shall close upon a transaction whereby Seller shall sell the buildings and land located at 129 Honeycutt Road, Troutman, North Carolina 28166 and 123 Morehead Road, Statesville, North Carolina 28677 (collectively, the "Real Property") to Store Capital for a purchase price of FIVE MILLION AND 00/100 DOLLARS (\$5,000,000.00). Buyer will subsequently lease back the Real Property from Store Capital. Seller and Buyer acknowledge and agree that the consummation of the sale of the Real Property from Seller to Store Capital is a condition precedent to Seller's and Buyer's obligation to close the transactions contemplated by this Agreement.

8.11 Use of Name. On the Closing, Seller will discontinue any business operations under, and any use of, the name “American Stainless Tubing”, “ASTI” or any similar name, logo, trademarks, service marks, website, domain name, homepage, e-mail addresses or the like, used by or in connection with the Business and operations of Seller at any time prior to the Effective Time, all of the foregoing having been conveyed and transferred to Buyer hereunder. At Closing, Seller shall deliver a duly authorized and executed Amendment to the Articles of Incorporation of Seller changing its name from “American Stainless Tubing, Inc.” to a name reasonably suitable to both Seller and Buyer. Seller hereby grants Buyer the right to file, or cause to have filed, with the Secretary of State of the State of North Carolina, immediately after the Closing, the Amendment to the Articles of Incorporation of Seller changing its name.

SECTION 9. INDEMNIFICATION

9.1 Indemnification.

9.1.1 From and after the Effective Time, Seller shall indemnify, defend and hold harmless Buyer and each of its Affiliates and their respective directors, officers, employees, agents and representatives (each a “Buyer Indemnified Party”) from and against any and all claims, demands or suits (by any Person), losses, liabilities, damages, payments, costs and expenses (including, the costs and expenses of any and all actions, suits, Proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable attorneys’ fees and reasonable disbursements in connection therewith) (each, an “Indemnifiable Loss”), asserted against or suffered by any Buyer Indemnified Party relating to, resulting from or arising out of (i) any breach by Seller of any covenant or agreement of Seller contained in this Agreement, (ii) any breach by Seller of any of the representations and warranties contained in Section 5 hereof and (iii) any Excluded Liability, (iv) Third Party Claims arising from the operation by Seller of the Business or its ownership, use or operation of the Specified Assets prior to the Closing, (v) any and all environmental liabilities associated with the Real Property arising before Closing, and (vi) any event, occurrence, fact, condition, obligation or liability with respect to or in any way related to the Site (as that term is defined in the EPA Request for Information).

9.1.2 From and after the Effective Time, Buyer shall indemnify, defend and hold harmless Seller and each of its Affiliates and their respective directors, officers, employees, agents and representatives (each a “Seller Indemnified Party”) from and against any and all Indemnifiable Losses asserted against or suffered by any Seller Indemnified Party relating to, resulting from or arising out of (i) any breach by Buyer of any covenant or agreement of Buyer contained in this Agreement, (ii) any breach by Buyer of any of the representations and warranties contained in Section 6 hereof, (iii) the Specified Liabilities, and (iv) the operation by Buyer of the Business and the ownership, use or operation of the Specified Assets after the Closing.

9.1.3 Except for the right to seek specific performance, which right or remedy shall not be affected or diminished hereby, the rights and remedies of Seller and Buyer under this Section 9 are exclusive and in lieu of such rights and remedies as Seller and Buyer may have under this Agreement, under applicable Law or in equity or otherwise for any breach of representation,

breach of warranty or failure to fulfill any agreement or covenant hereunder on the part of any Party hereto (whether willful, intentional or otherwise), except in the event of actual fraud.

9.1.4 Notwithstanding anything to the contrary herein, no Person (including an Indemnitee) shall be entitled to recover from any other Person (including any Party required to provide indemnification under this Agreement (an “Indemnifying Party”)) any amount in excess of the actual damages, court costs and reasonable attorneys’ fees and disbursements suffered by such Party. In furtherance of the foregoing, Buyer and Seller hereby irrevocably waive any right to recover punitive, indirect, special, exemplary and consequential damages, including damages for lost profits, arising in connection with or with respect to this Agreement (other than with respect to indemnification for a Third Party Claim).

9.1.5 Any indemnity payment under this Agreement will be treated as an adjustment to the Purchase Price, unless otherwise provided by law.

9.1.6 Notwithstanding the foregoing provisions of this Section 9, neither Seller nor Buyer shall be liable under Sections 9.1.1(ii) or 9.1.2(ii) unless and until the aggregate amount of liability thereunder exceeds \$100,000 (the “Basket”), in which event the Indemnitee shall be entitled to indemnification thereunder only for the amount such liability exceeds the Basket, provided, however, that the total amount recoverable pursuant to Sections 9.1.1(ii) or 9.1.2(ii) shall not exceed \$3,000,000 (the “Indemnity Limit”); provided further, however, that the Basket and the Indemnity Limit shall not apply in the event of (i) actual fraud, (ii) a breach by Seller of the representations and warranties set forth in Sections 5.1, 5.2, 5.3, 5.5, 5.9, 5.15 and 5.16 or (iii) a breach by Buyer of the representations and warranties set forth in Sections 6.1, 6.2 and 6.3.

9.1.7 All of the representations and warranties contained in this Agreement shall survive the Closing and continue in full force and effect until eighteen (18) months after the Effective Time, except that (i) the representations and warranties contained in Sections 5.1, 5.2, 5.3, 5.5, 5.9, 5.10, 5.11, 5.12, 5.15, 5.16, 6.1, 6.2 and 6.3 shall survive until the expiration of the applicable statute of limitations, at which time they shall lapse and (ii) any representation or warranty as to which an Indemnifiable Loss shall have been asserted in writing during the applicable survival period (which writing shall state with reasonable specificity the nature and amount of such Indemnifiable Loss) shall continue in effect with respect to such Indemnifiable Loss until such Indemnifiable Loss shall have been finally resolved or settled, provided that notice of the inaccuracy or breach or potential inaccuracy or breach thereof or other claim giving rise to such right or potential right of indemnity shall have been given to the Party against whom such indemnity may be sought prior to such time. The covenants and agreements contained in this Agreement shall remain in effect until the expiration of such covenants and agreements pursuant to their express terms.

9.1.8 Defense of Claims. If any Indemnitee receives notice of the assertion of any claim or of the commencement of any claim, action, or Proceeding made or brought by any Person who is not a Party to this Agreement or any Affiliate of a Party to this Agreement (a “Third Party Claim”) with respect to which indemnification is to be sought from an Indemnifying Party, the following terms and provisions shall apply:

9.1.8.1 The Indemnitee shall give written notice to the Indemnifying Party of any Third Party Claim which might give rise to a claim for indemnification, which notice shall state the nature and basis of the assertion and the amount thereof, to the extent known, provided, however, that no delay on the part of the Indemnitee in giving notice shall relieve the Indemnifying Party of any obligation to indemnify unless (and then solely to the extent that) the Indemnifying Party is prejudiced by such delay and then only to the extent so prejudiced.

9.1.8.2 If any Third Party Claim is brought against an Indemnitee with respect to which the Indemnifying Party may have an obligation to indemnify, the Third Party Claim shall be defended by the Indemnifying Party and such defense shall include all proceedings and appeals which counsel for the Indemnitee shall deem reasonably appropriate.

9.1.8.3 Notwithstanding the provisions of the previous subsection, until the Indemnifying Party shall have assumed the defense of any such Third Party Claim, the defense shall be handled by the Indemnitee. Furthermore, (i) if the Indemnifying Party is a party to the action and the Indemnitee shall have reasonably concluded that there are likely to be defenses available to the Indemnitee that are different from or in addition to those available to the Indemnifying Party and in conflict with the interests of the Indemnifying Party; (ii) if the Indemnifying Party fails to defend and fulfill its indemnification obligation with respect to the Third Party Claims; or (iii) if the Third Party Claim involves a customer, competitor or a supplier of the Business and Maria Haughton Roberson has either voluntarily terminated her employment with Buyer or has been terminated by Buyer for Cause (as such term is defined in the Ms. Haughton Roberson's Employment Agreement referenced in Section 8.7 hereof), then the Indemnifying Party shall not be entitled to assume the defense of the Third Party Claim and the defense shall be handled by the Indemnitee. If the defense of the Third Party Claim is handled by the Indemnitee under the provisions of this subsection, the Indemnifying Party shall pay all legal and other expenses reasonably incurred by the Indemnitee in conducting such defense.

9.1.8.4 In any Third Party Claim defended by the Indemnifying Party (i) the Indemnitee shall have the right to be represented by advisory counsel and accountants, at its own expense, (ii) the Indemnifying Party shall keep the Indemnitee fully informed as to the status of such Third Party Claim at all stages thereof, whether or not the Indemnitee is represented by its own counsel, (iii) the Indemnifying Party shall make available to the Indemnitee, and its attorneys, accountants and other representatives, all books and records of the Indemnifying Party relating to such Third Party Claim and (iv) the parties shall render to each other such assistance as may be reasonably required in order to ensure the proper and adequate defense of the Third Party Claim.

9.1.8.5 In any Third Party Claim, the party defending the same shall not make any settlement of any claim without the prior written consent of the other party, which consent shall not be unreasonably withheld, delayed or conditioned. Without limiting the generality of the foregoing, it shall not be deemed unreasonable to withhold consent to a settlement involving injunctive or other equitable relief against the Indemnitee or its assets, employees or business, or relief which the Indemnitee reasonably believes could establish a custom or precedent which will be adverse to the best interests of its continuing business.

9.1.9 Indemnities Not Duplicative. Notwithstanding anything to the contrary in this Agreement or the purchase and sale agreement for the Real Property (the “SPA”), the indemnity provisions of this Section 9 and Section 7.05 of the SPA are to be interpreted and applied as a single, combined indemnity provision and not as separate, duplicate or additive indemnity provisions. For example, applicable claims under either this Agreement or the SPA shall be applied towards the Basket and/or the Indemnity Limit under both Sections 9.1.6 of this Agreement and Section 7.05(f) of the SPA, so that there is one unified Basket of \$100,000 and one unified Indemnity Limit of \$3,000,000. If any breach, event or circumstance leads to a claim for indemnity by both the Buyer under this Agreement and the Purchaser under the SPA, claims for Indemnifiable Losses shall not be duplicative to the Seller, and the Purchaser and Buyer shall equitably allocate any such indemnity recovery between themselves.

SECTION 10. OTHER PROVISIONS

10.1 Fees and Expenses. Except with respect to indemnification claims which shall be governed by Section 9, Buyer shall pay all of the fees and expenses incurred by Buyer, and Seller shall pay all of the fees and expenses incurred by Seller, in negotiating and preparing this Agreement (and all other agreements and documents executed in connection herewith or therewith) and in consummating the transactions contemplated hereby.

10.2 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given on the next Business Day when delivered to a nationally recognized overnight courier or five (5) Business Days after deposited as registered or certified mail (return receipt requested), in each case, postage prepaid, addressed to the recipient Party at its address specified below (or at such other address for a Party as shall be specified by like notice; provided that notices of a change of address shall be effective only upon receipt thereof):

If to Buyer, to:

ASTI Acquisition, LLC
c/o Synalloy Corporation
4510 Cox Road, Suite 201
Glen Allen, Virginia 23060
Attention: Craig C. Bram, CEO
Telephone: (804) 822-3261

With copies to:

LeClairRyan, A Professional Corporation
919 East Main Street, 24th Floor
Richmond, Virginia 23219
Attention: John C. Selbach, Esq.
Telephone: (804) 343-4388

If to Seller, to:

[Name TBD] (f/k/a American Stainless Tubing, Inc.)
129 Honeycutt Road
Troutman, North Carolina 28166
Attn: Maria Haughton Roberson
Telephone: 704-928-2440

With copies to:

Robinson, Bradshaw & Hinson, P.A.
101 N. Tryon Street, Suite 1900
Charlotte, North Carolina 28246
Attn: Allain C. Andry, Esq.
Telephone: (704) 377-8359

10.3 Entire Understanding. This Agreement, together with the Exhibits and Disclosure Schedules hereto, between Buyer and Seller, states the entire understanding between the Parties with respect to the subject matter hereof, and supersedes all prior oral and written communications and agreements, and all contemporaneous oral communications and agreements, with respect to the subject matter hereof. The Agreements and the Exhibits and Disclosure Schedules hereto may be amended at any time prior to Closing provided that any such amendment is approved in writing by each of the Parties.

10.4 Assignment. This Agreement shall bind, benefit, and be enforceable by and against Buyer and the Seller and their respective successors and assigns. No Party shall in any manner assign any of its rights or obligations under this Agreement without the express prior written consent of the other Party.

10.5 Waivers. Except as otherwise expressly provided herein, no waiver with respect to this Agreement shall be enforceable unless in writing and signed by the Party against whom enforcement is sought. Except as otherwise expressly provided herein, no failure to exercise, delay in exercising, or single or partial exercise of any right, power or remedy by any Party, and no course of dealing between or among any of the Parties, shall constitute a waiver of, or shall preclude any other or further exercise of, any right, power or remedy.

10.6 Severability. If any provision of this Agreement is construed to be invalid, illegal or unenforceable, then the remaining provisions hereof shall not be affected thereby and shall be enforceable without regard thereto.

10.7 Counterparts. This Agreement may be executed in any number of counterparts, including by facsimile, each of which when so executed and delivered shall be an original hereof, and it shall not be necessary in making proof of this Agreement to produce or account for more than one counterpart hereof.

10.8 Section Headings. Section and subsection headings in this Agreement are for convenience of reference only, do not constitute a part of this Agreement, and shall not affect its interpretation.

10.9 References. All words used in this Agreement shall be construed to be of such number and gender as the context requires or permits.

10.10 Controlling Law. THIS AGREEMENT IS MADE UNDER, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED SOLELY THEREIN, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW.

10.11 Jurisdiction and Process. In any action between or among any of the Parties arising out of this Agreement, any of the agreements contemplated hereby or otherwise, (a) each of the Parties irrevocably consents to the exclusive jurisdiction and venue of the federal and state courts located in New York, New York (Manhattan), (b) if any such action is commenced in a state court, then, subject to applicable law, no Party shall object to the removal of such action to any federal court located in New York, New York (Manhattan), (c) each of the Parties irrevocably consents to service of process by first class certified mail, return receipt requested, postage prepaid, to the address at which such Party is to receive notice in accordance with Section 10.2, and (d) the substantially prevailing Party shall be entitled to recover their reasonable attorneys' fees, costs, and disbursements from the other Parties (in addition to any other relief which the substantially prevailing Party may be entitled).

10.12 No Third-Party Beneficiaries. No provision of this Agreement is intended to or shall be construed to grant or confer any right to enforce this Agreement, or any remedy for breach of this Agreement, to or upon any Person other than the Parties hereto.

[Signature page follows]

INTENDING TO BE LEGALLY BOUND HEREBY, the Parties have executed or caused to be executed this Asset Purchase Agreement effective as of the day and year first above written.

ASTI ACQUISITION, LLC

By: _____
Name: Craig C. Bram
Title: CEO

AMERICAN STAINLESS TUBING, INC.

By: _____
Name: Maria Haughton Roberson
Title: President

Subject to the terms and conditions of this Agreement, Synalloy Corporation, the parent of Buyer (“Parent”), hereby guarantees the performance by Buyer of the obligations of Buyer under this Agreement. The guarantee provided hereby (this “Guarantee”) shall be absolute, continuing, unconditional and irrevocable; provided that this Guarantee shall automatically expire and terminate and be of no further effect upon completion of the Closing. This Guarantee is a guaranty of payment and performance and not of collection. Parent hereby waives any right to require the Seller, as a condition of payment or performance by Parent, to proceed against Buyer or any other Person or to pursue any other remedy or enforce any other right. To the extent permitted by applicable Law, Parent unconditionally waives diligence, demand or notice of any kind whatsoever with respect to this Guarantee or the guaranteed obligations or with respect to any condition or circumstance whatsoever that might otherwise constitute a legal or equitable discharge, release or defense of a guarantor or surety or that might otherwise limit recourse against Parent.

SYNALLOY CORPORATION

By: _____
Name: Craig C. Bram
Title: President & CEO

EXHIBIT 1

DEFINED TERMS

“ACA” shall have the meaning given to such term in Section 5.15 herein.

“Acquisition Proposal” shall have the meaning given to such term in Section 7.3 herein.

“Affiliate” of a Person means a Person who, directly or indirectly through one or more subsidiaries, controls or is controlled by, or is under common control with, such Person.

“Agreement” shall have the meaning given to such term in the Introduction herein.

“Assumed Contracts” shall have the meaning given to such term in Section 5.7 herein.

“Basket” shall have the meaning given to such term in Section 9.1.6 herein.

“Business” shall have the meaning given to such term in the Recitals herein.

“Buyer” shall have the meaning given to such term in the Introduction herein.

“Buyer Benefit Plans” shall have the meaning given to such term in Section 8.2.1 herein.

“Buyer Indemnified Party” shall have the meaning given to such term in Section 9.1.1 herein.

“Calculation Period” means each successive three month period during the Earn Out Period, beginning with the first three month period following the Effective Time.

“Closing” shall have the meaning given to such term in Section 4.1 herein.

“Closing Payment” shall have the meaning given to such term in Section 3.1.1.2 herein.

“COBRA” shall have the meaning given to such term in Section 8.2.1 herein.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Commission” shall have the meaning given to such term in Section 6.6 herein.

“Common Stock” shall have the meaning given to such term in Section 6.4 herein.

“Consent” means any consent, approval, order or authorization of, or any declaration, filing or registration with, or any applicable, notice or report to, or any waiver by, or any other action (whether similar or dissimilar to any of the foregoing), of, by or with, any Person, which is necessary in order to take a specified action or actions in a specified manner and/or to achieve a specified result.

“Copyrights” shall have the meaning given to such term in the definition of Intellectual Property herein.

“Customer Lists” shall have the meaning given to such term in Section 2.1.1.4 herein.

“Earn Out Calculation” shall have the meaning given to such term in Section 3.5.2.1 herein.

“Earn Out Calculation Delivery Date” shall have the meaning given to such term in Section 3.5.2.1 herein.

“Earn Out Calculation Objection Notice” shall have the meaning given to such term in Section 3.5.2.2 herein.

“Earn Out Calculation Statement” shall have the meaning given to such term in Section 3.5.2.1 herein.

“Earn Out Payment” shall have the meaning given to such term in Section 3.5.1 herein.

“Earn Out Period” means the three year period following the Closing Date.

“Employee Plan” means any employee benefit plan as defined in Section 3(3) of ERISA which is sponsored by the Seller for employees of the Seller.

“Employment Agreements” shall have the meaning given to such term in Section 8.7 herein.

“Encumbrance” means any liens, superlien, security interest, pledge, right of first refusal, mortgage, easement, covenant, restriction, reservation, conditional sale, prior assignment, hypothecate or other encumbrance, claim, burden or charge of any nature.

“Entity” means any corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any company limited by shares, limited liability company or joint stock company), firm, society or other enterprise, association, organization or entity.

“Environmental Law” means any Law applicable to the Business as conducted by the Seller that relates to the generation, storage, handling, discharge, emission, treatment, response, removal, remediation, release or disposal of Hazardous Substances or to the protection of the environment.

“Environmental Permit” means any license or permit required by an Environmental Law for the operation of the Business as conducted by the Seller.

“EPA Request for Information” shall have the meaning given to such term in Section 7.6.1.7 herein.

“Equipment” shall have the meaning given to such term in Section 2.1.1.2 herein.

“Estimated Closing Date Working Capital” shall have the meaning given to such term in Section 3.1.1.1 herein.

“Exchange Act” shall have the meaning given to such term in Section 6.6 herein.

“Excluded Assets” shall have the meaning given to such term in Section 2.1.2 herein.

“Excluded Liabilities” shall have the meaning given to such term in Section 2.1.4 herein.

“Filings” shall have the meaning given to such term in Section 8.5 herein.

“Financial Statements” shall have the meaning given to such term in Section 5.14 herein.

“GAAP” means generally accepted accounting principles under current United States accounting rules and regulations, consistently applied.

“Governmental Body” means any: (a) nation, principality, republic, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (b) federal, state, local, provincial, municipal, foreign or other government; (c) governmental or quasi-governmental authority of any nature (including any governmental division, subdivision, department, agency, bureau, branch, office, commission, council, board (including any federal, state, provincial or local board(s) of medicine), instrumentality, officer, official, representative, organization, unit, body or Entity and any court or other tribunal); (d) multi-national organization or body; or (e) individual, Entity or body exercising, or entitled to exercise, any executive, legislative, judicial, administrative, regulatory, policy, military or taxing authority or power of any nature.

“Guarantee” shall have the meaning given to such term on the signature page herein.

“Hazardous Substance” means each substance or material meeting any one or more of the following criteria: (i) it is or contains a substance designated as a hazardous waste, hazardous substance, hazardous material, pollutant, contaminant or toxic substance under any Environmental Law, or (ii) it is toxic, reactive, corrosive, ignitable, infectious or radioactive.

“including” means including but not limited to.

“Indemnifiable Loss” shall have the meaning given to such term in Section 9.1.1 herein.

“Indemnifying Party” shall have the meaning given to such term in Section 9.1.4 herein.

“Indemnitee” means a Buyer Indemnified Party or a Seller Indemnified Party, as applicable.

“Indemnity Limit” shall have the meaning given to such term in Section 9.1.6 herein.

“Independent Accountants” shall have the meaning given to such term in Section 3.3.4 herein.

“Intellectual Property” means any and all rights in, arising out of, or associated with any of the following in any jurisdiction throughout the world: (a) issued patents and patent applications (whether provisional or non-provisional), including divisionals, continuations, continuations-in-part, substitutions, reissues, reexaminations, extensions, or restorations of any of the foregoing, and other Governmental Body-issued indicia of invention ownership (including certificates of invention, petty patents, and patent utility models) (“Patents”); (b) trademarks, service marks, brands, certification marks, logos, trade dress, trade names, and other similar indicia of source or origin, together with the goodwill connected with the use of and symbolized by, and all registrations, applications for registration, and renewals of, any of the foregoing (“Trademarks”); (c) copyrights and works of authorship, whether or not copyrightable, and all registrations, applications for registration, and renewals of any of the foregoing (“Copyrights”); (d) internet domain names, whether or not Trademarks, all associated web addresses, URLs, websites and web pages, and all content and data thereon or relating thereto, whether or not Copyrights; (e) industrial designs, and all Patents, registrations, applications for registration, and renewals thereof; (f) trade secrets, know-how, inventions (whether or not patentable), discoveries, improvements, technology, business and technical information, databases, data compilations and collections, tools, methods, processes, techniques, and other confidential and proprietary information and all rights therein (“Trade Secrets”); (g) computer programs, operating systems, applications, firmware and other code, including all source code, object code, application programming interfaces, data files, databases, protocols, specifications, and other documentation thereof (“Software”); and (h) all other intellectual or industrial property and proprietary rights.

“Intellectual Property Registrations” means all Intellectual Property assets of the Business that are subject to any issuance, registration, or application by or with any Governmental Body or authorized private registrar in any jurisdiction, including issued Patents, registered Trademarks, domain names and Copyrights, and pending applications for any of the foregoing.

“Inventory” shall have the meaning given to such term in Section 2.1.1.1 herein.

“Judgment” means any order, writ, injunction, citation, award, decree, administrative order or agreement or other judgment of any nature of any Governmental Body.

“Knowledge of Seller” and similar phrases means that neither Maria Haughton Roberson, Rex Haughton, Mike Gamage, Keith Troutman, nor Nancy Barrymore had knowledge that the statement made is incorrect.

“Law” means any provision of any foreign, federal, state, provincial or local law, common law, statute, ordinance, charter, constitution, treaty, code, rule, regulation or guideline.

“Licenses and Permits” shall have the meaning given to such term in Section 2.1.1.7 herein.

“Material Adverse Change” means any event, occurrence, fact, condition or change that is, or could reasonably be expected to become, individually or in the aggregate, materially adverse to (a) the business, results of operations, condition (financial or otherwise) or assets of the

Business, (b) the value or condition of the Specified Assets, or (c) the ability of Seller to consummate the transactions contemplated hereby on a timely basis; provided, however, that “Material Adverse Change” shall not include any event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to: (i) general economic or political conditions; (ii) conditions generally affecting the industries in which the Business operates; (iii) any changes in financial or securities markets in general; or (iv) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof.

“Material Customers” shall have the meaning given to such term in Section 5.19.1 herein.

“Material Suppliers” shall have the meaning given to such term in Section 5.19.2 herein.

“Non-Compete Period” shall mean a period of five (5) years after the Effective Time.

“Objection Notice” shall have the meaning given to such term in Section 3.3.3 herein.

“Parent” shall have the meaning given to such term on the signature page herein.

“Party” and “Parties” shall have the meaning given to such terms in the Introduction herein.

“Patents” shall have the meaning given to such term in the definition of Intellectual Property herein.

“Person” means any individual, Entity or Governmental Body.

“Proceeding” means any demand, claim, suit, action, litigation, investigation, audit, arbitration, administrative hearing or other proceeding of any nature.

“Proprietary and Confidential Information” shall have the meaning given to such term in Section 8.3.1.2 herein.

“Purchase Orders” shall have the meaning given to such term in Section 2.1.3.2 herein.

“Purchase Price” shall have the meaning given to such term in Section 3.1 herein.

“Real Property” shall have the meaning given to such term in Section 8.10 herein.

“Records” shall have the meaning given to such term in Section 2.1.1.5 herein.

“Returns” shall have the meaning given to such term in Section 5.9.1 herein.

“Revenue” means, with respect to any Calculation Period, gross sales generated by the Business determined in accordance with GAAP. Revenue may also include gross sales initiated by the Business but manufactured by an Affiliate of Buyer; in which case, Seller and Buyer shall negotiate in good faith to determine to what extent such gross sales shall be included in the calculation of Revenue for any Calculation Period.

“Review Period” shall have the meaning given to such term in Section 3.5.2.2 herein.

“SEC Documents” shall have the meaning given to such term in Section 6.6 herein.

“Securities Act” shall have the meaning given to such term in Section 6.6 herein.

“Seller” shall have the meaning given to such term in the Introduction herein.

“Seller Indemnified Party” shall have the meaning given to such term in Section 9.1.2 herein.

“Software” shall have the meaning given to such term in the definition of Intellectual Property herein.

“SPA” shall have the meaning given to such term in Section 9.1.9 herein.

“Specified Assets” shall have the meaning given to such term in Section 2.1.1 herein.

“Specified Liabilities” shall have the meaning given to such term in Section 2.1.3 herein.

“Statement of Closing Date Working Capital” shall have the meaning given to such term in Section 3.3.1 herein.

“Store Capital” shall have the meaning given to such term in Section 8.10 herein.

“Target Closing Date Working Capital” means SIX MILLION AND 00/100 DOLLARS (\$6,000,000).

“Tax” means: (a) any foreign, federal, state, provincial or local income, earnings, profits, gross receipts, franchise, capital stock, net worth,

sales, use, value added, occupancy, general property, real property, personal property, intangible property, transfer, fuel, excise, payroll, withholding, unemployment compensation, social security, escheat, unclaimed property, retirement or other tax of any nature; or (b) any deficiency, interest or penalty imposed with respect to any of the foregoing.

“Taxing Authority” shall mean any domestic, foreign, federal, national, state, provincial, county or municipal or other local government, any subdivision, agency, commission or authority thereof, or any quasi-Governmental Body exercising tax regulatory authority.

“Tax Returns” means all federal, state, provincial, local, foreign and other Tax returns and reports, information returns, statements, declarations, estimates, schedules, notices, notifications, forms, elections, certificates or other documents required to be filed or submitted to any Governmental Body with respect to the determination, assessment, collection or payment of any Tax or in connection with the administration, implementation or enforcement of or compliance with any Law relating to any Tax, including any amendments thereto.

“Territory” means the United States of America.

“Third Party Claim” shall have the meaning given to such term in Section 9.1.8 herein.

“Trade Accounts Payable” shall have the meaning given to such term in Section 2.1.3.3 herein.

“Trade Accounts Receivable” shall have the meaning given to such term in Section 2.1.1.3 herein.

“Trademarks” shall have the meaning given to such term in the definition of Intellectual Property herein.

“Trade Secrets” shall have the meaning given to such term in the definition of Intellectual Property herein.

“Transfer Taxes” shall have the meaning given to such term in Section 8.4.1 herein.

“Transferred Employees” shall have the meaning given to such term in Section 8.2.1 herein.

“Uncollected Accounts Receivable” shall have the meaning given to such term in Section 8.9 herein.

“Union” shall have the meaning given to such term in Section 5.12 herein.

“Vendor Contracts” shall have the meaning given to such term in Section 2.1.3.4 herein.

“Working Capital” means the current assets of Seller, *less* the current liabilities of Seller, determined in a manner consistent with that set forth in Schedule 3.1.1.1.

SCHEDULES

- Schedule 2.1.1.1 - Inventory **(at or before Closing)**
- Schedule 2.1.1.2 - Equipment
- Schedule 2.1.1.3 - Trade Accounts Receivable
- Schedule 2.1.1.6 - Licenses and Permits
- Schedule 2.1.3.2 - Assumed Purchase Orders **(at or before Closing)**
- Schedule 2.1.3.3 - Assumed Trade Accounts Payable
- Schedule 2.1.3.4 - Vendor Contracts
- Schedule 3.1.1. - Working Capital Calculation Methodology
- Schedule 3.4 - Allocation Statement **(at or before Closing)**
- Schedule 5.2.2 - Non-Contravention
- Schedule 5.2.3 - Consents
- Schedule 5.3 - Title to Specified Assets
- Schedule 5.8 - Intellectual Property
- Schedule 5.9 - Taxes
- Schedule 5.12 - Labor and Employment Matters
- Schedule 5.14 - Financial Statements
- Schedule 5.15 - Employee Benefit Plans
- Schedule 5.16 - Environmental Matters
- Schedule 5.18 - Condition and Sufficiency of the Equipment
- Schedule 5.19.1 - Material Customers
- Schedule 5.19.2 - Material Suppliers

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this “Agreement”) is made and entered into as of November 30, 2018 (“Effective Date”), by and between **ASTI ACQUISITION, LLC**, a North Carolina limited liability company (“Purchaser” provided that if another entity acquires the Properties by assignment of this Agreement as provided in Section 7.04(i), such actual acquirer shall be the Purchaser for all purposes hereunder), and **AMERICAN STAINLESS TUBING, INC.**, a North Carolina corporation (“Seller”). Except as otherwise expressly defined herein, capitalized terms will have the meanings set forth on Exhibit A attached hereto and incorporated herein by this reference.

For and in consideration of the mutual covenants and promises hereinafter set forth, the parties hereby mutually covenant and agree as follows:

ARTICLE I

PURCHASE OF PROPERTIES

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

Section 1.02 Purchase Price. The aggregate purchase price to be paid by Purchaser to Seller for the Properties is \$5,000,000.00 (the “Purchase Price”). The Purchase Price, as adjusted pursuant to requirements of this Agreement, shall be paid by Purchaser in immediately available federal funds at Closing.

Section 1.03 Prorations. All taxes, special assessments, utilities or any other costs related to the Properties shall be prorated between Purchaser and Seller at Closing. All real and personal property and other applicable taxes and assessments, utilities and any other charges relating to the Properties which are due and payable on or prior to the Closing Date shall be paid by Seller at or prior to Closing. Real and personal property and other applicable taxes and assessments for the Properties for the year of the Closing shall be prorated effective as of the Closing Date and shall be deemed final.

Section 1.04 Transaction Costs; Transaction Fee. Subject to Section 6.02(a) below, Purchaser shall be responsible for the payment of all Transaction Costs incurred by Purchaser and Seller in connection with the Transaction, whether or not the Transaction closes (with the exception

of recording fees and taxes, which shall be allocated as is customary in Iredell County, North Carolina); *provided, however*, that notwithstanding the foregoing, each party shall be responsible for the payment of the fees and expenses of its respective legal counsel, accountants and other professional advisors. The provisions of this Section 1.04 shall survive Closing or termination of this Agreement for any reason.

ARTICLE II

DUE DILIGENCE

Section 2.01 Title Insurance.

(a) ***Title Commitment and Title Policy.*** Within three (3) Business Days of the Effective Date, Purchaser shall order an owner's title insurance commitment (each, a "Title Commitment") with respect to each of the Properties issued by the Title Company, for such ALTA Owner's Extended Coverage Title Insurance Policy or Policies, together with any endorsements, that Purchaser may require (each, a "Title Policy"). Purchaser shall cause copies of each Title Commitment to be delivered to Seller. All costs related to each Title Policy, escrow fees and other closing costs are included as Transaction Costs.

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

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

(d) ***Title Objections.***

(i) Within seven (7) days after the Purchaser's receipt of both a Title Commitment and Survey for the Properties, Purchaser shall notify Seller in writing of Purchaser's objection to any exceptions or other title matters shown on any Title Commitment or Survey. Purchaser's title objections shall be limited to objections to the presence of any valid liens, claims, encumbrances, and/or security interests negatively affecting the Properties, other than the Cell Tower Lease (each, a "Title Objection"). Ten days after receipt of the notice of Title Objections, Seller shall notify Purchaser whether it will attempt to cure the Title Objections and which, if not all, Title Objections it will attempt to cure. Based on Seller's response, Purchaser may elect to (A) have Seller cure Title Objections prior to the Closing Deadline, (B) give Seller additional time to cure, and the parties may agree to delay Closing for the period of time necessary for Seller to attempt to cure, not to exceed 30 days beyond the original Closing Date, or (C) no later than five (5) days prior to the Closing Date, Purchaser may terminate the Agreement, in which event neither party will have any further obligations or liability hereunder, except for those obligations expressly stated to survive such termination. If Purchaser elects option (A), and Seller has not cured Title Objections by Closing Date, Purchaser may terminate this Agreement; if Purchaser elects option (B), Seller shall have the option to extend the Closing Date -- and the parties shall execute an amendment to this Agreement to that effect -- up to 30 days in order to cure such of those Title Objections Seller has agreed to cure. If Seller is unable to cure those Title Objections it has agreed to cure within the agreed-upon time period, then Purchaser shall have the option, as its sole remedy, upon written notice to Seller on or before the amended Closing Date, to terminate this Agreement, in which event neither party will have any further obligations or liability hereunder, except for those obligations expressly stated to survive such termination.

(ii) If any supplement to a Title Commitment or the related Survey discloses any additional title defects which were not created by or with the consent of Purchaser, which arose after the date of the initial Title Objections, and which are not acceptable to Purchaser, Purchaser shall notify Seller in writing of its objection thereto (each, an "Additional Title Objection") within five (5) days following receipt of such supplement or revision. If any Additional Title Objection is not removed or resolved by Seller to Purchaser's satisfaction at least five (5) days prior to the Closing Date, then Purchaser shall have the option, as its sole remedy, to terminate this Agreement upon written notice to Seller on or before the Closing Date, in which event neither Purchaser nor Seller shall have any further duties or obligations under this Agreement, except as otherwise provided herein.

(iii) Purchaser's failure to timely deliver a Title Objection or an Additional Title Objection shall be deemed Purchaser's acceptance of the matters disclosed by the Title Commitment and related Survey. If Purchaser does not terminate this Agreement by reason of any Title Objection or Additional Title Objection as provided in this Section 2.01, then such Title Objection or Additional Title Objection shall be deemed waived and approved by Purchaser and shall thereafter be deemed a Permitted Encumbrance. If Purchaser terminates this Agreement by reason of any Title Objection or Additional Title Objection as provided in this Section 2.01, then the APA shall simultaneously terminate automatically, and Purchaser shall be responsible for the payment of all Transaction Costs.

Section 2.02 Seller Documents. With reasonable promptness, but in no event later than three (3) Business Days following the Effective Date, to the extent they have not already been delivered by Seller to Purchaser, Seller shall deliver to Purchaser the following items which comply with the requirements set forth herein and which are in Seller's possession or under its control (collectively, the "Seller Documents"): (a) "as-built" plans and specifications for each of the Properties; (b) a certificate of occupancy (or its jurisdictional equivalent) for each of the Properties; (c) all surveys related to the Properties; (d) all environmental reports related to the Properties (including without limitation, Phase I and Phase II environmental investigation reports); (e) all appraisals or valuations related to the Properties; (f) all guaranties and warranties in effect with respect to all or any portion of the Properties; (g) full and complete copies of existing leases and current rent rolls related thereto, and all other agreements related to the Properties, together with all amendments and modifications thereof; (h) all property condition reports related to the Properties; and (i) all other documents related to the ownership and operation of the Properties, or reasonably requested by Purchaser.

Section 2.03 Survey. Purchaser shall order a current ALTA/ACSM "as built" survey as required for each Property from one or more surveyors selected by Purchaser (the "Surveys"), together with (a) evidence reasonably satisfactory to Purchaser to the effect that each Property fully complies with all zoning ordinances of the Governmental Authority having jurisdiction over the Property ("Zoning Evidence"); and (b) evidence reasonably satisfactory to Purchaser that the location of each Property is not within the 100-year flood plain or identified as a "Special Flood Hazard Area" by the Federal Emergency Management Agency. The Surveys shall show all improvements and shall plot all exceptions shown on the applicable Title Commitment (to the extent plottable), certified in favor of Purchaser, any requested Affiliate of Purchaser and Title Company in a manner reasonably acceptable to Purchaser and prepared in accordance with the appropriate "ALTA/ACSM" minimum standards. The costs of the Surveys shall be included in the Transaction Costs.

Section 2.04 Environmental. Purchaser has ordered a current complete Phase I environmental investigation report (and may order an update of the existing Phase I report), for each of the Properties (each Phase I environmental investigation report and each additional subsurface investigation report, an "Environmental Report"), from one or more environmental inspection companies selected by Purchaser, detailing and analyzing certain aspects of any such Property. The costs of the Environmental Reports shall be included as Transaction Costs.

Section 2.05 Valuation. Purchaser has obtained site inspections and valuations of the Properties, separately stating values for the Real Property and improvements for each of the Properties, from one or more parties selected by Purchaser (a "Valuation"). The costs of the Valuations shall be included as Transaction Costs.

Section 2.06 Property Condition Reports. Purchaser shall order current property condition assessments and limited compliance audits as required for such Properties from an inspection company selected by Purchaser (collectively, the "Property Condition Reports"). The costs of the Property Condition Reports shall be included in the Transaction Costs.

Section 2.07 Inspections. From the Effective Date and for a period of thirty (30) days thereafter (the “Inspection Period”), Purchaser may perform whatever investigations, tests and inspections (collectively, the “Inspections”) with respect to any one or more of the Properties that Purchaser deems reasonably appropriate, provided that if any such Inspections require subsurface investigations or are otherwise invasive or require material activities on the Properties, Seller may require reasonable limitations or conditions, including indemnity and insurance.

Section 2.08 Purchaser’s Right to Terminate. Notwithstanding any provision contained herein, in addition to its right to terminate this Agreement as set forth in Section 2.01(d), (a) if a Material Adverse Change has occurred since the Effective Date, or (b) if Purchaser and Seller fail to close on the APA transaction by the closing deadline set out in the APA, Purchaser shall have the right to terminate this Agreement by written notice to Seller, in which event the APA shall simultaneously terminate automatically, Purchaser shall be responsible for the payment of all Transaction Costs, and neither Seller nor Purchaser shall have any further duties or obligations under this Agreement except as otherwise provided herein.

ARTICLE III

CLOSING

Section 3.01 Closing Date. Subject to the provisions of Article V of this Agreement, the closing date of the Transaction contemplated by this Agreement (the “Closing”) shall be set by mutual agreement of Seller and Purchaser (the “Closing Date”); *provided, however,* that the Closing Date shall not extend beyond the Closing Deadline. The parties shall deposit with the Title Company all documents (including without limitation, the executed Transaction Documents) as necessary to comply with the parties’ respective obligations hereunder on or before the Closing Date or as otherwise mutually agreed upon by the parties. The parties shall deposit all funds required hereunder with the Title Company on or before the Closing Date.

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

Section 3.03 Possession. Possession of the Properties, subject to the Cell Tower Lease but otherwise free and clear of all tenants or other parties in possession, shall be delivered to Purchaser on the Closing Date.

ARTICLE IV

REPRESENTATIONS WARRANTIES AND COVENANTS

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

(a) **Organization and Authority.** Seller is duly organized or formed, validly existing and in good standing under the laws of its state of North Carolina. Seller has all requisite power and authority to execute, deliver and perform its obligations under this Agreement and all of the other Transaction Documents, and to carry out the Transaction. The Person who has executed this Agreement on behalf of Seller has been duly authorized to do so.

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

(c) **No Other Agreements and Options.** No Property is subject to any right of first refusal, option to purchase or lease granted to a third party (other than the Cell Tower Lease), which could or would prevent Seller from completing or impair Seller's ability to complete the sale of the Properties under this Agreement or which would bind Purchaser subsequent to consummation of the Transaction.

(d) **No Violations.** Neither the execution, delivery and performance of this Agreement nor the consummation or performance of the transaction contemplated hereby by Seller will directly or indirectly (with or without notice or lapse of time):

(i) contravene, conflict with or result in a violation of (a) any of the provisions of the articles or certificates of formation, bylaws, shareholders agreements, or other organizational documents of Seller or (b) any resolution adopted by the Board of Directors of Seller;

(ii) contravene, conflict with or result in a violation or breach of, or result in a material default under, any provision of, any agreement, contract or other instrument of which Seller is a party or by which any of the Properties is bound or subject;

(iii) violate any Law or regulation, or any judgment, order or decree of any court, Governmental Authority, commission, agency or arbitrator, applicable to Seller, any of the Properties; or,

(iv) result in the creation of any Lien on the Properties.

(e) **Compliance with Laws.** Except with respect to compliance with Environmental Laws and Environmental Permits, which are covered exclusively in Section 4.01(k) and are not covered by this Section 4.01(e), (a) Seller has used, occupied, and operated (since December 31, 2016) the Properties in compliance with all Laws and regulations, federal, state, provincial or local, domestic or foreign applicable to Seller and the Properties and (b) Seller has not received, at any time since December 31, 2016, any written notice from any Governmental Authority regarding any violation of, or failure to comply with, any Laws.

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

(g) **Litigation**. There are no actions or proceedings pending against or involving Seller or the Properties before any Governmental Authority which in any way adversely affect or may adversely affect the Properties or Seller's ability to perform under this Agreement and the other Transaction Documents to which it is a party and, to the Seller's Knowledge, there is no valid basis for any such legal proceeding, claim, or action.

(h) **No Mechanics' Liens**. There are no outstanding accounts payable or mechanics' liens in favor of any materialman, laborer, or any other Person in connection with labor or materials furnished to or performed on any portion of the Properties, which will not have been fully paid for on or before the Closing Date. For any work that has been performed or is in progress, or materials supplied to the Properties or agreements entered into for work to be performed or materials to be supplied to the Properties which will not have been fully paid for on or before the Closing Date or which might provide the basis for the filing of such liens against the Properties or any portion thereof, Seller shall be responsible for any and all claims for mechanics' liens and accounts payable that have arisen or may subsequently arise due to agreements entered into for and/or any work performed on, or materials supplied to the Properties prior and subsequent to the Closing Date, and Seller shall and does hereby agree to defend, indemnify and forever hold Purchaser and Purchaser's designees harmless from and against any and all such mechanics' lien claims, accounts payable or other commitments relating to the Properties.

(i) **[Reserved.]**

(j) **Condemnation; Wetlands**. No condemnation or eminent domain proceedings affecting the Properties have been commenced or, to the Seller's Knowledge, are contemplated. To the Seller's Knowledge, the Properties and/or the real property bordering the Properties are not designated by any Governmental Authority as wetlands.

(k) **Environmental Matters**. Except as set forth in Schedule 4.01(k):

(i) The operation of the Properties (and, with respect to the Properties, the Business and the Specified Assets as those terms are defined in the APA) have been since December 31, 2016 and currently are in compliance in all material respects with the Environmental Permits and Environmental Laws. To the Knowledge of the Seller, there has been no Release or threat of Release of any Hazardous Substances (requiring investigation, assessment, remediation or monitoring under any Environmental Laws) in, on, under, or from any of the Properties. Seller has not, since December 31, 2016, received any written or, to Seller's Knowledge oral, notice from any governmental authority or any third party alleging any non-compliance with or any potential liability under any Environmental Law or Environmental Permit relating to the Properties.

(ii) To the Knowledge of the Seller, no underground storage tanks are located in, on or under the Properties. Any aboveground storage tanks used to store Hazardous Substances in or on the Properties are in compliance in all material respects with all Environmental Laws.

(iii) To the Knowledge of Seller, there is not currently and never has been any material mold, fungal or other microbial growth in or on the Properties, or conditions that could reasonably be expected to result in material mold, fungal or microbial growth (e.g. material problems with the heating, ventilation and air conditioning system, water leaks or building materials known to be conducive to material mold, fungal or microbial growth), that could reasonably be expected to result in material liability or material costs or expenses to remediate the mold, fungal or microbial growth or to remedy the conditions that could reasonably be expected to result in such material growth.

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

All representations and warranties of Seller made in this Agreement shall be true as of the date of this Agreement, shall be deemed to have been made again at and as of the Closing Date, shall be true at and as of the Closing Date, and, together with the covenants made by Seller herein, shall survive Closing.

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

(a) **Organization and Authority.** Purchaser is duly organized, validly existing and in good standing under the laws of its state of formation. Purchaser has all requisite power and authority to execute, deliver and perform its obligations under this Agreement and all of the other Transaction Documents to which it is a party and to carry out the Transaction. The Person who has executed this Agreement on behalf of Purchaser has been duly authorized to do so.

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

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

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

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

ARTICLE V

CONDITIONS PRECEDENT TO CLOSING

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

(a) Seller shall have delivered to Purchaser or the Title Company, as applicable, the following items:

(i) The Deeds;

(ii) An assignment of the Cell Tower Lease with any approvals or consents of the lessee as may be required under any applicable agreements or Law and a notice letter to the Cell Tower Lease lessee, notifying the lessee of the name and address of the new owner/lessor. Seller shall also diligently pursue the full execution and recordation of an amendment to the memorandum of lease for the Cell Tower Lease that eliminates the reference to a right of first refusal, but such amendment shall not be a condition to close;

(iii) Such documents evidencing the legal status and good standing of Seller that may be required by Purchaser and/or the Title Company for issuance of the Title Policies, including without limitation, certificates of good standing;

(iv) Fully executed originals of an Assignment of Warranties in form and substance reasonably satisfactory to Purchase and Seller (the "Assignment of Warranties") in the form attached hereto as Exhibit D;

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

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

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

(b) There shall have been no Material Adverse Change since the Effective Date.

(c) Purchaser shall have received evidence of the occurrence of the closing or satisfaction of all conditions for closing under the Asset Purchase Agreement, which shall close on or before the Closing Deadline, it being understood that the parties intend to close on or before January 2, 2019, with an effective date of January 1, 2019 at 12:01 a.m. local time.

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

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

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

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

(b) Purchaser shall have caused to be executed and delivered to the appropriate Persons fully executed originals of all Transaction Documents;

(c) Purchaser shall have delivered to the Title Company a Closing settlement statement approved by Seller and Purchaser to reflect the credits, proration, and adjustments contemplated by or specifically provided for in this Agreement;

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

(e) Seller shall have received evidence of the occurrence of the closing or satisfaction of all conditions for closing under the Asset Purchase Agreement, which shall close on or before the Closing Deadline, it being understood that the parties intend to close on or before January 2, 2019, with an effective date of January 1, 2019 at 12:01 a.m. local time, and

(f) All covenants, agreements and conditions required to be performed or complied with by Purchaser prior to or at the time of Closing in connection with the Transaction shall have been

duly performed or complied with by Purchaser or waived in writing by Seller prior to or at such time.

ARTICLE VI

DEFAULTS; REMEDIES

Section 6.01 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) By the mutual and written consent of the parties hereto;

(b) By Seller by written notice to Purchaser if: (i) Seller is not then in material breach of any provision of this Agreement and there has been a breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Purchaser pursuant to this Agreement that would give rise to the failure of any of the conditions specified in Section 5.02, or (ii) any of the conditions set forth in Section 5.02 shall not have been, or likely will not be, fulfilled by the Closing Deadline, unless such failure shall be due to the failure of Seller to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing.

(c) By Purchaser by written notice to Seller if: (i) Purchaser is not then in material breach of any provision of this Agreement and there has been a breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Seller pursuant to this Agreement that would give rise to the failure of any of the conditions specified in Section 5.01, or (ii) any of the conditions set forth in Section 5.01 shall not have been, or likely will not be, fulfilled by the Closing Deadline, unless such failure shall be due to the failure of Purchaser to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing.

(d) By either party if any Insolvency Event shall occur with respect to Seller or Purchaser.

This Agreement shall be terminated automatically simultaneously with any termination of the APA.

Section 6.02 Effect of Termination. In the event of the termination of this Agreement in accordance with Section 6.01(a) (unless otherwise agreed in writing between the parties in the mutual termination agreement), this Agreement shall forthwith become void. In the event of the termination of this Agreement in accordance with Sections 6.01(b) or 6.01(c), each party shall be entitled to seek any remedy at law for breach of contract with respect to this Agreement but no party shall be entitled to the equitable remedy of specific performance or to make any claims for indemnification pursuant to this Agreement or the APA.

ARTICLE VII

MISCELLANEOUS

Section 7.01 Transaction Characterization.

(a) The parties intend that all components of the Transaction shall be considered a single integrated transaction and shall not be severable.

(b) The parties intend that the conveyance of the Properties to Purchaser be an absolute conveyance in effect as well as form, and that the instruments of conveyance to be delivered at Closing shall not serve or operate as a mortgage, equitable mortgage, deed of trust, security agreement, trust conveyance or financing or trust arrangement of any kind, nor as a preference or fraudulent conveyance against any creditors of Seller. After the execution and delivery of the Deeds, Seller will have no legal or equitable interest or any other claim or interest in the Properties. This Agreement provides for an absolute conveyance and does not create a joint venture, partnership, equitable mortgage, trust, financing device or arrangement, security interest or the like, if, and to the extent that, any challenge occurs. Each of the parties hereto agrees that it will not, nor will it permit any Affiliate to, at any time, take any action or fail to take any action with respect to the preparation or filing of any statement or disclosure to Governmental Authority, including without limitation, any income tax return (including an amended income tax return), to the extent that such action or such failure to take action would be inconsistent with the intention of the parties expressed in this Section 7.01.

Section 7.02 Risk of Loss.

(a) **Condemnation.** If, prior to Closing, action is initiated to the Properties, or any portion thereof, by eminent domain proceedings or by deed in lieu thereof that results in a Material Adverse Change, Purchaser may elect in writing at or prior to Closing, to (i) terminate this Agreement, in which event Seller and Purchaser shall be relieved and discharged of any further liability or obligation under this Agreement, except as otherwise expressly set forth herein, or (ii) proceed to close, in which event all of Seller's assignable right, title and interest in and to the award of the condemning authority shall be assigned to Purchaser at the Closing and there shall be no reduction in the Purchase Price.

(b) **Casualty.** Seller assumes all risks and liability for damage to or injury occurring to the Properties by fire, storm, accident, or any other casualty or cause until the Closing has been consummated. If the Properties, or any part thereof, suffer any damage prior to the Closing from fire or other casualty, which results in a Material Adverse Change and which Seller, at its sole option, does not elect to fully repair, Purchaser may elect in writing at or prior to Closing, to (i) terminate this Agreement, in which event Seller and Purchaser shall be relieved and discharged of any further liability or obligation under this Agreement, except as otherwise expressly set forth herein, or (ii) consummate the Closing, in which event all of Seller's right, title and interest in and to the proceeds of any insurance covering such damage (less an amount equal to any expense and costs reasonably incurred by Seller to repair or restore the Properties and any portion paid or to be paid on account of the loss of rents or other income from the Properties for the period prior to the Closing Date, all of which shall be payable to Seller upon Seller's delivery to Purchaser of satisfactory evidence thereof), to the extent that the amount of such insurance does not exceed the Purchase Price, shall be assigned to Purchaser at Closing, and Purchaser shall be entitled to a credit in the amount of Seller's deductible at Closing.

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

Section 7.03 Notices. All notices, demands, designations, certificates, requests, offers, consents, approvals, appointments and other instruments given pursuant to this Agreement (collectively called “**Notices**”) shall be in writing and shall be deemed given on the next Business Day when delivered to a nationally recognized overnight courier or five (5) Business Days after deposited as registered or certified mail (return receipt requested), in each case, postage prepaid, addressed to the recipient Party at its address specified below (or at such other address for a Party as shall be specified by like notice; provided that notices of a change of address shall be effective only upon receipt thereof):

If to Seller: [Name TBD] (f/k/a American Stainless Tubing, Inc.)
129 Honeycutt Road
Troutman, North Carolina 28166
Attn: Maria Haughton Roberson
Email: maria@asti-nc.com

If to Purchaser: ASTI Acquisition, LLC
4510 Cox Road, Suite 201
Glen Allen, VA 23060
Attention: Craig Bram
Email: cbram@synalloy.com

With a copy to: LeClairRyan
Attention: Lori H. Schweller, Esq.
123 East Main Street, Eighth Floor
Charlottesville, VA 22903
(434) 245-3448 Direct
(804) 296-0905 Fax
(804) 248-8700 Mobile
LSchweller@leclairryan.com

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

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

Section 7.04 Assignment. Purchaser may (i) assign its rights under this Agreement in whole or in part at any time, or (ii) designate STORE Capital Acquisitions, LLC (or any Affiliate

thereof) to receive the conveyance of the Properties and be the beneficiary under the Deeds or other Transaction Documents. Purchaser shall not be relieved, following any such assignment or designation, of liability for the performance of any obligation of Purchaser contained herein without the written consent of Seller. Seller shall not, without the prior written consent of Purchaser, which consent may be withheld in Purchaser's sole discretion, sell, assign, transfer, mortgage, convey, encumber or grant any easements or other rights or interests of any kind in the Properties, any of Seller's rights under this Agreement or any interest in Seller, whether voluntarily, involuntarily or by operation of law or otherwise, including, without limitation, by merger, consolidation, dissolution or otherwise.

Section 7.05 Indemnification.

(a) From and after the Effective Time, Seller shall indemnify, defend and hold harmless Purchaser and each of its Affiliates and their respective directors, officers, employees, agents and representatives (each a "Buyer Indemnified Party") from and against any and all claims, demands or suits (by any Person), losses, liabilities, damages, payments, costs and expenses (including, the costs and expenses of any and all actions, suits, Proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable attorneys' fees and reasonable disbursements in connection therewith) (each, an "Indemnifiable Loss"), asserted against or suffered by any Buyer Indemnified Party relating to, resulting from or arising out of (i) any breach by Seller of any covenant or agreement of Seller contained in this Agreement, (ii) any breach by Seller of any of the representations and warranties contained in Section 4.01 hereof (iii) Seller's ownership, use or operation of the Properties prior to the Closing, and (v) any and all environmental liabilities associated with the Properties arising before Closing.

(b) From and after the Effective Time, Purchaser shall indemnify, defend and hold harmless Seller and each of its Affiliates and their respective directors, officers, employees, agents and representatives (each a "Seller Indemnified Party") from and against any and all Indemnifiable Losses asserted against or suffered by any Seller Indemnified Party relating to, resulting from or arising out of (i) any breach by Purchaser of any covenant or agreement of Purchaser contained in this Agreement, (ii) any breach by Purchaser of any of the representations and warranties contained in Section 4.02 hereof, (iii) Purchaser's use or operation of the Properties after the Closing.

(c) Except for the right to seek specific performance, which right or remedy shall not be affected or diminished hereby, the rights and remedies of Seller and Purchaser under this Section 7.05 are exclusive and in lieu of such rights and remedies as Seller and Purchaser may have under this Agreement, under applicable Law or in equity or otherwise for any breach of representation, breach of warranty or failure to fulfill any agreement or covenant hereunder on the part of any Party hereto (whether willful, intentional or otherwise), except in the event of actual fraud.

(d) Notwithstanding anything to the contrary herein, no Person (including an Indemnitee) shall be entitled to recover from any other Person (including any Party required to provide indemnification under this Agreement (an "Indemnifying Party")) any amount in excess of the actual damages, court costs and reasonable attorneys' fees and disbursements suffered by such

Party. In furtherance of the foregoing, Purchaser and Seller hereby irrevocably waive any right to recover punitive, indirect, special, exemplary and consequential damages, including damages for lost profits, arising in connection with or with respect to this Agreement (other than with respect to indemnification for a Third Party Claim).

(e) Any indemnity payment under this Agreement will be treated as an adjustment to the Purchase Price, unless otherwise provided by law.

(f) Notwithstanding the foregoing provisions of this Section 7.05, neither Seller nor Purchaser shall be liable under Sections 7.05(a)(ii) or 7.05(b)(ii) unless and until the aggregate amount of liability thereunder exceeds \$100,000 (the "Basket"), in which event the Indemnitee shall be entitled to indemnification thereunder only for the amount such liability exceeds the Basket, provided, however, that the total amount recoverable pursuant to Sections 7.05(a)(ii) or 7.05(b)(ii) shall not exceed \$3,000,000 (the "Indemnity Limit"); provided further, however, that the Basket and the Indemnity Limit shall not apply in the event of (i) actual fraud, (ii) a breach by Seller of the representations and warranties set forth in Sections 4.01(a), 4.01(b), 4.01(c), 4.01(d), 4.01(k) or 7.06 or (iii) a breach by Purchaser of the representations and warranties set forth in Sections 4.02(a), 4.02(b) or 7.06.

(g) All of the representations and warranties contained in this Agreement shall survive the Closing and continue in full force and effect until eighteen (18) months after the Effective Time, except that (i) the representations and warranties contained in Sections 4.01(a), 4.01(b), 4.01(c), 4.01(d), 4.01(k), 4.02(a), 4.02(b) and 7.06 shall survive until the expiration of the applicable statute of limitations, at which time they shall lapse and (ii) any representation or warranty as to which an Indemnifiable Loss shall have been asserted in writing during the applicable survival period (which writing shall state with reasonable specificity the nature and amount of such Indemnifiable Loss) shall continue in effect with respect to such Indemnifiable Loss until such Indemnifiable Loss shall have been finally resolved or settled, provided that notice of the inaccuracy or breach or potential inaccuracy or breach thereof or other claim giving rise to such right or potential right of indemnity shall have been given to the Party against whom such indemnity may be sought prior to such time. The covenants and agreements contained in this Agreement shall remain in effect until the expiration of such covenants and agreements pursuant to their express terms.

(h) Defense of Claims. If any Indemnitee receives notice of the assertion of any claim or of the commencement of any claim, action, or Proceeding made or brought by any Person who is not a Party to this Agreement or any Affiliate of a Party to this Agreement (a "Third Party Claim") with respect to which indemnification is to be sought from an Indemnifying Party, the following terms and provisions shall apply:

(i) The Indemnitee shall give written notice to the Indemnifying Party of any Third Party Claim which might give rise to a claim for indemnification, which notice shall state the nature and basis of the assertion and the amount thereof, to the extent known, provided, however, that no delay on the part of the Indemnitee in giving notice shall relieve the Indemnifying Party of any obligation to indemnify unless (and then solely to the extent that) the Indemnifying Party is prejudiced by such delay and then only to the extent so prejudiced.

(ii) If any Third Party Claim is brought against an Indemnitee with respect to which the Indemnifying Party may have an obligation to indemnify, the Third Party Claim shall be defended by the Indemnifying Party and such defense shall include all proceedings and appeals which counsel for the Indemnitee shall deem reasonably appropriate.

(iii) Notwithstanding the provisions of the previous subsection, until the Indemnifying Party shall have assumed the defense of any such Third Party Claim, the defense shall be handled by the Indemnitee. Furthermore, (i) if the Indemnifying Party is a party to the action and the Indemnitee shall have reasonably concluded that there are likely to be defenses available to the Indemnitee that are different from or in addition to those available to the Indemnifying Party and in conflict with the interests of the Indemnifying Party; (ii) if the Indemnifying Party fails to defend and fulfill its indemnification obligation with respect to the Third Party Claims; or (iii) if the Third Party Claim involves a customer, competitor or a supplier of the Business, and Maria Haughton Roberson has either voluntarily terminated her employment with Buyer (as defined in the APA) or has been terminated by Buyer for Cause (as such term is defined in the Ms. Haughton Roberson's Employment Agreement referenced in Section 8.7 hereof), then the Indemnifying Party shall not be entitled to assume the defense of the Third Party Claim and the defense shall be handled by the Indemnitee. If the defense of the Third Party Claim is handled by the Indemnitee under the provisions of this subsection, the Indemnifying Party shall pay all legal and other expenses reasonably incurred by the Indemnitee in conducting such defense.

(iv) In any Third Party Claim defended by the Indemnifying Party (i) the Indemnitee shall have the right to be represented by advisory counsel and accountants, at its own expense, (ii) the Indemnifying Party shall keep the Indemnitee fully informed as to the status of such Third Party Claim at all stages thereof, whether or not the Indemnitee is represented by its own counsel, (iii) the Indemnifying Party shall make available to the Indemnitee, and its attorneys, accountants and other representatives, all books and records of the Indemnifying Party relating to such Third Party Claim and (iv) the parties shall render to each other such assistance as may be reasonably required in order to ensure the proper and adequate defense of the Third Party Claim.

(v) In any Third Party Claim, the party defending the same shall not make any settlement of any claim without the prior written consent of the other party, which consent shall not be unreasonably withheld, delayed or conditioned. Without limiting the generality of the foregoing, it shall not be deemed unreasonable to withhold consent to a settlement involving injunctive or other equitable relief against the Indemnitee or its assets, employees or business, or relief which the Indemnitee reasonably believes could establish a custom or precedent which will be adverse to the best interests of its continuing business.

(i) **Indemnities Not Duplicative.** Notwithstanding anything to the contrary in this Agreement or the APA, the indemnity provisions of this Section 7.05 and Section 9 of the APA are to be interpreted and applied as a single, combined indemnity provision and not as separate, duplicate or additive indemnity provisions. For example, applicable claims under either this agreement or the APA shall be applied towards the Basket and/or the Indemnity Limit under both Sections 7.05(f)

of this Agreement and Section 9.1.6 of the APA, so that there is one unified Basket of \$100,000 and one unified Indemnity Limit of \$3,000,000. If any breach, event or circumstance leads to a claim for indemnity by both the Purchaser under this Agreement and the Buyer under the APA, claims for Indemnifiable Losses shall not be duplicative to the Seller, and the Purchaser and Buyer shall equitably allocate any such indemnity recovery between themselves.

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

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

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

Section 7.09 Time is of the Essence. The parties hereto expressly agree that time is of the essence with respect to this Agreement.

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

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

Section 7.12 Limitation on Liability. Notwithstanding anything to the contrary provided in this Agreement, it is specifically understood and agreed, such agreement being a primary consideration for the execution of this Agreement, that (a) there shall be absolutely no personal

liability on the part of any director, officer, manager, member, employee or agent of Purchaser or Seller with respect to any of the terms, covenants and conditions of this Agreement, (b) each of Seller and Purchaser waives all claims, demands and causes of action against the other party's directors, officers, managers, members, employees and agents in the event of any breach by Seller or Purchaser, respectively, of any of the terms, covenants and conditions of this Agreement, and (c) Seller and Purchaser shall look solely to the assets of the other party for the satisfaction of each and every remedy in the event of any breach of any of the terms, covenants and conditions of this Agreement, such exculpation of liability to be absolute and without any exception whatsoever.

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

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

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

Section 7.16 Attorneys' Fees. In the event of any controversy, claim, dispute or proceeding between the parties concerning this Agreement, the prevailing party shall be entitled to recover all of its reasonable attorneys' fees and other costs in addition to any other relief to which it may be entitled.

Section 7.17 Entire Agreement. This Agreement and all other Transaction Documents, and all other certificates, instruments or agreements to be delivered hereunder and thereunder constitute the entire agreement between the parties with respect to the subject matter hereof, and there are no other representations, warranties or agreements, written or oral, between Seller and Purchaser with respect to the subject matter of this Agreement. Notwithstanding anything in this Agreement to the contrary, upon the execution and delivery of this Agreement by Seller and Purchaser, (a) this Agreement shall supersede any previous discussions, agreements and/or term or commitment letters relating to the Transaction, including without limitation, any and all agreements

related to confidentiality, exclusivity, non-competition, non-solicitation of employees, non-solicitation or pursuit of any business opportunity represented by the Transaction, or any other term or condition which restricts any business activity of Purchaser or its affiliates, (b) the terms and conditions of this Agreement shall control notwithstanding that such terms are inconsistent with or vary from those set forth in any of the foregoing agreements, and (c) this Agreement may only be amended by a written agreement executed by Purchaser and Seller. Notwithstanding anything to the contrary set forth herein, in the event of a conflict between this Agreement and the APA, the terms and provisions of the APA shall govern and control. The provisions of this Section shall survive the Closing.

Section 7.18 Forum Selection; Jurisdiction; Venue. For purposes of any action or proceeding arising out of this Agreement, the parties hereto expressly submit to the jurisdiction of all federal and state courts located in the State of North Carolina. Each party consents that it may be served with any process or paper by registered mail or by personal service within or without the State of North Carolina in accordance with applicable law. Furthermore, each party waives and agrees not to assert in any such action, suit or proceeding that it is not personally subject to the jurisdiction of such courts, that the action, suit or proceeding is brought in an inconvenient forum or that venue of the action, suit or proceeding is improper. Nothing contained in this Section shall limit or restrict the right of either party to commence any proceeding in the federal or state courts located in the state or states in which the Properties are located to the extent it deems such proceeding necessary or advisable to exercise remedies available under this Agreement.

Section 7.19 Separability; Binding Effect; Governing Law. Each provision hereof shall be separate and independent. Each provision hereof shall be valid and shall be enforceable to the extent not prohibited by law. If any provision hereof or the application thereof to any Person or circumstance shall to any extent be invalid or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby. Subject to the provisions of Section 7.04, all provisions contained in this Agreement shall be binding upon, inure to the benefit of and be enforceable by the successors and assigns of each party hereto, including, without limitation, any United States trustee, any debtor-in-possession or any trustee appointed from a private panel, in each case to the same extent as if each successor and assign were named as a party hereto. This Agreement shall be governed by, and construed with, the laws of the applicable state or states in which the Properties are located, without giving effect to any state's conflict of laws principles.

Section 7.20 Survival. Except for the conditions of Closing set forth in Article V, which shall be satisfied or waived in writing as of the Closing Date, all representations, warranties, agreements, obligations and indemnities of Seller and Purchaser set forth in this Agreement shall survive the Closing.

Section 7.21 Waiver of Jury Trial and Certain Damages. THE PARTIES HERETO SHALL AND THEY HEREBY DO INTENTIONALLY WAIVE ANY AND ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER ON ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS

AGREEMENT AND/OR ANY CLAIM OR INJURY OR DAMAGE RELATED THERETO. EACH PARTY FURTHER WAIVES THE RIGHT IT MAY HAVE TO SEEK PUNITIVE, CONSEQUENTIAL, SPECIAL AND INDIRECT DAMAGES FROM THE OTHER PARTY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT WITH RESPECT TO ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT AND/OR ANY DOCUMENT CONTEMPLATED HEREIN OR RELATED HERETO.

Section 7.22 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all such counterparts shall be deemed to constitute one and the same instrument.

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

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

PURCHASER:

ASTI ACQUISITION, LLC, a North Carolina limited liability company

By: _____

Name: _____

Title: _____

SELLER:

AMERICAN STAINLESS TUBING, INC., a North Carolina corporation

By:_____

Name:___

Title:___

Exhibits:

- A: Definitions
- B: Street Addresses / Legal Descriptions of Properties
- C: Non-Foreign Seller Certificate
- D: Assignment of Warranties

EXHIBIT A

DEFINED TERMS

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

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

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

“Agreement” means this Purchase and Sale Agreement.

“APA” or *“Asset Purchase Agreement”* means that certain agreement between Seller and Purchaser pursuant to which Purchaser will acquire certain business assets of Seller, as shall be fully described in the fully-executed APA purchase and sale agreement.

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

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

“Cell Tower Lease” means that certain PCS Site Agreement by and between Seller and Optima Towers V, LLC, a Memorandum of which is recorded in Book 2059, Page 2451 in the Iredell County Register of Deeds.

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

“Closing Date” means the date specified as the closing date in Section 3.01.

“Closing Deadline” means January 2, 2019, or any other date mutually agreed upon by Seller and Purchaser.

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

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

“Effective Time” means 12:01 a.m. Eastern Time on January 1, 2019.

“Environmental Law” means any Law applicable to the Properties and the activities conducted thereon by the Seller that relates to the generation, storage, handling, discharge, emission, treatment, response, removal, remediation, release or disposal of Hazardous Substances or to the protection of the environment.

“Environmental Permit” means any license or permit required by an Environmental Law for the conduct of the Seller’s activities on the Properties.

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

“*Hazardous Substance*” means each substance or material meeting any one or more of the following criteria: (i) it is or contains a substance designated as a hazardous waste, hazardous substance, hazardous material, pollutant, contaminant or toxic substance under any Environmental Law, or (ii) it is toxic, reactive, corrosive, ignitable, infectious or radioactive.

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

“*Knowledge of Seller*” and similar phrases means that neither Maria Haughton Roberson, Rex Haughton, Mike Gamage, Keith Troutman, nor Nancy Barrymore had knowledge that the statement made is incorrect.

“*Law*” means any provision of any foreign, federal, state, provincial or local law, common law, statute, ordinance, charter, constitution, treaty, code, rule, regulation or guideline.

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

“*Material Adverse Change*” means any event, occurrence, fact, condition or change that is, or could reasonably be expected to become, individually or in the aggregate, materially adverse to (a) the Properties, (b) the value or condition of the Properties, or (c) the ability of Seller to consummate the transactions contemplated hereby on a timely basis; provided, however, that “*Material Adverse Change*” shall not include any event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to: (i) general economic or political conditions; (ii) conditions generally affecting the comparable properties in the geographic areas where the Properties are located; (iii) any changes in financial or securities markets in general; or (iv) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof.

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

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

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

“*Permitted Encumbrances*” means (a) the lien of any real estate taxes, water and sewer charges, not yet due and payable; and (b) the Cell Tower Lease and other recorded easements, restrictions, liens and encumbrances set forth as exceptions in the Title Commitments and in the Title Policies to be issued by Title Company to Purchaser and approved or deemed approved by Purchaser under this Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Transaction Costs” means all costs and expenses incurred in connection with the Transaction (whether or not the Transaction closes), including but not limited to the following: costs for third party reports (e.g., environmental, zoning, property condition reports, credit and similar third party reports); Valuation costs; initial set-up fees; all closing costs including without limitation, costs of the Surveys, environmental assessments and reports, and property condition reports, or any updates thereof, costs of the Title Commitments and Title Policies, all taxes (including stamp taxes and transfer taxes), and escrow, transfer and recording fees, and the fees and costs of Counsel. As provided in Section 1.04, Transaction Costs expressly excludes fees and costs of professional advisors such as attorneys and accountants.

“Transaction Documents” means this Agreement, the Deeds, the Non-Foreign Seller Certificate, and all other documents that Seller is required to deliver under Section 5.01.

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

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

EXHIBIT B

LEGAL DESCRIPTION OF THE PROPERTIES

Street Address:

Address	City	ST	Zip	County
123 Morehead Road	Statesville	NC	28677	Iredell
129 Honeycutt Road	Troutman	NC	28166	Iredell

Legal Description: To be provided by Seller or Title Company

EXHIBIT C

NON-FOREIGN AFFIDAVIT UNDER

INTERNAL REVENUE CODE

SECTION 1445(B)(2)

STATE OF ___)

) ss:

COUNTY OF ___)

[_____] , being first duly sworn deposes and states under penalty of perjury:

1. That he/she is a [_____] of [_____] , a [ENTITY TYPE], the transferor of the properties described on Schedule I attached hereto.
2. That the transferor’s office address is at [_____].
3. That the United States taxpayer identification number for the transferor is [_____].

4. That the transferor is not a “foreign person” as that term is defined in Section 1445(f) of the United States Internal Revenue Code of 1986, as amended (the “Code”).
5. That the transferor is not a disregarded entity as defined in § 1.1445-2(b)(2)(iii) of the regulations promulgated under the Code.

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

[_____], a [ENTITY TYPE]

By: __
 Name: __
 Title: __

Subscribed and sworn to before me this ___ day of _____, 20__.

Notary Public: _____

(SEAL)

My Commission Expires: _____

Schedule I
To
Non-Foreign Affidavit

LEGAL DESCRIPTION

EXHIBIT F

ASSIGNMENT OF WARRANTIES

THIS ASSIGNMENT OF WARRANTIES (this “Assignment”), is made as of [_____], 2018, by and between [_____], a [ENTITY TYPE] (“Assignor”) and [_____], a [ENTITY TYPE] (“Assignee”).

WITNESSETH:

WHEREAS, pursuant to the terms of that certain Purchase and Sale Agreement, dated as of [_____], 20[___], by and between Assignor and Assignee (the “Purchase Agreement”), Assignor agreed to sell to Assignee, *inter alia*, certain real property, the improvements located thereon and certain rights appurtenant thereto, all as more particularly described in the Purchase Agreement (collectively, the “Property”). Initially capitalized terms not otherwise defined herein shall have the respective meanings ascribed to such terms in the Purchase Agreement; and

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

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

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

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

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

4. Counterparts. This Assignment may be executed in counterparts, each of which shall be an original and all of which counterparts

taken together shall constitute one and the same agreement.

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

ASSIGNOR:

[_____], a [ENTITY TYPE]

By: __
Name: __
Title: __

ASSIGNEE:

[_____], a [ENTITY TYPE]

By: __
Name: __
Title: __

Schedule 4.01(k)

Environmental Matters

- The Seller may be required to maintain a storm water discharge permit, but it is not currently operating under any such permit.
- The Seller received an information request letter from the Environmental Protection Agency, dated May 20, 2013 regarding The Sigmon's Septic Tank Service Superfund Site in Statesville and responded to the request on June 18, 2013.
- The Seller received an information request letter from the Environmental Protection Agency, dated May 31, 2018 regarding the Fluorescent Recycling, Inc. Site. The Seller is in the process of responding to the letter.

AMENDED AND RESTATED**MASTER LEASE AGREEMENT**

THIS AMENDED AND RESTATED MASTER LEASE AGREEMENT (this "Lease") is made as of June __, 2018 (the "Effective Date"), by and between **STORE MASTER FUNDING XII, LLC**, a Delaware limited liability company ("Lessor"), whose address is 8377 E. Hartford Drive, Suite 100, Scottsdale, Arizona 85255, and **SYNALLOY CORPORATION**, a Delaware corporation ("Lessee"), whose address is 4510 Cox Road, Suite 201, Richmond, VA 23060. Capitalized terms not defined herein shall have the meanings set forth in Exhibit A hereto.

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

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

ARTICLE I**BASIC LEASE TERMS**

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

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

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

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

Section 1.05. Current Base Annual Rental. \$2,789,840.00, as described in Article IV.

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

Section 1.07. Adjustment Date. October 1, 2018 and annually thereafter during the Lease Term (including any Extension Term).

Section 1.08. Guarantor. None.

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

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

ARTICLE II

LEASE OF PROPERTIES

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

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

ARTICLE III

LEASE TERM; EXTENSION

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

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

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

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

ARTICLE IV

RENTAL AND OTHER MONETARY OBLIGATIONS

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

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

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

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

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

Section 4.06. Late Charges; Default Interest. Any payment not made within three (3) days of the date due shall, in addition to any other remedy of Lessor, incur a late charge of five

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

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

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF LESSEE

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

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

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

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

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

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

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

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

ARTICLE VI

TAXES AND ASSESSMENTS; UTILITIES; INSURANCE

Section 6.01. Taxes.

(a) **Payment.** Subject to the provisions of Section 6.01(b) below, Lessee shall pay, prior to the earlier of delinquency or the accrual of interest on the unpaid balance, all taxes and assessments of every type or nature assessed by applicable Governmental Authorities having jurisdiction over the Properties against or imposed upon the Properties, Lessee or Lessor during the Lease Term related to or arising out of this Lease and the activities of the parties hereunder, including without limitation, (i) all taxes or assessments upon the Properties or any part thereof and upon any personal property, trade fixtures and improvements located on the Properties, whether belonging to Lessor or Lessee, or any tax or charge levied in lieu of such taxes and assessments; (ii) all taxes, charges, license fees and or similar fees imposed by reason of the use of the Properties by Lessee; (iii) all excise, franchise, transaction, privilege, sales, use and other taxes upon the Rental or other Monetary Obligations hereunder, the leasehold estate of either party or the activities of either party pursuant to this Lease; and (iv) all franchise, privilege or similar taxes of Lessor calculated on the value of the Properties or on the amount of capital apportioned to the Properties. Notwithstanding anything in clauses (i) through (iv) to the contrary, Lessee shall not be obligated to pay or reimburse Lessor for any taxes based on the net income or gross rental income of Lessor or for any margin tax in the State of Texas.

(b) **Right to Contest.** Within thirty (30) days after each tax and assessment payment is required by this Section 6.01 to be paid, Lessee shall provide Lessor with evidence

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

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

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

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

(i) Insurance against loss or damage to real property and personal property under an "all risk" or "special form" insurance policy, which shall include coverage against all risks of direct physical loss, including but not limited to loss by fire, lightning, wind, terrorism, and other risks normally included in the standard ISO special form (and shall also include National Flood and Excess Flood insurance for any Property located in Flood Zone A or Flood Zone V, as designated by FEMA, or otherwise located in a flood zone area identified by FEMA as a 100-year flood zone or special hazard area, and earthquake insurance if any Property is located within a moderate to high earthquake hazard zone as determined by an approved insurance company set forth in Section 6.03(b)(x) below). Such policy shall also include soft costs, a joint loss agreement, coverage for ordinance or law covering the loss of value of the undamaged portion of the Properties, costs to demolish and the increased costs of construction if any of the improvements located on, or the use of, the Properties shall at any time constitute legal non-conforming structures or uses. Ordinance or law limits shall be in an amount equal to the full replacement cost for the loss of value of the undamaged portion of the Properties and no less than 25% of the replacement cost for costs

to demolish and the increased cost of construction, or in an amount otherwise specified by Lessor. Such insurance shall be in amounts not less than 100% of the full insurable replacement cost values (without deduction for depreciation), with an agreed amount endorsement or without any coinsurance provision, and with sublimits satisfactory to Lessor, as determined from time to time at Lessor's request but not more frequently than once in any 12-month period.

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

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

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

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

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

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

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

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

Lessor certificates of insurance or, upon Lessor's request, duplicate originals of insurance policies evidencing that insurance satisfying the requirements of this Lease is in effect at all times; (iv) Lessee shall pay as they become due all premiums for the insurance required by this Section 6.03; (v) in the event that Lessee fails to comply with any of the requirements set forth in this Section 6.03, within ten (10) days of the giving of written notice by Lessor to Lessee, (A) Lessor shall be entitled to procure such insurance; and (B) any sums expended by Lessor in procuring such insurance shall be Additional Rental and shall be repaid by Lessee, together with interest thereon at the Default Rate, from the time of payment by Lessor until fully paid by Lessee immediately upon written demand therefor by Lessor; and (vi) Lessee shall maintain all insurance policies required in this Section 6.03 not to be cancelled, invalidated or suspended on account of the conduct of Lessee, its officers, directors, managers, members, employees or agents, or anyone acting for Lessee or any subtenant or other occupant of the Properties, and shall comply with all policy conditions and warranties at all times to avoid a forfeiture of all or a part of any insurance payment.

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

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

ARTICLE VII

MAINTENANCE; ALTERATIONS

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

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

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

ARTICLE VIII

USE OF THE PROPERTIES; COMPLIANCE

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

Section 8.02. Compliance. LESSEE'S USE AND OCCUPATION OF EACH OF THE PROPERTIES, AND THE CONDITION THEREOF, SHALL, AT LESSEE'S SOLE COST AND EXPENSE, COMPLY FULLY WITH ALL LEGAL REQUIREMENTS AND ALL RESTRICTIONS, COVENANTS AND ENCUMBRANCES OF RECORD, AND ANY OWNER OBLIGATIONS UNDER SUCH LEGAL REQUIREMENTS, OR RESTRICTIONS, COVENANTS AND ENCUMBRANCES OF RECORD, WITH RESPECT TO THE PROPERTIES, IN EITHER EVENT, THE FAILURE WITH WHICH TO COMPLY COULD HAVE A MATERIAL ADVERSE EFFECT. WITHOUT IN ANY WAY LIMITING THE FOREGOING PROVISIONS, LESSEE SHALL COMPLY WITH ALL LEGAL REQUIREMENTS RELATING TO ANTI-TERRORISM, TRADE EMBARGOS, ECONOMIC SANCTIONS, ANTI-MONEY LAUNDERING LAWS, AND THE AMERICANS WITH DISABILITIES ACT OF 1990, AS SUCH ACT MAY BE AMENDED FROM TIME TO TIME, AND ALL REGULATIONS PROMULGATED THEREUNDER, AS IT AFFECTS THE PROPERTIES NOW OR HEREAFTER IN EFFECT. LESSEE SHALL OBTAIN, MAINTAIN AND COMPLY WITH ALL REQUIRED LICENSES AND PERMITS, BOTH GOVERNMENTAL AND PRIVATE, TO USE AND OPERATE THE PROPERTIES AS PERMITTED FACILITIES. UPON LESSOR'S WRITTEN REQUEST FROM TIME TO TIME DURING THE LEASE TERM, LESSEE SHALL CERTIFY IN WRITING TO LESSOR THAT LESSEE'S REPRESENTATIONS, WARRANTIES AND OBLIGATIONS UNDER SECTION 5.05 AND THIS SECTION 8.02 REMAIN TRUE AND CORRECT AND HAVE NOT BEEN BREACHED. LESSEE SHALL IMMEDIATELY NOTIFY LESSOR IN WRITING IF ANY OF SUCH REPRESENTATIONS, WARRANTIES OR COVENANTS ARE NO LONGER TRUE OR HAVE BEEN BREACHED OR IF LESSEE HAS A REASONABLE BASIS TO BELIEVE THAT THEY MAY NO LONGER BE TRUE OR HAVE BEEN BREACHED. IN CONNECTION WITH SUCH AN EVENT, LESSEE SHALL COMPLY WITH ALL LEGAL REQUIREMENTS AND DIRECTIVES OF GOVERNMENTAL AUTHORITIES AND, AT LESSOR'S REQUEST, PROVIDE TO LESSOR COPIES OF ALL NOTICES, REPORTS AND OTHER COMMUNICATIONS EXCHANGED WITH, OR RECEIVED FROM, GOVERNMENTAL

AUTHORITIES RELATING TO SUCH AN EVENT. LESSEE SHALL ALSO REIMBURSE LESSOR FOR ALL COSTS INCURRED BY LESSOR IN EVALUATING THE EFFECT OF SUCH AN EVENT ON THE PROPERTIES AND THIS LEASE, IN OBTAINING ANY NECESSARY LICENSE FROM GOVERNMENTAL AUTHORITIES AS MAY BE NECESSARY FOR LESSOR TO ENFORCE ITS RIGHTS UNDER THE TRANSACTION DOCUMENTS, AND IN COMPLYING WITH ALL LEGAL REQUIREMENTS APPLICABLE TO LESSOR AS THE RESULT OF THE EXISTENCE OF SUCH AN EVENT AND FOR ANY PENALTIES OR FINES IMPOSED UPON LESSOR AS A RESULT THEREOF. LESSEE WILL USE ITS BEST EFFORTS TO PREVENT ANY ACT OR CONDITION TO EXIST ON OR ABOUT THE PROPERTIES THAT WILL MATERIALLY INCREASE ANY INSURANCE RATE THEREON, EXCEPT WHEN SUCH ACTS ARE REQUIRED IN THE NORMAL COURSE OF ITS BUSINESS AND LESSEE SHALL PAY FOR SUCH INCREASE. LESSEE AGREES THAT IT WILL DEFEND, INDEMNIFY AND HOLD HARMLESS THE INDEMNIFIED PARTIES FROM AND AGAINST ANY AND ALL LOSSES CAUSED BY, INCURRED OR RESULTING FROM LESSEE'S FAILURE TO COMPLY WITH ITS OBLIGATIONS UNDER THIS SECTION, EXCLUDING LOSSES SUFFERED BY AN INDEMNIFIED PARTY ARISING OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PARTY.

Section 8.03. Environmental.

(a) **Covenants.**

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

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

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

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

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

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

or (7) would result in any reopening or reconsideration of any prior investigation or causes a new investigation by a Governmental Authority having jurisdiction over any Property.

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

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

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

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

(c) **Remediation.** Lessee shall, at its sole cost and expense, and without limiting any other provision of this Lease, effectuate any Remediation required by any Governmental Authority of any condition (including, but not limited to, a Release or Threatened Release) in, on, under or from the Properties and take any other reasonable action deemed necessary by any Governmental Authority for protection of human health or the environment. Should Lessee fail to undertake any required Remediation in accordance with the preceding sentence, Lessor, after written notice to Lessee and Lessee's failure to immediately undertake such Remediation, shall be permitted to complete such Remediation, and all Costs incurred in connection therewith shall be paid by Lessee. Any Cost so paid by Lessor, together with interest at the Default Rate, shall be deemed to be Additional Rental hereunder and shall be immediately due from Lessee to Lessor.

(d) **Indemnification.** LESSEE SHALL, AT ITS SOLE COST AND EXPENSE, PROTECT, DEFEND, INDEMNIFY, RELEASE AND HOLD HARMLESS EACH OF THE INDEMNIFIED PARTIES FROM AND AGAINST ANY AND ALL LOSSES, INCLUDING, BUT NOT LIMITED TO, ALL COSTS OF REMEDIATION (WHETHER OR NOT PERFORMED

VOLUNTARILY), ARISING OUT OF OR IN ANY WAY RELATING TO ANY ENVIRONMENTAL LAWS, HAZARDOUS MATERIALS, REGULATED SUBSTANCES, ABOVE OR BELOW GROUND STORAGE TANKS, OR OTHER ENVIRONMENTAL MATTERS CONCERNING THE PROPERTIES, EXCLUDING LOSSES SUFFERED BY AN INDEMNIFIED PARTY ARISING OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PARTY. IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT LESSEE'S OBLIGATIONS UNDER THIS SECTION SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION OF THIS LEASE FOR ANY REASON FOR TWO (2) YEARS PURSUANT TO SUBSECTION 8.03(G) BELOW.

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

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

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

ARTICLE IX

ADDITIONAL COVENANTS

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

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

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

Section 9.03. Financial Information.

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

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

Section 9.04. OFAC Laws. Upon receipt of notice or upon actual knowledge thereof, Lessee shall immediately notify Lessor in writing if any Person owning (directly or indirectly) any interest in any of the Lessee Entities, or any director, officer, shareholder, member, manager or partner of any of such holders is a Person whose property or interests are subject to being blocked under any of the OFAC Laws, or is otherwise in violation of any of the OFAC Laws, or is under

investigation by any Governmental Authority for, or has been charged with, or convicted of, drug trafficking, terrorist-related activities or any violation of the Anti-Money Laundering Laws, has been assessed civil penalties under these or related Laws, or has had funds seized or forfeited in an action under these or related Laws; *provided, however*, that the covenant in this Section 9.04 shall not apply to any Person to the extent such Person's interest is in or through a U.S. Publicly Traded Entity.

Section 9.05. Estoppel Certificate. At any time, and from time to time, Lessee shall, promptly and in no event later than ten (10) Business Days after a request from Lessor or any Lender or mortgagee of Lessor, execute, acknowledge and deliver to Lessor or such Lender or mortgagee, as the case may be, a certificate in the form supplied by Lessor, certifying: (a) that Lessee has accepted the Properties; (b) that this Lease is in full force and effect and has not been modified (or if modified, setting forth all modifications), or, if this Lease is not in full force and effect, the certificate shall so specify the reasons therefor; (c) the commencement and expiration dates of the Lease Term; (d) the date to which the Rentals have been paid under this Lease and the amount thereof then payable; (e) whether there are then any existing defaults by Lessor in the performance of its obligations under this Lease, and, if there are any such defaults, specifying the nature and extent thereof; (f) that no notice has been received by Lessee of any default under this Lease which has not been cured, except as to defaults specified in the certificate; (g) the capacity of the Person executing such certificate, and that such Person is duly authorized to execute the same on behalf of Lessee; (h) that neither Lessor nor any Lender or mortgagee has actual involvement in the management or control of decision making related to the operational aspects or the day-to-day operation of the Properties, including any handling or disposal of Hazardous Materials or Regulated Substances; and (i) any other information reasonably requested by Lessor or any Lender or mortgagee, as the case may be. If Lessee shall fail or refuse to sign a certificate in accordance with the provisions of this Section within ten (10) days following a request by Lessor, Lessee irrevocably constitutes and appoints Lessor as its attorney-in-fact to execute and deliver the certificate to any such third party, it being stipulated that such power of attorney is coupled with an interest and is irrevocable and binding.

ARTICLE X

RELEASE AND INDEMNIFICATION

Section 10.01. Release and Indemnification. LESSEE AGREES TO USE AND OCCUPY THE PROPERTIES AT ITS OWN RISK AND HEREBY RELEASES LESSOR AND LESSOR'S AGENTS AND EMPLOYEES FROM ALL CLAIMS FOR ANY DAMAGE OR INJURY TO THE FULL EXTENT PERMITTED BY LAW. LESSEE AGREES THAT LESSOR SHALL NOT BE RESPONSIBLE OR LIABLE TO LESSEE OR LESSEE'S EMPLOYEES, AGENTS, CUSTOMERS, LICENSEES OR INVITEES FOR BODILY INJURY, PERSONAL INJURY OR PROPERTY DAMAGE OCCASIONED BY THE ACTS OR OMISSIONS OF ANY OTHER LESSEE OR ANY OTHER PERSON. LESSEE AGREES THAT ANY EMPLOYEE OR AGENT TO WHOM THE PROPERTIES OR ANY PART THEREOF SHALL BE ENTRUSTED BY OR ON BEHALF OF LESSEE SHALL BE ACTING AS LESSEE'S AGENT WITH RESPECT TO THE PROPERTIES OR ANY PART THEREOF, AND NEITHER LESSOR NOR LESSOR'S AGENTS, EMPLOYEES OR CONTRACTORS SHALL BE LIABLE FOR ANY LOSS OF OR DAMAGE TO THE PROPERTIES OR ANY PART THEREOF UNLESS CAUSED BY THE GROSS NEGLIGENCE

OR WILLFUL MISCONDUCT OF LESSOR OR LESSOR'S AGENTS, EMPLOYEES OR CONTRACTORS. LESSEE SHALL INDEMNIFY, PROTECT, DEFEND AND HOLD HARMLESS EACH OF THE INDEMNIFIED PARTIES FROM AND AGAINST ANY AND ALL LOSSES (EXCLUDING LOSSES SUFFERED BY AN INDEMNIFIED PARTY ARISING OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PARTY; *PROVIDED, HOWEVER*, THAT THE TERM "GROSS NEGLIGENCE" SHALL NOT INCLUDE GROSS NEGLIGENCE IMPUTED AS A MATTER OF LAW TO ANY OF THE INDEMNIFIED PARTIES SOLELY BY REASON OF LESSOR'S INTEREST IN ANY PROPERTY OR LESSOR'S FAILURE TO ACT IN RESPECT OF MATTERS WHICH ARE OR WERE THE OBLIGATION OF LESSEE UNDER THIS LEASE) CAUSED BY, INCURRED OR RESULTING FROM LESSEE'S OPERATIONS OR BY LESSEE'S USE AND OCCUPANCY OF THE PROPERTIES, WHETHER RELATING TO ITS ORIGINAL DESIGN OR CONSTRUCTION, LATENT DEFECTS, ALTERATION, MAINTENANCE, USE BY LESSEE OR ANY PERSON THEREON, SUPERVISION OR OTHERWISE, OR FROM ANY BREACH OF, DEFAULT UNDER, OR FAILURE TO PERFORM, ANY TERM OR PROVISION OF THIS LEASE BY LESSEE, ITS OFFICERS, EMPLOYEES, AGENTS OR OTHER PERSONS. IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT LESSEE'S OBLIGATIONS UNDER THIS SECTION SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION OF THIS LEASE FOR ANY REASON WHATSOEVER.

ARTICLE XI

CONDEMNATION AND CASUALTY

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

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

(a) **Termination of Lease.** On the date of the Total Condemnation, all obligations of either party hereunder with respect to the applicable Property shall cease and the Base Annual Rental shall be reduced as set forth in Section 11.03(c) below; *provided, however*, that Lessee's obligations to the Indemnified Parties under any indemnification provisions of this Lease with respect to such Property and Lessee's obligation to pay Rental and all other Monetary

Obligations (whether payable to Lessor or a third party) accruing under this Lease with respect to such Property prior to the date of termination shall survive such termination. If the date of such Total Condemnation is other than the first day of a month, the Base Monthly Rental for the month in which such Total Condemnation occurs shall be apportioned based on the date of the Total Condemnation.

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

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

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

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

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

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

(c) **Right to Termination.** Notwithstanding any other provision to the contrary contained in this Article XI, in the event that, as a result of a Casualty in the last year of the Lease Term, Lessee shall reasonably estimate in the exercise of good faith business judgment that the applicable Property cannot be used for the same purpose and substantially with the same utility as before such Casualty (and Lessee provides to Lessor an officer's certificate executed by an officer of Lessee certifying to the same), then, subject to the terms and conditions set forth in this subsection (c), Lessee shall have the right, exercisable by written notice given to Lessor no later than thirty (30) days following such Casualty, to terminate this Lease with respect to such damaged Property (and in connection with such termination, the Base Annual Rental shall be reduced as

set forth in Section 11.03() below). If Lessee elects to terminate, this Lease shall terminate with respect to such Property as of the last day of the month during which such thirty (30) day period expired. Lessee shall vacate and surrender such Property by such termination date, in accordance with the provisions of this Lease, and all obligations of either party hereunder with respect to such Property shall cease as of the date of termination; provided, however, Lessee's obligations to the Indemnified Parties under any indemnification provisions of this Lease with respect to such Property and Lessee's obligations to pay Rental and all other Monetary Obligations (whether payable to Lessor or a third party) accruing under this Lease with respect to such Property prior to the date of termination shall survive such termination subject to, and in accordance with, the terms hereof. In such event, Lessor may retain all Net Awards related to the Casualty, and Lessee shall immediately pay Lessor an amount equal to the insurance deductible applicable to any Casualty.

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

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

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

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

Section 11.07. Lessee Awards and Payments. Notwithstanding any provision contained in this Article XI, Lessee shall be entitled to claim and receive any award or payment from the condemning authority expressly granted for the taking of any personal property owned

by Lessee, any insurance proceeds with respect to any personal property owned by Lessee, the interruption of its business and moving expenses (subject, however, to the provisions of Section 6.03(a)(iv) above), but only if such claim or award does not adversely affect or interfere with the prosecution of Lessor's claim for the Condemnation or Casualty, or otherwise reduce the amount recoverable by Lessor for the Condemnation or Casualty.

ARTICLE XII

DEFAULT, CONDITIONAL LIMITATIONS, REMEDIES AND MEASURE OF DAMAGES

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

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

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

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

(d) if Lessee vacates or abandons any Property;

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

(f) if Lessee fails to observe or perform any of the other covenants, conditions or obligations of Lessee in this Lease *provided, however*, if any such failure does not involve the payment of any Monetary Obligation, is not willful or intentional, does not place any Property or any rights or property of Lessor in immediate jeopardy, and is within the reasonable power of Lessee to promptly cure, all as determined by Lessor in its reasonable discretion, then such failure shall not constitute an Event of Default hereunder, unless otherwise expressly provided herein, unless and until Lessor shall have given Lessee notice thereof and a period of thirty (30) days shall have elapsed, during which period Lessee may correct or cure such failure, upon failure of which an Event of Default shall be deemed to have occurred hereunder without further notice or demand of any kind being required. If such failure cannot reasonably be cured within such thirty (30) day period, as determined by Lessor in its reasonable discretion, and Lessee is diligently pursuing a cure of such failure, then Lessee shall have a reasonable period to cure such failure beyond such thirty (30)-day period, which shall in no event exceed ninety (90) days after receiving notice of such failure from Lessor. If Lessee shall fail to correct or cure such failure within such ninety (90)-day

period, an Event of Default shall be deemed to have occurred hereunder without further notice or demand of any kind being required;

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

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

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

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

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

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

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

(c) to relet the Properties or any part thereof for such term or terms (including a term which extends beyond the original Lease Term), at such rentals and upon such other terms as Lessor, in its sole discretion, may determine, with all proceeds received from such reletting

being applied to the Rental and other Monetary Obligations due from Lessee in such order as Lessor may, in its sole discretion, determine, which other Monetary Obligations include, without limitation, all reasonable and actual repossession costs, brokerage commissions, attorneys' fees and expenses, alteration, remodeling and repair costs and expenses of preparing for such reletting. Except to the extent required by applicable Law, Lessor shall have no obligation to relet the Properties or any part thereof and shall in no event be liable for refusal or failure to relet the Properties or any part thereof, or, in the event of any such reletting, for refusal or failure to collect any rent due upon such reletting, and no such refusal or failure shall operate to relieve Lessee of any liability under this Lease or otherwise to affect any such liability. Lessor reserves the right following any re-entry and/or reletting to exercise its right to terminate this Lease by giving Lessee written notice thereof, in which event this Lease will terminate as specified in said notice;

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

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

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

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

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

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

in its sole judgment to discontinue any work commenced by Lessor or change any course of action undertaken by Lessor.

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

ARTICLE XIII

MORTGAGE, SUBORDINATION AND ATTORNMENT

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

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

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

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

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

ARTICLE XIV

ASSIGNMENT

Section 14.01. Assignment by Lessor. As a material inducement to Lessor's willingness to enter into the transactions contemplated by this Lease (the "Transaction") and the other Transaction Documents, Lessee hereby agrees that Lessor may, from time to time and at any time and without the consent of Lessee, engage in all or any combination of the following, or enter into agreements in connection with any of the following or in accordance with requirements that may be imposed by applicable securities, tax or other Laws: (a) the sale, assignment, grant, conveyance, transfer, financing, re-financing, purchase or re-acquisition of all, less than all or any portion of the Properties, this Lease or any other Transaction Document, Lessor's right, title and interest in this Lease or any other Transaction Document, the servicing rights with respect to any of the foregoing, or participations in any of the foregoing; or (b) a Securitization and related transactions. Without in any way limiting the foregoing, the parties acknowledge and agree that Lessor, in its sole discretion, may assign this Lease or any interest herein to another Person in order to maintain Lessor's or any of its Affiliates' status as a REIT. In the event of any such sale or assignment other than a security assignment, Lessee shall attorn to such purchaser or assignee (so long as Lessor and such purchaser or assignee notify Lessee in writing of such transfer and such purchaser or assignee expressly assumes in writing the obligations of Lessor hereunder from and after the date of such assignment). At the request of Lessor, Lessee will execute such documents confirming the sale, assignment or other transfer and such other agreements as Lessor may reasonably request, provided that the same do not increase the liabilities and obligations of Lessee hereunder and include Successor Lessor's express assumption of all Lessor's obligations hereunder. Lessor shall be relieved, from and after the date of such transfer or conveyance, of liability for the performance of any obligation of Lessor contained herein, except for obligations or liabilities accrued prior to such assignment or sale.

Section 14.02. No Assignment by Lessee.

(a) Lessee acknowledges that Lessor has relied both on the business experience and creditworthiness of Lessee and upon the particular purposes for which Lessee intends to use the Properties in entering into this Lease. Subject to Section 14.02(b), Lessee shall not assign, transfer, convey, pledge or mortgage this Lease or any interest herein or any interest in Lessee, whether by operation of Law or otherwise, without the prior written consent of Lessor, which may not be unreasonably conditioned, delayed or withheld. At the time of any assignment of this Lease which is approved by Lessor, the assignee shall assume all of the obligations of

Lessee under this Lease pursuant to a written assumption agreement in form and substance reasonably acceptable to Lessor. Such assignment of this Lease pursuant to this Section 14.02 shall not relieve Lessee of its obligations respecting this Lease unless otherwise agreed to by Lessor, which shall not be unreasonably conditioned, delayed or withheld. Any assignment, transfer, conveyance, pledge or mortgage in violation of this Section 14.02 shall be voidable at the sole option of Lessor. Any consent to an assignment given by Lessor hereunder shall not be deemed a consent to any subsequent assignment. Lessor shall review and provide approval or reasons for withholding approval of an assignment within fifteen (15) days of Lessee's request for approval.

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

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

Section 14.04. Subletting. Provided no Event of Default has occurred and is continuing, Lessee shall have the right to sublease any or all of the Properties; provided, however, (i) the term of any such sublease shall not extend beyond the Lease Term; (ii) the sublease shall be for no use other than a Permitted Facility; (iii) the sublease shall be subject and subordinate to this Lease and shall not contain any terms inconsistent with this Lease; (iv) Lessee shall at all times remain fully and primarily liable under this Lease; (v) the rent due under such sublease shall be fixed rent and shall not be based on the net profits of the sublessee; and (vi) the sublease is approved by Lessor, which approval shall not be unreasonably withheld, conditioned or delayed (each, a "Sublease"). As security for the payment and performance by Lessee of its obligations under this Lease, Lessee hereby assigns, transfers, sets over and grants to Lessor, a security interest in any and all of Lessee's right, title and interest, powers, privileges and other benefits as landlord under the Subleases, including, without limitation: (i) rent and proceeds thereof; (ii) the right to enter upon, take possession of and use any and all property subleased or granted by Lessee under the Subleases; (iii) the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of any default giving rise to a right in favor of Lessee under the Subleases; and (iv) the right to do any and all other things whatsoever which Lessee is or may become entitled to do under the Subleases. Upon the occurrence of and during the continuance of an Event of Default hereunder, Lessee agrees that, at the option of Lessor and in addition to such other rights and remedies as may be afforded to Lessor under this Lease, Lessor shall have the right, without giving notice to or obtaining the consent of Lessee, to

exercise, enforce or avail itself of any of the rights, powers, privileges, authorizations or benefits assigned and transferred to Lessor pursuant to this Section 14.04, including, without limitation, the right to collect all amounts due under the Subleases. From and after the occurrence of an Event of Default, Lessee does hereby irrevocably appoint Lessor as Lessee's true and lawful attorney, with full power (in the name of Lessee or otherwise) to ask, require, demand, receive and give acquittance for every payment under or arising out of the Subleases to which Lessee is or may become entitled. Lessee declares that this appointment is coupled with an interest and shall be irrevocable by Lessee. Lessee further agrees to execute any and all other instruments deemed reasonably necessary by Lessor to further the intent of the foregoing assignment and to vest Lessor in the Subleases. Notwithstanding any provision contained in this Section 14.04, (i) Lessor shall not be obligated to perform or discharge any obligation, duty or liability under the Subleases by reason of the foregoing assignment; and (ii) Lessor shall not be liable or responsible for, and Lessee agrees to indemnify and hold Lessor harmless from and against any liability, loss, cost or damage, claim or demand against Lessor arising, directly or indirectly, from or related to the Subleases.

ARTICLE XV

NOTICES

Section 15.01. Notices. All notices, demands, designations, certificates, requests, offers, consents, approvals, appointments and other instruments given pursuant to this Lease shall be in writing and given by any one of the following: (a) hand delivery; (b) express overnight delivery service; (c) certified or registered mail, return receipt requested; or (d) email transmission, and shall be deemed to have been delivered upon (i) receipt, if hand delivered; (ii) the next Business Day, if delivered by a reputable express overnight delivery service; (iii) the third Business Day following the day of deposit of such notice with the United States Postal Service, if sent by certified or registered mail, return receipt requested; or (iv) transmission, if delivered by email transmission. Notices shall be provided to the parties and addresses (or electronic mail addresses) specified below:

If to Lessee: Synalloy Corporation
4510 Cox Road, Suite 201
Richmond, VA 23060
Attention: Craig Bram
Email: cbram@synalloy.com

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

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

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

or to such other address or such other person as either party may from time to time hereafter specify to the other party in a notice delivered in the manner provided above.

ARTICLE XVI

RIGHT OF FIRST REFUSAL

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

Section 16.02. Conditions Precedent.

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

Monetary Obligations then due and payable under this Lease as of the date of the closing of such purchase; (3) in addition to payment of the Subject Purchase Price, Lessee shall have satisfied its obligations under Section 16.03 below; and (4) the date of the closing of such purchase shall occur on the next scheduled Base Monthly Rental payment date that is at least thirty (30) days following Lessor's receipt of Lessee's written notice of its exercise of its right to purchase the Property pursuant to Section 16.01.

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

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

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

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

Section 16.06. Exclusions. The provisions of this Article XVI shall not apply to or prohibit (i) any mortgages or other hypothecation of Lessor's interest in the Property; (ii) any sale of the Property pursuant to a private power of sale under or judicial foreclosure of any mortgage

or other security instrument or device to which Lessor's interest in the Property is now or hereafter subject; (iii) any transfer of Lessor's interest in the Property to a mortgagee or other holder of a security interest therein or their designees by deed in lieu of foreclosure; (iv) any transfer of the Property to any governmental or quasi-governmental agency with power of Condemnation; (v) any transfer of the Property to any Affiliate of Lessor; (vi) any transfers of interests in Lessor by any member, shareholder, partner or other owner to any other member, shareholder, partner or other owner; and (vii) any transfers to any Person to whom Lessor sells all or substantially all of its assets.

ARTICLE XVII

EXCESS LAND

Section 17.01. Option. Lessee shall have a one-time option to give Lessor notice (an "Option Notice") of Lessee's election to purchase all or any portion of that area of the Munhall, PA Property that is not utilized in connection with the operation of the Permitted Facility at such Property (as generally depicted in Schedule 17.01 attached hereto, the "Purchase Option Area") for a price equal to its Fair Market Value. The closing for any such purchase must occur within one hundred twenty (120) days following Lessor's receipt of an Option Notice, but in no event shall closing occur later than the expiration of the Term. The closing of any purchase pursuant to this Article XVII shall be conditioned upon (i) no Event of Default continuing at the time of the applicable closing, (ii) no Material Adverse Effect on the remainder of such Property stemming from such purchase, including ingress and egress, and (iii) Lessee obtains all necessary approvals from Governmental Authorities to create a legal parcel that may be separately conveyed, as approved by Lessor in its reasonable discretion, which approvals shall be at the sole costs and expense of Lessee. Lessor agrees, assents and covenants to assist in good faith, but at no cost or expense to Lessor, with Lessee's obtaining of all necessary approvals from Government Authorities to create a legal parcel that may be separately conveyed.

Section 17.02. Closing. Upon any exercise of this Option, Lessor and Lessee shall open a new escrow account with a recognized title insurance company selected by Lessor. Such escrow shall be subject to the standard escrow instructions of the escrow agent, to the extent they are not inconsistent herewith. At or before the close of escrow, Lessor shall deliver to the escrow agent its special or limited warranty deed conveying to Lessee all of Lessor's right, title and interest in the applicable portion of the Purchase Option Area free and clear of all liens and encumbrances except liens for taxes and assessments and easements, covenants and restrictions of record which were attached to the applicable portion of the Purchase Option Area as of the date hereof, attached during the term of the Lease through Lessee's action or inaction, as the case may be, have been granted by Lessor in lieu of a taking by the power of eminent domain or the like, or have been approved by Lessee. Lessee shall have the right to accept such title as Lessor can convey or elect not to consummate its exercise of the Option. Notwithstanding the foregoing, Lessor shall cause any mortgage or other monetary lien arising by, through or under Lessor (but not arising by, through or under Lessee or by failure of Lessee to comply with its obligations hereunder) to be released at or prior to closing. Both Lessor and Lessee agree to execute a purchase agreement, escrow instructions and such other instruments as may be necessary or appropriate to consummate the sale of the applicable portion of the Purchase Option Area in the manner and containing the terms herein provided. All Costs incurred in connection with Lessee's exercise of the Option, including, but not limited to, escrow fees, title insurance fees, recording costs or fees, reasonable attorneys' fees (including those of Lessor), costs of any approvals from Governmental Authorities, appraisal

fees, stamp taxes and transfer fees shall be borne by Lessee. Lessee shall continue to pay and perform all of its obligations under this Lease until the close of escrow. The purchase price paid by Lessee in exercising this Option shall be paid to Lessor or to such person or entity as Lessor may direct at closing in immediately available funds. The closing date may be extended for a reasonable period of time to permit Lessor to cure title defects or to permit either party to cure any other defects or defaults provided each party is diligently seeking to cure such defect or default and Lessee continues to perform its obligations hereunder. In the case of any mortgage or other monetary lien arising by, through or under Lessor (but not arising by, through or under Lessee), the escrow agent shall first apply the purchase price to the payment of such mortgage or monetary lien, and the balance shall be paid over to Lessor at closing. Upon closing, this Lease shall terminate with respect to the applicable portion of the Purchase Option Area acquired by Lessee and Base Annual Rental shall be reduced by the net proceeds received by Lessor multiplied by a capitalization rate of 8.60%.

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

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

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

Section 17.06. Fair Market Value. For purposes of this Article XVII and determining the "Fair Market Value" of the applicable portion of the Purchase Option Area, Lessor shall, at Lessee's sole expense, retain an independent MAI appraiser to prepare an appraisal of the Fair Market Value of the applicable portion of the Purchase Option Area, including any additions or renovations thereto. In determining the Fair Market Value of the applicable portion of the Purchase Option Area, the appraiser shall utilize the cost, income and sales comparison approaches to value.

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

ARTICLE XVIII

MISCELLANEOUS

Section 18.01. Force Majeure. Any prevention, delay or stoppage due to strikes, lockouts, acts of God, enemy or hostile governmental action, civil commotion, fire or other casualty beyond the control of the party obligated to perform (each, a "Force Majeure Event") shall excuse the performance by such party for a period equal to any such prevention, delay or stoppage, expressly excluding, however, the obligations imposed upon Lessee with respect to Rental and other Monetary Obligations to be paid hereunder.

Section 18.02. No Merger. There shall be no merger of this Lease nor of the leasehold estate created by this Lease with the fee estate in or ownership of any of the Properties by reason of the fact that the same person, corporation, firm or other entity may acquire or hold or own, directly or indirectly, (a) this Lease or the leasehold estate created by this Lease or any interest in this Lease or in such leasehold estate, and (b) the fee estate or ownership of any of the Properties or any interest in such fee estate or ownership. No such merger shall occur unless and until all persons, corporations, firms and other entities having any interest in (i) this Lease or the leasehold estate created by this Lease, and (ii) the fee estate in or ownership of the Properties or any part thereof sought to be merged shall join in a written instrument effecting such merger and shall duly record the same.

Section 18.03. Interpretation. Lessor and Lessee acknowledge and warrant to each other that each has been represented by independent counsel and has executed this Lease after being fully advised by said counsel as to its effect and significance. This Lease shall be interpreted and construed in a fair and impartial manner without regard to such factors as the party which prepared the instrument, the relative bargaining powers of the parties or the domicile of any party. Whenever in this Lease any words of obligation or duty are used, such words or expressions shall have the same force and effect as though made in the form of a covenant.

Section 18.04. Characterization. The following expressions of intent, representations, warranties, covenants, agreements, stipulations and waivers are a material inducement to Lessor entering into this Lease:

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

(b) Lessor and Lessee covenant and agree that: (i) each intends to treat this Lease as an operating lease pursuant to Statement of Financial Accounting Standards No. 13, as amended, and as a true lease for state Law reporting purposes and for federal income tax purposes; (ii) each party will not, nor will it permit any Affiliate to, at any time, take any action or fail to take any action with respect to the preparation or filing of any statement or disclosure to Governmental Authority, including without limitation, any income tax return (including an amended income tax return), to the extent that such action or such failure to take action would be inconsistent with the intention of the parties expressed in this Section 18.04; (iii) with respect to the Properties, the Lease Term is less than seventy-five percent (75%) of the estimated remaining economic life of the Properties; and (iv) the Base Annual Rental is the fair market value for the use of the Properties and was agreed to by Lessor and Lessee on that basis, and the execution and delivery of, and the performance by Lessee of its obligations under, this Lease do not constitute a transfer of all or any part of the Properties.

(c) Lessee waives any claim or defense based upon the characterization of this Lease as anything other than a true lease and as a master lease of all of the Properties. Lessee stipulates and agrees (i) not to challenge the validity, enforceability or characterization of the lease of the Properties as a true lease and/or as a single, unitary, unseverable instrument pertaining to the lease of all, but not less than all, of the Properties; and (ii) not to assert or take or omit to take any action inconsistent with the agreements and understandings set forth in this Section 18.04.

Section 18.05. Disclosures.

(a) **Securities Act or Exchange Act.** The parties agree that, notwithstanding any provision contained in this Lease, any party (and each employee, representative or other agent of any party) may disclose to any and all persons, without limitation of any kind, any matter required under the Securities Act or the Exchange Act.

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

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

Section 18.06. Attorneys' Fees. In the event of any judicial or other adversarial proceeding concerning this Lease, to the extent permitted by Law, the prevailing party shall be entitled to recover all of its reasonable attorneys' fees and other Costs in addition to any other relief to which it may be entitled.

Section 18.07. Memoranda of Lease. Concurrently with the execution of this Lease, Lessor and Lessee are executing Lessor's standard form memorandum of lease in recordable form, indicating the names and addresses of Lessor and Lessee, a description of the Properties, the Lease Term, but omitting Rentals and such other terms of this Lease as Lessor may not desire to disclose to the public. Further, upon Lessor's request, Lessee agrees to execute and acknowledge a termination of lease and/or quitclaim deed in recordable form to be held by Lessor until the expiration or sooner termination of the Lease Term; *provided, however*, if Lessee shall fail or refuse to sign such a document in accordance with the provisions of this Section within ten (10) days following a request by Lessor, Lessee irrevocably constitutes and appoints Lessor as its attorney-in-fact to execute and record such document, it being stipulated that such power of attorney is coupled with an interest and is irrevocable and binding.

Section 18.08. No Brokerage. LESSOR AND LESSEE REPRESENT AND WARRANT TO EACH OTHER THAT THEY HAVE HAD NO CONVERSATION OR NEGOTIATIONS WITH ANY BROKER CONCERNING THE LEASING OF THE PROPERTIES. EACH OF LESSOR AND LESSEE AGREES TO PROTECT, INDEMNIFY, SAVE AND KEEP HARMLESS THE OTHER, AGAINST AND FROM ALL LIABILITIES, CLAIMS, LOSSES, COSTS, DAMAGES AND EXPENSES, INCLUDING ATTORNEYS' FEES, ARISING OUT OF, RESULTING FROM OR IN CONNECTION WITH THEIR BREACH OF THE FOREGOING WARRANTY AND REPRESENTATION.

Section 18.09. Waiver of Jury Trial and Certain Damages. LESSOR AND LESSEE HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY AND ALL ISSUES PRESENTED IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER OR ITS SUCCESSORS WITH RESPECT TO ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS LEASE, THE RELATIONSHIP OF LESSOR AND LESSEE, LESSEE'S USE OR OCCUPANCY OF THE PROPERTIES, AND/OR ANY CLAIM FOR INJURY OR DAMAGE, OR ANY EMERGENCY OR STATUTORY REMEDY. THIS WAIVER BY THE PARTIES HERETO OF ANY RIGHT EITHER MAY HAVE TO A TRIAL BY JURY HAS BEEN NEGOTIATED AND IS AN ESSENTIAL ASPECT OF THEIR BARGAIN. FURTHERMORE, LESSOR AND LESSEE HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO SEEK PUNITIVE, CONSEQUENTIAL, SPECIAL AND INDIRECT DAMAGES FROM THE OTHER PARTY AND ANY OF THE AFFILIATES, OFFICERS, DIRECTORS, MEMBERS, MANAGERS OR EMPLOYEES OF LESSOR OR LESSEE, AS APPLICABLE, OR ANY OF THEIR SUCCESSORS WITH RESPECT TO ANY AND ALL ISSUES PRESENTED IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM BROUGHT WITH RESPECT TO ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS LEASE OR ANY DOCUMENT

CONTEMPLATED HEREIN OR RELATED HERETO. THE WAIVER BY LESSOR AND LESSEE OF ANY RIGHT EITHER MAY HAVE TO SEEK PUNITIVE, CONSEQUENTIAL, SPECIAL AND INDIRECT DAMAGES HAS BEEN NEGOTIATED BY THE PARTIES HERETO AND IS AN ESSENTIAL ASPECT OF THEIR BARGAIN.

Section 18.10. Securitizations. As a material inducement to Lessor's willingness to enter into the Transactions contemplated by this Lease and the other Transaction Documents, Lessee hereby acknowledges and agrees that Lessor may, from time to time and at any time (a) advertise, issue press releases, send direct mail or otherwise disclose information regarding the Transaction for marketing purposes; and (b) (i) act or permit another Person to act as sponsor, settler, transferor or depositor of, or a holder of interests in, one or more Persons or other arrangements formed pursuant to a trust agreement, indenture, pooling agreement, participation agreement, sale and servicing agreement, limited liability company agreement, partnership agreement, articles of incorporation or similar agreement or document; and (ii) permit one or more of such Persons or arrangements to offer and sell stock, certificates, bonds, notes, other evidences of indebtedness or securities that are directly or indirectly secured, collateralized or otherwise backed by or represent a direct or indirect interest in whole or in part in any of the assets, rights or properties described in Section 14.01 of this Lease, in one or more Persons or arrangements holding such assets, rights or properties, or any of them (collectively, the "Securities"), whether any such Securities are privately or publicly offered and sold, or rated or unrated (any combination of which actions and transactions described in both clauses (i) and (ii) in this paragraph, whether proposed or completed, are referred to in this Lease as a "Securitization"). Lessee shall cooperate fully with Lessor and any Affected Party with respect to all reasonable requests and due diligence procedures and use reasonable efforts to facilitate such Securitization, provided that such cooperation shall be at no additional cost or expense to Lessee so long as Lessee is not otherwise required to provide such information to Lessor pursuant to the other provisions of this Lease.

Section 18.11. State-Specific Provisions. The provisions and/or remedies which are set forth on the attached Exhibit D shall be deemed a part of and included within the terms and conditions of this Lease.

Section 18.12. Time is of the Essence; Computation. Time is of the essence with respect to each and every provision of this Lease. If any deadline provided herein falls on a non-Business Day, such deadline shall be extended to the next day that is a Business Day.

Section 18.13. Waiver and Amendment. No provision of this Lease shall be deemed waived or amended except by a written instrument unambiguously setting forth the matter waived or amended and signed by the party against which enforcement of such waiver or amendment is sought. Waiver of any matter shall not be deemed a waiver of the same or any other matter on any future occasion. No acceptance by Lessor of an amount less than the Rental and other Monetary Obligations stipulated to be due under this Lease shall be deemed to be other than a payment on account of the earliest such Rental or other Monetary Obligations then due or in arrears nor shall any endorsement or statement on any check or letter accompanying any such payment be deemed a waiver of Lessor's right to collect any unpaid amounts or an accord and satisfaction.

Section 18.14. Successors Bound. Except as otherwise specifically provided herein, the terms, covenants and conditions contained in this Lease shall bind and inure to the

benefit of the respective heirs, successors, executors, administrators and assigns of each of the parties hereto.

Section 18.15. Captions. Captions are used throughout this Lease for convenience of reference only and shall not be considered in any manner in the construction or interpretation hereof.

Section 18.16. Other Documents. Each of the parties agrees to sign such other and further documents as may be necessary or appropriate to carry out the intentions expressed in this Lease.

Section 18.17. Entire Agreement. This Lease and any other instruments or agreements referred to herein, constitute the entire agreement between the parties with respect to the subject matter hereof, and there are no other representations, warranties or agreements except as herein provided.

Section 18.18. Forum Selection; Jurisdiction; Venue; Choice of Law. For purposes of any action or proceeding arising out of this Lease, the parties hereto expressly submit to the jurisdiction of all federal and state courts located in the state or states where the Properties are located. Lessee consents that it may be served with any process or paper by registered mail or by personal service within or without the state or states where the Properties are located subject to governing Law. Furthermore, Lessee waives and agrees not to assert in any such action, suit or proceeding that it is not personally subject to the jurisdiction of such courts, that the action, suit or proceeding is brought in an inconvenient forum or that venue of the action, suit or proceeding is improper. This Lease shall be governed by, and construed with, the Laws of the applicable state or states in which the Properties are located, without giving effect to any state's conflict of Laws principles.

Section 18.19. Counterparts. This Lease may be executed in one or more counterparts, each of which shall be deemed an original. Furthermore, the undersigned agree that transmission of this Lease via e-mail in a ".pdf" or other electronic format shall be deemed transmission of the original Lease for all purposes.

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

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

LESSOR:

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

By: __

Printed Name: __

Title: __

STATE OF _____)
) ss.
COUNTY OF _____)

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

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

Notary Public

My Commission Expires _____

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

LESSEE:

SYNALLOY CORPORATION, a Delaware corporation

By:___

Name: Craig C. Bram

Title: Chief Executive Officer

STATE OF _____)
) ss.
COUNTY OF _____)

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

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

Notary Public

My Commission Expires _____

EXHIBITS

- Exhibit A: Defined Terms
- Exhibit B: Legal Descriptions and Street Addresses of the Properties
- Exhibit C: Authorization Agreement – Pre-Arranged Payments
- Exhibit D: State-Specific Provisions
- Schedule 9.03 Supplemental Financial Information

EXHIBIT A

DEFINED TERMS

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

“Additional Rental” has the meaning set forth in Section 4.03.

“Adjustment Date” has the meaning set forth in Section 1.07.

“Affected Party” means each direct or indirect participant or investor in a proposed or completed Securitization, including, without limitation, any prospective owner, any rating agency or any party to any agreement executed in connection with the Securitization.

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

“Anti-Money Laundering Laws” means all applicable Laws, regulations and government guidance on the prevention and detection of money laundering, including, without limitation, (a) 18 U.S.C. §§ 1956 and 1957; and (b) the Bank Secrecy Act, 31 U.S.C. §§ 5311 et

seq., and its implementing regulations, 31 CFR Part 103.

“*Base Annual Rental*” has the meaning set forth in Section 1.05.

“*Base Monthly Rental*” means an amount equal to 1/12 of the applicable Base Annual Rental.

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

“*Casualty*” means any loss of or damage to any property included within or related to the Properties or arising from an adjoining property caused by an Act of God, fire, flood or other catastrophe.

“*Code*” means the Internal Revenue Code of 1986, as the same may be amended from time to time.

“*Condemnation*” means a Taking and/or a Requisition.

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

“*Costs*” means all reasonable costs and expenses incurred by a Person, including, without limitation, reasonable attorneys’ fees and expenses, court costs, expert witness fees, costs of tests and analyses, travel and accommodation expenses, deposition and trial transcripts, copies and other similar costs and fees, brokerage fees, escrow fees, title insurance premiums, appraisal fees, stamp taxes, recording fees and transfer taxes or fees, as the circumstances require.

“*Default Rate*” means 12% per annum or the highest rate permitted by Law, whichever is less.

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

“*Environmental Insurer*” means such environmental insurance company as Lessor shall select in its reasonable discretion.

“*Environmental Laws*” means federal, state and local Laws, ordinances, common law requirements and regulations and standards, rules, policies and other governmental requirements, administrative rulings and court judgments and decrees having the effect of Law in effect now or in the future and including all amendments, that relate to Hazardous Materials, Regulated Substances, USTs, and/or the protection of human health or the environment, or relating to liability for or Costs of Remediation or prevention of Releases, and apply to Lessee and/or the Properties, including the Consent Order.

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

“*Environmental Policy*” means a pollution legal liability insurance policy issued by Environmental Insurer to Lessor and Lessor’s lender, which Environmental Policy shall be in form and substance satisfactory to Lessor and shall be in amounts of not less than \$3,000,000.00 per occurrence and \$10,000,000.00 annual aggregate for losses caused by known and unknown pollution conditions that arise from the operations of the tenant at the Properties, their contractors, or their sub-contractors, with coverage to include: (a) bodily injury or death, (b) property damage, including physical injury to or destruction of tangible property, (c) clean-up costs, and (d) defense, including costs, charges and expenses incurred in the investigation, adjustment or defense of claims for damages.

“*Event of Default*” has the meaning set forth in Section 12.01.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Extension Option*” has the meaning set forth in Section 3.02.

“*Extension Term*” has the meaning set forth in Section 3.02.

“*Fair Market Value*” has the meaning set forth in Section 17.06.

“*Force Majeure Event*” has the meaning set forth in Section 18.01.

“*GAAP*” means generally accepted accounting principles, consistently applied from period to period.

“*Governmental Authority*” means any governmental authority, agency, department, commission, bureau, board, instrumentality, court or quasi-governmental authority of the United States, any state or any political subdivision thereof with authority to adopt, modify, amend, interpret, give effect to or enforce any federal, state and local Laws, statutes, ordinances, rules or regulations, including common law, or to issue court orders.

“*Hazardous Materials*” includes: (a) oil, petroleum products, flammable substances, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other materials, contaminants or pollutants, the presence of which causes any of the Properties to be in violation of any local, state or federal Law or regulation, or Environmental Law, or are defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” “toxic substances,” “contaminants,” “pollutants,” or words of similar import under any applicable local, state or federal Law or under the regulations adopted, orders issued, or publications promulgated pursuant thereto, including, but not limited to: (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601, et seq.; (ii) the Hazardous Materials Transportation Act, as amended, 49 U.S.C. § 5101, et seq.; (iii) the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, et seq.; and (iv) regulations adopted and publications promulgated pursuant to the aforesaid Laws; (b) asbestos in any form which is friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls in excess of fifty (50) parts per

million; (c) underground storage tanks; and (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any Governmental Authority.

"Indemnified Parties" means Lessor and its members, managers, officers, directors, shareholders, partners, employees, agents, servants, representatives, contractors, subcontractors, affiliates, subsidiaries, participants, successors and assigns, including, but not limited to, any successors by merger, consolidation or acquisition of all or a substantial portion of the assets and business of Lessor.

"Initial Term" has the meaning set forth in Section 3.01.

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

"Insurance Premiums" has the meaning in Section 6.04.

"Law(s)" means any constitution, statute, rule of law, code, ordinance, order, judgment, decree, injunction, rule, regulation, policy, requirement or administrative or judicial determination, even if unforeseen or extraordinary, of every duly constituted Governmental Authority, court or agency, now or hereafter enacted or in effect.

"Lease Rate" means a percentage equal to (a) the then-current Base Monthly Rental multiplied by twelve (12), divided by (b) the aggregate purchase price of all of the Properties paid by Lessor (or Lessor's predecessor-in-interest).

"Lease Term" has the meaning described in Section 3.01.

"Legal Requirements" means the requirements of all present and future Laws (including, without limitation, Environmental Laws and Laws relating to accessibility to, usability by, and discrimination against, disabled individuals), all judicial and administrative interpretations thereof, including any judicial order, consent, decree or judgment, and all covenants, restrictions and conditions now or hereafter of record which may be applicable to Lessee or to any of the Properties, or to the use, manner of use, occupancy, possession, operation, maintenance, alteration, repair or restoration of any of the Properties, even if compliance therewith necessitates structural changes or improvements or results in interference with the use or enjoyment of any of the Properties.

"Lender" means any lender in connection with any loan secured by Lessor's interest in any or all of the Properties, and any servicer of any loan secured by Lessor's interest in any or all of the Properties.

"Lessee Entity" or *"Lessee Entities"* means individually or collectively, as the context may require, Lessee and all Affiliates thereof.

"Lessee Reporting Entities" means Lessee.

"Lessee's Information" has the meaning set forth in Section 18.05(b).

"Lessor Entity" or *"Lessor Entities"* means individually or collectively, as the context may require, Lessor and all Affiliates of Lessor.

"Losses" means any and all claims, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, losses, Costs, diminutions in value, fines, penalties, interest, charges, fees, judgments, awards, amounts paid in settlement and damages of whatever kind or nature, inclusive of bodily injury and property damage to third parties (including, without limitation, attorneys' fees and other Costs of defense).

"Material Adverse Effect" means a material adverse effect on (a) any Property, including without limitation, the operation of any Property as a Permitted Facility and/or the value of any Property; (b) the contemplated business, condition, worth or operations of any Lessee Entity; (c) Lessee's ability to perform its obligations under this Lease; or (d) Lessor's interests in any of the Properties, this Lease or the other Transaction Documents.

"Monetary Obligations" means all Rental and all other sums payable or reimbursable by Lessee under this Lease to Lessor, to any third party on behalf of Lessor, or to any Indemnified Party.

"Mortgages" means, collectively, the mortgages, deeds of trust or deeds to secure debt, assignments of rents and leases, security agreements and fixture filings executed by Lessor for the benefit of Lender with respect to any or all of the Properties, as such instruments may be amended, modified, restated or supplemented from time to time and any and all replacements or substitutions.

"Net Award" means (a) the entire award payable with respect to a Property by reason of a Condemnation whether pursuant to a judgment or by agreement or otherwise; or (b) the entire proceeds of any insurance required under Section 6.03 payable with respect to a Property, as the case may be, and in either case, less any Costs incurred by Lessor in collecting such award or proceeds.

"OFAC Laws" means Executive Order 13224 issued by the President of the United States, and all regulations promulgated thereunder, including, without limitation, the Terrorism Sanctions Regulations (31 CFR Part 595), the Terrorism List Governments Sanctions Regulations (31 CFR Part 596), the Foreign Terrorist Organizations Sanctions Regulations (31 CFR Part 597), and the Cuban Assets Control Regulations (31 CFR Part 515), and all other present and future federal, state and local Laws, ordinances, regulations, policies, lists (including, without limitation, the Specially Designated Nationals and Blocked Persons List) and any other requirements of

any Governmental Authority (including without limitation, the U.S. Department of the Treasury Office of Foreign Assets Control) addressing, relating to, or attempting to eliminate, terrorist acts and acts of war, each as supplemented, amended or modified from time to time after the Effective Date, and the present and future rules, regulations and guidance documents promulgated under any of the foregoing, or under similar Laws, ordinances, regulations, policies or requirements of other states or localities.

“*Option Notice*” has the meaning set forth in Section 17.01.

“*Original Lease*” has the meaning set forth in the second introductory paragraph of this Lease.

“*Other Agreements*” means, collectively, all agreements and instruments now or hereafter entered into between, among or by (a) any of the Lessee Entities and, or for the benefit of, (b) any of the Lessor Entities, including, without limitation, leases, promissory notes and guaranties, but excluding this Lease and all other Transaction Documents.

“*Partial Condemnation*” has the meaning set forth in Section 11.03.

“*Permitted Amounts*” shall mean, with respect to any given level of Hazardous Materials or Regulated Substances, that level or quantity of Hazardous Materials or Regulated Substances in any form or combination of forms which does not constitute a violation of any Environmental Laws and is customarily employed in, or associated with, similar businesses located in the state or states where the Properties are located.

“*Permitted Facility*” or “*Permitted Facilities*” means Industrial / Manufacturing facility, all related purposes such as ingress, egress and parking, and uses incidental thereto.

“*Person*” means any individual, partnership, corporation, limited liability company, trust, unincorporated organization, Governmental Authority or any other form of entity.

“*Personalty*” means any and all “goods” (excluding “inventory,” and including, without limitation, all “equipment,” “fixtures,” appliances and furniture (as “goods,” “inventory,” “equipment” and “fixtures” are defined in the applicable Uniform Commercial Code then in effect in the applicable jurisdiction)) from time to time situated on or used in connection with any of the Properties, whether now owned or held or hereafter arising or acquired, together with all replacements and substitutions therefore and all cash and non-cash proceeds (including insurance proceeds and any title and UCC insurance proceeds) and products thereof, and, in the case of tangible collateral, together with all additions, attachments, accessions, parts, equipment and repairs now or hereafter attached or affixed thereto or used in connection therewith.

“*Price Index*” means the Consumer Price Index which is designated for the applicable month of determination as the United States City Average for All Urban Consumers, All Items, Not Seasonally Adjusted, with a base period equaling 100 in 1982 - 1984, as published by the United States Department of Labor’s Bureau of Labor Statistics or any successor agency. In the event that the Price Index ceases to be published, its successor index measuring cost of living as published by the same Governmental Authority which published the Price Index shall be substituted and any necessary reasonable adjustments shall be made by Lessor and Lessee in order to carry out the intent of Section 4.02. In the event there is no successor index measuring cost of living, Lessor shall reasonably select an alternative price index measuring cost of living that will constitute a reasonable substitute for the Price Index.

“*Property*” or “*Properties*” means those parcels of real estate legally described on Exhibit B attached hereto, all rights, privileges, and appurtenances associated therewith, and all buildings, fixtures and other improvements now or hereafter located on such real estate (whether or not affixed to such real estate).

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

“*Real Estate Taxes*” has the meaning set forth in Section 6.04.

“*Regulated Substances*” means “petroleum” and “petroleum-based substances” or any similar terms described or defined in any of the Environmental Laws and any applicable federal, state, county or local Laws applicable to or regulating USTs.

“*REIT*” means a real estate investment trust as defined under Section 856 of the Code.

“*Release*” means any presence, release, deposit, discharge, emission, leaking, spilling, seeping, migrating, injecting, pumping, pouring, emptying, escaping, dumping, disposing or other movement of Hazardous Materials, Regulated Substances or USTs.

“*Remediation*” means any response, remedial, removal, or corrective action, any activity to cleanup, detoxify, decontaminate, contain or otherwise remediate any Hazardous Materials, Regulated Substances or USTs, any actions to prevent, cure or mitigate any Release, any action to comply with any Environmental Laws or with any permits issued pursuant thereto, any inspection, investigation, study, monitoring, assessment, audit, sampling and testing, laboratory or other analysis, or any evaluation relating to any Hazardous Materials, Regulated Substances or USTs.

“*Rental*” means, collectively, the Base Annual Rental and the Additional Rental.

“*Rental Adjustment*” means an amount equal to the lesser of (a) 2% of the Base Annual Rental in effect immediately prior to the applicable Adjustment Date, or (b) 1.25 multiplied by the product of (i) the percentage change between the Price Index for the month which is two months prior to the Price Index used for the immediately preceding Adjustment Date and the Price Index for the month which is two months prior to the applicable Adjustment Date; and (ii) the then current Base Annual Rental.

“*Requisition*” means any temporary requisition or confiscation of the use or occupancy of any of the Properties by any Governmental Authority, civil or military, whether pursuant to an agreement with such Governmental Authority in settlement of or under

threat of any such requisition or confiscation, or otherwise.

“*Reserve*” has the meaning in Section 6.04.

“*Securities*” has the meaning set forth in Section 18.10.

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

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

“*Sublease*” has the meaning set forth in Section 14.04.

“*Successor Lessor*” has the meaning set forth in Section 13.03.

“*Taking*” means (a) any taking or damaging of all or a portion of the Properties (i) in or by condemnation or other eminent domain proceedings pursuant to any Law, general or special; or (ii) by reason of any agreement with any Governmental Authority condemnor in settlement of or under threat of any such condemnation or other eminent domain proceeding; or (b) any de facto condemnation. The Taking shall be considered to have taken place as of the later of the date actual physical possession is taken by the condemnor, or the date on which the right to compensation and damages accrues under the Law applicable to the Properties.

“*Temporary Taking*” has the meaning set forth in Section 11.04.

“*Threatened Release*” means a substantial likelihood of a Release which requires action to prevent or mitigate damage to the soil, surface waters, groundwaters, land, stream sediments, surface or subsurface strata, ambient air or any other environmental medium comprising or surrounding any Property which may result from such Release.

“*Total Condemnation*” has the meaning set forth in Section 11.02.

“*Transaction*” has the meaning set forth in Section 14.01.

“*Transaction Documents*” means this Lease, and all documents related thereto.

“*U.S. Publicly Traded Entity*” means an entity whose securities are listed on a national securities exchange or quoted on an automated quotation system in the United States or a wholly-owned subsidiary of such an entity.

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

EXHIBIT B

LEGAL DESCRIPTIONS AND STREET ADDRESSES OF THE PROPERTIES

Street Addresses:

390 Bristol Metals Rd, Bristol, TN 37620

3830/3838 Majestic St., Houston, TX 77026

3600 Union St., Mineral Ridge, OH 44440

1701 N. US Highway 385, Andrews, TX 79714

4325/4285 Old Tasso Rd, Cleveland, TN 37312

300 International Blvd, Fountain Inn, SC 29644

100 E. Waterfront Drive, Munhall, PA 15120

Legal Descriptions:

Address: 390 Bristol Metals Road, Bristol, Tennessee 37620

Legal Description:

LAND IN SULLIVAN COUNTY, TENNESSEE, DESCRIBED AS FOLLOWS:

TRACT 1:

PARCEL 1: [WELDING ADDITION]

BEING A TRACT OF GROUND APPROXIMATELY 75 FEET BY 216 FEET (16,200 SQUARE FEET, MORE OR LESS) WHICH IS ADJACENT TO THE MAIN MANUFACTURING PLAT OF BRISTOL METALS, LLC UPON WHICH IS TO BE CONSTRUCTED A BUILDING OR ADDITION TO BE KNOWN AS THE WELDING ADDITION.

PARCEL 2: [HYDRO-TEST ADDITION]

BEING A TRACT OF GROUND APPROXIMATELY 62 FEET AND 9 INCHES BY 75 FEET AND 1 INCH (4,711 SQUARE FEET, MORE OR LESS) WHICH IS ADJACENT TO THE MAIN MANUFACTURING PLANT OF BRISTOL METALS, LLC UPON WHICH IS TO BE CONSTRUCTED A BUILDING OR ADDITION TO BE KNOWN AS THE HYDRO-TEST ADDITION.

PARCEL 3: [X-RAY ADDITION]

BEING A TRACT OF GROUND APPROXIMATELY 32 FEET BY 97.5 FEET (3,120 SQUARE FEET, MORE OR LESS) WHICH IS NEAR THE MAIN MANUFACTURING PLANT OF BRISTOL METALS, LLC UPON WHICH IS TO BE CONSTRUCTED A BUILDING OR ADDITION TO BE KNOWN AS THE X-RAY ADDITION.

PARCEL 4: [FURNACE ADDITION]

BEING A TRACT OF GROUND APPROXIMATELY 63 FEET BY 75 FEET (4,725 SQUARE FEET, MORE OR LESS) WHICH IS ADJACENT TO THE MANUFACTURING PLANT OF BRISTOL METALS, LLC UPON WHICH IS CONSTRUCTED AN ADDITION TO BE KNOWN AS THE FURNACE ADDITION.

PARCEL 5: [REPAIR BUILDING]

BEING A TRACT OF GROUND APPROXIMATELY 65 FEET BY 150 FEET (9,750 SQUARE FEET, MORE OR LESS) WHICH IS ADJACENT TO THE QUALITY CONTROL BUILDING NEAR THE MAIN MANUFACTURING PLANT OF BRISTOL METALS, LLC UPON WHICH IS TO BE CONSTRUCTED A BUILDING OR ADDITION TO BE KNOWN AS THE REPAIR BUILDING.

BEING THE SAME PROPERTY CONVEYED TO BRISTOL METALS, LLC BY QUITCLAIM DEED FROM THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF BRISTOL TENNESSEE OF RECORD IN BOOK 3019, PAGE 2483, REGISTER'S OFFICE FOR SULLIVAN COUNTY, TENNESSEE.

TRACT 2:

PARCEL 1:

BEGINNING AT AN IRON AT THE POINT OF INTERSECTION OF THE NORTH LINE OF A 20-FOOT LANE WITH THE EAST LINE OF A 15-FOOT LANE, SAID LANES BEING THE PROPERTY OF GUSSIE M. RADER; THENCE WITH THE EAST LINE OF GUSSIE M. RADER'S 15-FOOT LANE (PARALLEL TO AND 42 FEET EASTERLY FROM THE CENTER OF THE SOUTHERN RAILWAY COMPANY MAIN LINE TRACT) N 44°30'30" E 793.83 FEET TO A POINT IN THE LINE AT THE POINT OF INTERSECTION OF THE SOUTH LINE OF A PROPOSED 50-FOOT ROAD, SAID POINT BEING THE END OF POINT OF THE PROPOSED ROAD; THENCE WITH THE SOUTH LINE OF THE PROPOSED 50-FOOT ROAD, S 65° 42' 30" E 1062.64 FEET TO A POINT IN THE LINE; THENCE BY A NEW LINE S 23°44' W 765.25 FEET TO AN IRON IN THE LINE OF GUSSIE H. RADER; THENCE WITH GUSSIE M. RADER'S LINE, N 65°42'30" W 301.64 FEET TO AN IRON, CORNER TO GUSSIE M. RADER AND FRANK SHARRETT, BEING ALSO THE EAST END OF THE SOUTH LINE OF THE 20- FOOT LANE OF GUSSIE M. RADER; THENCE CROSSING THE END OF GUSSIE M. RADER'S LANE, N 24°17'30" E 20.00 FEET TO AN IRON, THE EAST END OF THE NORTH LINE OF THE LANE; THENCE WITH THE NORTH LINE OF THE LANE, N 65°42'30" 1042.72 FEET TO THE POINT OF BEGINNING, AND CONTAINING 20.721 ACRES, MORE OR LESS, AS IS MORE PARTICULARLY SHOWN BY MAP OF CHARLES D. CLARK, CIVIL ENGINEER OF BRISTOL, VIRGINIA, DATED FEBRUARY 12, 1980, TO WHICH REFERENCE IS HERE MADE, AND WHICH IS MADE A PART HEREOF.

PARCEL 2:

BEGINNING AT AN IRON PIN LOCATED ON THE PROPERTY LINE OF GUSSIE M. RADER, WHICH POINT IS THE NORTHEAST CORNER OF THE PROPERTY HEREBY CONVEYED; THENCE WITH THE RADER PROPERTY LINE S 20° 44' 50" W 766.68 FEET TO A PLANTED ROCK; THENCE WITH THE SAID RADER PROPERTY LINE N 65° 42' 30" W 260 FEET TO A POINT, CORNER TO OTHER PROPERTY OF BRISTOL METALS, INC; THENCE WITH THE PROPERTY LINE OF BRISTOL METALS, INC., N 24°00' E 480 FEET TO A POINT;

THENCE WITH THE SAME S 66°00' E 182.56 FEET TO A POINT; AND N 20°44'50"E 284.84 FEET TO A POINT LOCATED ON THE SOUTHERLY SIDE OF A 50-FOOT ROAD RIGHT-OF-WAY; THENCE WITH THE SOUTHERLY SIDE OF SAID RIGHT-OF-WAY, S 65° 42'30" E 50.10 FEET TO THE POINT OF BEGINNING; CONTAINING 3.05 ACRES, AND BEING SHOWN AS TRACT 5A ON THE PLAT PREPARED BY CLARK & ASSOCIATES, DATED JANUARY 27, 1982.

BEING THE SAME PROPERTY CONVEYED TO BRISTOL METALS, L.P. BY QUITCLAIM DEED FROM SYNALLOY CORPORATION OF RECORD IN BOOK 682, PAGE 142, REGISTER'S OFFICE FOR SULLIVAN COUNTY, TENNESSEE. THE SAID BRISTOL METALS, L.P. IS NOW KNOWN AS BRISTOL METALS, LLC.

TRACT 3:

PARCEL 1:

BEGINNING AT AN IRON PIN AT A LANE IN THE CHARTERED RAIL-ROAD RIGHT-OF-WAY; THENCE WITH THE LANE, S 41 DEGREES 07 MINUTES 56 SECONDS W A DISTANCE OF 254.68 FEET TO AN IRON PIN WITH CAP; THENCE LEAVING THE 200 FOOT CHARTERED RAIL-ROAD RIGHT-OF-WAY, S 68 DEGREE 58 MINUTES 38 SECONDS E A DISTANCE OF 1139.07 FEET TO AN IRON PIN WITH CAP; THENCE N 18 DEGREE 45 MINUTES 02 SECONDS E A DISTANCE OF 220.96 FEET TO AN IRON PIN WITH CAP; THENCE N 21 DEGREE 04 MINUTES 03 SECONDS E A DISTANCE OF 20.00 FEET TO AN IRON PIN; THENCE N 69 DEGREE 04 MINUTES 01 SECONDS W A DISTANCE OF 1042.77 FEET TO AN IRON PIN; WHICH IS THE POINT OF BEGINNING, HAVING AN AREA OF 261,665 SQUARE FEET, 6.007 ACRES, AND SHOWN AS PART OF PARCEL 1 ON MAP OF RECORD IN THE REGISTER'S OFFICE FOR SULLIVAN COUNTY AT BLOUNTVILLE, TENNESSEE, IN PLAT BOOK 9, PAGE 167; AND BEING PART OF THE PROPERTY CONVEYED TO SULLIVAN COUNTY ECONOMIC DEVELOPMENT PARTNERSHIP BY DEED OF RECORD IN SAID REGISTER'S OFFICE IN DEED BOOK 702, PAGE 536. (PART OF MAP 053, PARCEL 092.00)

PARCEL 2:

BEGINNING AT AN IRON PIN WITH CAP ON THE NEW BRISTOL METALS, L.P. AND SULLIVAN COUNTY ECONOMIC DEVELOPMENT PARTNERSHIP LINE; THENCE WITH THE AFORE MENTIONED NEW LINE THE FOLLOWING CALLS: THENCE N51 DEGREES 27 MINUTES 42 SECONDS E A DISTANCE OF 89.72 FEET TO AN IRON PIN WITH CAP; THENCE WITH A CURVE TURNING TO THE LEFT WITH AN ARC LENGTH OF 229.80 FEET, WITH A RADIUS OF 470.00 FEET, WITH A CHORD BEARING OF N 37 DEGREES 27 MINUTES 16 SECONDS E, WITH A CHORD LENGTH OF 227.52 FEET TO AN IRON PIN WITH CAP; THENCE N23 DEGREE 26 MINUTES 50 SECONDS E A DISTANCE OF 713.11 FEET TO AN IRON PIN WITH CAP; THENCE WITH A CURVE TURNING TO THE RIGHT WITH AN ARC LENGTH OF 318.96 FEET, WITH A RADIUS OF 746.20 FEET, WITH A CHORD BEARING OF N 35 DEGREES 41 MINUTES 34 SECONDS E, WITH CHORD LENGTH OF 316.54 FEET TO A NEW CORNER, THENCE WITH THE OLD LINE OF SULLIVAN COUNTY ECONOMIC DEVELOPMENT PARTNERSHIP TO BRISTOL METALS, L.P., N64 DEGREES 35 MINUTES 09 SECONDS W A DISTANCE OF 7.92 FEET TO AN IRON REFERENCE PIN WITH CAP ON THE OLD LINE; THENCE FROM THE AFOREMENTIONED NEW CORNER, N 64 DEGREES 35 MINUTES 09 SECONDS W A DISTANCE OF 422.98 FEET TO A 1/2" IRON REBAR AT A PLANTED STONE; THENCE S 17 DEGREES 25 MINUTES 48 SECONDS W A DISTANCE OF 1126.28 FEET TO THE OLD CORNER OF BRISTOL METALS, L.P. AND SULLIVAN COUNTY ECONOMIC DEVELOPMENT PARTNERSHIP; THENCE N 69 DEGREES 04 MINUTES 44 SECONDS W A DISTANCE OF 1021.09 FEET TO AN IRON PIN WITH CAP; THENCE S 18 DEGREES 45 MINUTES 02 SECONDS W A DISTANCE OF 220.96 FEET TO AN IRON PIN WITH THE CAP; THENCE WITH THE NEW LINE OF SULLIVAN COUNTY ECONOMIC DEVELOPMENT PARTNERSHIP TO BRISTOL METALS, L.P., S 68 DEGREES 58 MINUTES 38 SECONDS E A DISTANCE OF 1143.34 FEET TO AN IRON PIN WITH CAP; WHICH IS THE POINT OF BEGINNING, HAVING AN AREA OF 603,156 SQUARE FEET, 13.847 ACRES, AND SHOWN AS PART OF PARCEL 4 AS SHOWN ON MAP OF RECORD IN THE REGISTER'S OFFICE FOR SULLIVAN COUNTY AT BLOUNTVILLE, TENNESSEE, IN PLAT BOOK 9, PAGE 167; AND BEING PART OF THE PROPERTY CONVEYED TO SULLIVAN COUNTY ECONOMIC DEVELOPMENT PARTNERSHIP BY DEED OF RECORD IN SAID REGISTER'S OFFICE IN DEED BOOK 669, PAGE 457. (PART OF MAP 054, PARCEL 007.10)

BEING THE SAME PROPERTY CONVEYED TO BRISTOL METALS, LLC BY WARRANTY DEED FROM SULLIVAN COUNTY ECONOMIC DEVELOPMENT PARTNERSHIP OF RECORD IN BOOK 753, PAGE 101, REGISTER'S OFFICE FOR SULLIVAN COUNTY, TENNESSEE.

TRACT 4:

BEING A CERTAIN PARCEL OF LAND, CONSISTING OF APPROXIMATELY 49.31 ACRES WHICH IS DESIGNATED AND SHOWN AS PARCEL 13.00 ON TAX MAP 54 IN THE OFFICE OF THE PROPERTY ASSESSOR FOR SULLIVAN COUNTY AT BLOUNTVILLE, TENNESSEE, AND BEING ALL OF THE REMAINING PROPERTY OWNED BY GRANTOR WHICH WAS CONVEYED BY DEEDS WHICH ARE RECORDED IN THE REGISTER'S OFFICE FOR SULLIVAN COUNTY AT BRISTOL, TENNESSEE IN DEED BOOK 126, PAGE 107, AND IN DEED BOOK 126, PAGE 183.

BEING THE SAME PROPERTY CONVEYED TO BRISTOL METALS, L.P. BY QUITCLAIM FROM BRISTOL METALS, INC. OF RECORD IN BOOK 383, PAGE 114, REGISTER'S OFFICE FOR SULLIVAN COUNTY, TENNESSEE. THE SAID BRISTOL METALS, L.P. IS NOW KNOWN AS BRISTOL METALS, LLC.

THE ABOVE FEE TRACTS BEING THE SAME AS THAT PROPERTY AS SHOWN ON ALTA/NSPS LAND TITLE SURVEY PREPARED BY BRYAN SHIRLEY UNDER SUPERVISION OF AMERICAN NATIONAL, DATED SEPTEMBER 26, 2016, JOB NO. 201608751-1, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT AN IRON PIN WITH CAP ON THE BRISTOL METALS, L.P. AND SULLIVAN COUNTY ECONOMIC DEVELOPMENT PARTNERSHIP LINE; THENCE WITH THE SULLIVAN COUNTY ECONOMIC DEVELOPMENT PARTNERSHIP TO BRISTOL METALS, L.P. LINE N68°55'46"W 2282.54' TO AN IRON PIN AT A LANE IN THE CHARTERED RAIL-ROAD RIGHT OF WAY; THENCE WITH THE LANE N41°10'48"E 254.68' TO AN IRON PIN WITH CAP; THENCE CONTINUE ALONG SAID LANE N41°11'52"E 794.14' TO THE SOUTH LINE OF A 50' RIGHT OF WAY; THENCE RUN ALONG SAID RIGHT OF WAY THE FOLLOWING COURSES AND DISTANCES: S69°01'09"E 1062.64', THENCE S69°02'43"E 629.92', THENCE S68°58'40"E 50.10' TO THE BOUNDARY OF TAX MAP ID 054-013.00 AS SHOWN ON PLAT OF SURVEY BY TONY F. HOLBROOK FILED FOR RECORD JULY 27 2009 IN BOOK 0012, PAGE 0046 IN THE REGISTER OF DEEDS FOR SULLIVAN COUNTY, THENCE RUN ALONG THE BOUNDARY OF SAID TAX MAP ID NO. THE FOLLOWING COURSES AND DISTANCES: N17°28'40"E 48.90', THENCE N68°55'46"W 1225.19' TO THE VARIABLE RIGHT OF WAY OF BRISTOL METALS ROAD; THENCE CONTINUING ALONG THE BOUNDARY OF SAID TAX MAP ID NO. RUNNING ALONG SAID RIGHT OF WAY THE FOLLOWING COURSES AND DISTANCES: N09°32'34"E 70.00', THENCE WITH A CURVE TURNING TO THE

RIGHT HAVING A RADIUS OF 506.83', AND AN ARC LENGTH OF 379.87', WITH A CHORD BEARING OF N 51°31'23" E, AND A CHORD LENGTH OF 371.04', THENCE N73°01'14"E 326.90', THENCE WITH A CURVE TURNING TO THE RIGHT HAVING A RADIUS OF 256.48', AND AN ARC LENGTH OF 119.46', WITH A CHORD BEARING OF S78°08'01"E, AND A CHORD LENGTH OF 118.38', THENCE S64°47'25"E 917.25', THENCE WITH A CURVE TURNING TO THE RIGHT HAVING A RADIUS OF 328.10', AND AN ARC LENGTH OF 153.54', WITH A CHORD BEARING OF S51°23'04"E, AND A CHORD LENGTH OF 152.14', THENCE S37°58'41"E 107.18' TO THE WEST RIGHT OF WAY OF PARTNERSHIP PARK ROAD; THENCE CONTINUING ALONG THE BOUNDARY OF SAID TAX MAP ID NO. RUNNING ALONG SAID RIGHT OF WAY THE FOLLOWING COURSES AND DISTANCES: S07°01'19"W 28.28', THENCE S52°01'19"W 105.58', THENCE WITH A CURVE TURNING TO THE LEFT HAVING A RADIUS OF 746.20', AND AN ARC LENGTH OF 52.56', WITH A CHORD BEARING OF S50°00'15"W, AND A CHORD LENGTH OF 52.55',

THENCE WITH A COMPOUND CURVE TURNING TO THE LEFT HAVING A RADIUS OF 746.20', AND AN ARC LENGTH OF 318.96', WITH A CHORD BEARING OF S35°44'26"W, AND A CHORD LENGTH OF 316.54',

THENCE S23°29'42"W 713.11' TO THE TERMINUS OF THE RIGHT OF WAY OF SAID RIGHT OF WAY; THENCE CONTINUING ALONG THE BOUNDARY OF SAID TAX MAP ID NO. RUNNING WITH A CURVE TURNING TO THE RIGHT HAVING A RADIUS OF 470.00', WITH AN ARC LENGTH OF 229.80', WITH A CHORD BEARING OF S37°30'08"W, AND A CHORD LENGTH OF 227.52', THENCE S51°26'22"W 89.65' TO THE POINT OF BEGINNING, AND CONTAINING 70.05 ACRES, MORE OR LESS.

INCLUDED IN THE FOREGOING DESCRIPTION, BUT EXPRESSLY EXCLUDED THEREFROM, IS PROPERTY CONVEYED TO THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF BRISTOL, TENNESSEE, BY DEED OF RECORD IN BOOK 747, PAGE 180, SAID REGISTER'S OFFICE.

TRACT 5:

Easement for ingress and egress as granted in document of record in Book 193, Page 668, in the Register's Office of Sullivan County, Tennessee.

TRACT 6:

Right of way easement as granted in document of record in Book 208, Page 74, Register's Office of Sullivan County, Tennessee.

Address: 3830/3838 Majestic Street, Houston, Texas 77026

Legal Description:

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF Harris, STATE OF TX, AND IS DESCRIBED AS FOLLOWS:

9.9666 ACRES OF LAND, LYING AND BEING SITUATED IN THE HARRIS AND WILSON TWO LEAGUE GRANT, ABSTRACT 92, HARRIS COUNTY, TEXAS AND BEING THE SAME PROPERTY DESCRIBED IN DEED RECORDED IN VOLUME 5999, PAGE 513, DEED RECORDS OF HARRIS COUNTY, TEXAS; SAID 9.9666 ACRES OF LAND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING AT A 5/8" IRON ROD IN THE EASTERLY LINE OF MAJESTIC BOULEVARD, BASED ON 100 FEET IN WIDTH, SAME MARKING THE SOUTHWESTERLY CORNER OF BLOCK 10 OF LIBERTY GARDENS SUBDIVISION ACCORDING TO PLAT THEREOF RECORDED IN VOLUME 1163, PAGE 39, DEED RECORDS OF HARRIS COUNTY, TEXAS;

THENCE N 89°16' E, ALONG THE SOUTHERLY LINE OF THE SAID BLOCK 10, A DISTANCE OF 169.11 FEET TO A 5/8" IRON ROD FOR ITS SOUTHEASTERLY CORNER;

THENCE N 0°16' E, ALONG THE EASTERLY LINE OF THE SAID BLOCK 10, A DISTANCE OF 253.52 FEET TO A 5/8" IRON ROD FOR CORNER;

THENCE N 89° 37' E, A DISTANCE OF 435.60 FEET TO A 2" STEEL FENCE CORNER POST FOR CORNER;

THENCE S 0° 07' E, A DISTANCE OF 610.70 FEET TO A 3/4" IRON ROD IN THE NORTHERLY LINE OF THE T. & N. O. RAILROAD RIGHT OF WAY;

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

THENCE, IN A SOUTHWESTERLY DIRECTION ALONG A CURVE TO THE RIGHT HAVING A CENTRAL ANGLE OF 12° 27' 59" AND A RADIUS OF 458.37 FEET FOR A DISTANCE OF 99.73 FEET, THE LONG CHORD OF SAID CURVE BEARING S 23° 14' W 99.45 FEET TO A 3/4" IRON ROD;

THENCE IN A SOUTHWESTERLY DIRECTION, ALONG A CURVE TO THE LEFT HAVING A CENTRAL ANGLE OF 25° 03' 54" AND A RADIUS OF 458.37 FEET FOR A DISTANCE OF 200.52 FEET TO THE LONG CHORD OF SAID CURVE BEARING S 18° 09' W, 199.10 FEET TO A 3/4" IRON ROD FOR CORNER;

THENCE N 89° 29' W, 60.55 FEET TO A 3/4" IRON ROD IN THE AFORE-MENTIONED EASTERLY LINE OF MAJESTIC BOULEVARD;

THENCE N 1° 14' W, ALONG THE EASTERLY LINE OF MAJESTIC BOULEVARD 839.50 FEET TO THE POINT OR PLACE OF BEGINNING AND CONTAINING AS AFORESAID 9.9666 ACRES OF LAND.

SAVE AND EXCEPT THAT TRACT OR PARCEL OF LAND CONVEYED TO FRIEDMAN INDUSTRIES, INCORPORATED, A TEXAS CORPORATION BY WARRANTY DEED FILE FOR RECORD JUNE 13, 1989 UNDER COUNTY CLERK'S FILE NUMBER M195697, OFFICIAL RECORDS, HARRIS COUNTY, TEXAS.

BEING ALSO DESCRIBED AS FOLLOWS:

9.8679 ACRES OF LAND, LYING AND BEING SITUATED IN THE HARRIS AND WILSON TWO LEAGUE GRANT, ABSTRACT 92, HARRIS COUNTY, TEXAS AND BEING THE SAME PROPERTY DESCRIBED IN DEED RECORDED IN VOLUME 5999, PAGE 513, DEED RECORDS OF HARRIS COUNTY, TEXAS, SAVE AND EXCEPT THAT TRACT OR PARCEL OF LAND CONVEYED TO FRIEDMAN INDUSTRIES, INCORPORATED, A TEXAS CORPORATION BY WARRANTY DEED FILE FOR RECORD JUNE 13, 1989 UNDER COUNTY CLERK'S FILE NUMBER M195697, OFFICIAL RECORDS, HARRIS COUNTY, TEXAS; SAID 9.8679 ACRES OF LAND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING AT A 3/8" IRON ROD IN THE EASTERLY LINE OF MAJESTIC BOULEVARD, BASED ON 100 FEET IN WIDTH, SAME MARKING THE SOUTHWESTERLY CORNER OF BLOCK 10 OF LIBERTY GARDENS SUBDIVISION ACCORDING TO PLAT THEREOF RECORDED IN VOLUME 1163, PAGE 39, DEED RECORDS OF HARRIS COUNTY, TEXAS;

THENCE N 89°26'14" E, ALONG THE SOUTHERLY LINE OF THE SAID BLOCK 10, A DISTANCE OF 169.11 FEET TO A POINT FOR CORNER WITH A FENCE POST FOR REFERENCE BEARING N 64°24'46"E, 2.14 FEET;

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

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

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

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

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

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

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

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

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

Address: 3600 Union Street, Mineral Ridge, Ohio 44440

Legal Description:

Situated in the Township of Weathersfield, County of Trumbull and State of Ohio, and known as being Lot No. 2 in the James R. Sabatine Plat No. 1, a subdivision of part of the Original Mineral Ridge Out Lot No. 103, as recorded in Volume 50, Page 63 of Trumbull County Record of Maps.

Parcel No : 21-901103

Commonly known as: Union Street, Mineral Ridge, Ohio 44440

TOGETHER WITH easements for ingress/egress, access and storm sewer as granted and more fully set forth in Easement Agreement recorded June 25, 2001 in Instrument #200106250023338, Trumbull County Records.

Address: 1701 North US 385, Andrews, Texas 79714

Legal Description:

Tracts 4, 5, 6, 7, 8, 9, 10, 11, 12 and 13, Andrews Industrial Subdivision, a subdivision out of the E/2 of Section 16, Block A-45, P.S.L., Andrews County, Texas according to the map or plat thereof recorded in Volume 3, Page 36, Plat Records of Andrews County, Texas.

Address: 4325/4285 Old Tasso Road NE, Cleveland, Tennessee 37312

Legal Description:

TRACT I
LAND IN THE FOURTH CIVIL DISTRICT OF BRADLEY COUNTY, CITY OF CLEVELAND, TENNESSEE, DESCRIBED AS FOLLOWS:

BEING LOT TWO (2), HABITAT TASSO, AS SHOWN BY PLAT OF RECORD IN PLAT BOOK 29, PAGE 55, REGISTER'S OFFICE FOR BRADLEY COUNTY, TENNESSEE, TO WHICH PLAT REFERENCE IS MADE FOR A MORE DETAILED DESCRIPTION OF SAID LOT.

BEING THE SAME PROPERTY CONVEYED TO MANUFACTURERS CHEMICALS, LLC, A TENNESSEE LIMITED LIABILITY COMPANY FROM LYNN JONES BY WARRANTY DEED OF RECORD IN BOOK 2338, PAGE 483, IN THE REGISTER'S OFFICE FOR BRADLEY COUNTY, TENNESSEE.

TOGETHER WITH THE EASEMENT FOR RIGHT-OR-WAY FOR ACCESS TO PROPERTY of record in Book 2394, Page 897, in the Register's Office for Bradley County, Tennessee.

TRACT II

INTENTIONALLY DELETED

TRACT III

LAND IN BRADLEY COUNTY TENNESSEE AND BEING KNOWN AS LOT 1 ON THE FINAL PLAT OF OLD TASSO ROAD PROPERTIES OF RECORD IN PLAT BOOK 25, PAGE 122, IN THE REGISTER'S OFFICE FOR BRADLEY COUNTY, TO WHICH PLAT REFERENCE IS HEREBY MADE FOR A MORE COMPLETE AND ACCURATE DESCRIPTION.

BEING PROPERTY CONVEYED TO MANUFACTURER'S SOAP & CHEMICAL COMPANY, A TENNESSEE CORPORATION BY DEEDS OF RECORD IN DEED BOOK 331, PAGE 20, DEED BOOK 352, PAGE 696, RECORD BOOK 2054, PAGE 96 AND RECORD BOOK 2056, PAGE 82, IN THE REGISTER'S OFFICE FOR BRADLEY COUNTY, TENNESSEE.

Address: 300 International Boulevard, Fountain Inn, South Carolina 29644

Legal Description:

ALL THAT CERTAIN PIECE, PARCEL OR TRACT OF LAND, CONTAINING 16.93 ACRES, MORE OR LESS, SITUATE, LYING AND BEING ON THE WESTERN SIDE OF INTERNATIONAL BOULEVARD, IN THE COUNTY OF LAURENS, STATE OF SOUTH CAROLINA, AS SHOWN ON A PLAT ENTITLED "BOUNDARY SURVEY FOR LPC OF S.C., INC.", PREPARED BY THOMAS P. DOWLING, RLS, DATED OCTOBER 10, 1996, LAST REVISED DECEMBER 12, 1996, AND RECORDED IN THE ROD OFFICE FOR LAURENS COUNTY, SOUTH CAROLINA, IN PLAT BOOK A-152 AT PAGES 7 AND 8, REFERENCE TO WHICH IS HEREBY CRAVED FOR A METES AND BOUNDS DESCRIPTION THEREOF.

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

Legal Description:

ALL THOSE CERTAIN lots or parcels of land situate in the Borough of Munhall, Allegheny County, Pennsylvania being more particularly designated as Parcels "D" and "D-1, on the Homestead Works Plan No. 1 recorded in Plan Book Volume 196, Pages 26-39 and being more particularly bounded and described as follows:

BEGINNING at a point, said point being located distant the 2 following lines from the Northeasterly corner of Parcel No. 2 (Deed Book Volume 7754, Page 292), also being at the intersection of the United States Harbor Line with the Easterly line of Parcel No. 2; (1) along the Northerly line of Parcel No. 2 and the U.S. Harbor Line North 57° 03' 50" West a distance of 33.23 feet; (2) by an arc of a circle curving to the right having a radius of 3,600.00 feet an arc distance of 749.13 feet subtended by a chord North 51° 06' 09" West a distance of 747.78 feet to a point; thence leaving the Northerly line of Parcel No. 2 and the U.S. Harbor Line by a line through the lands of the grantor South 44° 51' 32" West a distance of 58.17 feet to a point on the Northerly right of way line of East Drive 60 feet R/W; thence along the

Northerly right of way line of East Drive by the following 7 lines: (1) by an arc of a circle (non-tangent) curving to the left having a radius of 193.70 feet an arc distance of 216.06 feet subtended by a chord North 78° 25' 28" West a distance of 205.03 feet; (2) South 69° 37' 13" West a distance of 341.60 feet; (3) by an arc of a circle curving to the right having a radius of 242.84 feet an arc distance of 177.62 feet subtended by a chord North 89° 25' 32" West a distance of 173.69 feet; North 68° 28' 17" West a distance of 526.17 feet; (4) by an arc of a circle curving to the right having a radius of 542.96 feet an arc distance of 689.84 feet subtended by a chord North 32° 04' 25" West a distance of 644.37; (5) North 04° 19' 26" East a distance of 513.20 feet; (6) by an arc of a circle curving to the left having a radius of 302.84 feet an arc distance of 163.18 feet subtended by a chord North 11° 06' 46" West a distance of 161.22 feet; (7) North 26° 32' 59" West a distance of 19.77 feet to a point; thence leaving the right of way line of East Drive, 60 feet R/W by a line through the lands of the grantor North 63° 27' 01" East a distance of 290.00 feet to a point on the former United States Harbor Line; thence along the former United States Harbor Line by the following 3 lines: (1) by an arc of a circle curving to the right having a radius of 6,600.00 feet an arc distance of 1,101.52 feet subtended by a chord South 43° 45' 42" East a distance of 1,100.21 feet; (2) South 38° 58' 50" East a distance of 459.43 feet; (3) by an arc of a circle curving to the left having a radius of 3,600.00 feet an arc distance of 387.08 feet subtended by a chord South 42° 03' 39" East a distance of 386.90 feet to a point being at the true place of BEGINNING.

ALSO all that parcel of ground, beginning at a point, said point being at the Southerly corner of Parcel 'D1' as shown on the Homestead Works Plan No. 1, being recorded in Plan Book Volume 196, Pages 26-39 in the Recorder of Deeds Office of Allegheny County, Pennsylvania; thence along the 3 following lines dividing Parcel 'D' and Parcel 'D-1' in said plan; (1) by an arc of a circle curving to the right having a radius of 3,600.00 feet an arc distance of 387.08 feet subtended by a chord North 42° 03' 39" West a distance of 386.90 feet; (2) North 38° 58' 50" West a distance of 459.43 feet; (3) by an arc of a circle curving to the left having a radius of 6,600.00 feet an arc distance of 1101.52 feet subtended by a chord North 43° 45' 42" West a distance of 1,100.21 feet to a point being the Westerly corner of Parcel 'D-1'; thence by a line along the line dividing Parcel 'D-1' and Parcel 'C-1' North 63° 27' 01" East a distance of 16 feet more or less to a point on the ordinary low water line of the Monongahela River; thence along the ordinary low water line of the Monongahela River in a Southeasterly direction 1640 feet more or less to a point being the Easterly corner of Parcel 'D-1'; thence along the line dividing Parcel 'D-1' and Parcel 'E-1' South 44° 51' 32" West a distance of 54.5 feet more or less to a point being the place of BEGINNING.

BEING PARCEL NO. 179-A-1, 179-E-25

BEING the same premises which Pittsburgh Economic and Industrial Development Corporation, a Non-Profit industrial development agency, by Deed dated 04/15/1999 and recorded 05/26/1999 in The Department of Real Estate Office of Allegheny County at Deed Book Volume 10486 Page 637, granted and conveyed unto Damascus-Bishop Tube Company, a Pennsylvania corporation, in fee.

EXHIBIT C

FORM OF AUTHORIZATION AGREEMENT – PRE-ARRANGED PAYMENTS

PRE-ARRANGED PAYMENTS

Reference Number __
I (We) (Tenant) authorize / _____ \, (Servicer) to initiate entries identified below as required. Tenant further authorizes the bank below to post such entries to the identified checking account beginning with the payment draft date of ____ / ____ / ____ . A minimum of thirty (30) days advance notice is required to process first payment by ACH.
Bank Name _____ Branch _____
City _____ State _____ Zip _____

*****Transit - ABA Account Number Information**

ACCOUNT TYPE*** Please specify checking or savings account (C/S) _____
PLEASE FILL IN BANK INFORMATION CAREFULLY
ATTACH VOIDED CHECK FOR ACCOUNT VERIFICATION

Automatic debits will be made on the payment due date established by the relevant lease documents, or the next subsequent business day if such date is not a business day. This authority may be terminated upon thirty days prior written notification from the Tenant to the servicer. Tenant has the right to stop payment of any entry by notification to the bank prior to the scheduled debit date. If an erroneous entry is initiated by the servicer to the Tenant's account, Tenant shall have the right to have the amount of such entry reversed by the bank. To initiate a reversal, the Tenant must notify the bank in writing that an error has occurred and request a reversal. Such notice must be within 15 calendar days after the Tenant receives the statement of account or other written notice from the bank identifying the error. Tenant hereby authorizes the servicer to impose a \$60.00 returned item processing fee, subject to change, via ACH debit against the above-referenced account of the Tenant if a non-sufficient funds or stop payment item is charged against the servicer's account.

Tenant Tax Identification

Name(s) _____ Number _____

Date _____

Print Authorized Name

Authorized Signature

Print Authorized Name

Authorized Signature

Contact Phone Number _____ Fax Number _____

Email Address: _____

Return Original to: / _____ \
Attn: / _____ \
/ _____ \
/ _____ \
Fax
Number: / _____ \
/ _____ \
/ _____ \
/ _____ \

EXHIBIT D

STATE-SPECIFIC PROVISIONS

OHIO:

Upon receipt of Lessor's invoice, Lessee shall pay its *pro rata* share of the installment of taxes for which Lessee is responsible pursuant to Section 6.01(a) (Taxes) which were a lien during the Lease Term but are due and payable following the expiration of this Lease.

Notwithstanding Section 7.02 (Alterations and Improvements), prior to commencing any alterations to the Properties, Lessee shall prepare, record, serve and post a Notice of Commencement in compliance with Ohio Revised Code Section 1311.04. Upon completion of such improvements, Lessee shall prepare and record a termination of the Notice of Commencement. Copies of all Notices of Commencement and terminations shall be delivered to Lessor within seven (7) days of recording.

TEXAS:

1. Lessor and Lessee are knowledgeable and experienced in commercial transactions and agree that the provisions of this Lease for determining charges, amounts and additional rent payable by Lessee are commercially reasonable and valid even though such methods may not state a precise mathematical formula for determining such charges. **ACCORDINGLY, LESSEE VOLUNTARILY AND KNOWINGLY WAIVES ALL RIGHTS AND BENEFITS OF LESSEE UNDER SECTION 93.012 OF THE TEXAS PROPERTY CODE.**

2. To the extent not prohibited by applicable Law, Lessee hereby waives any statutory lien it may have against Lessor or its assets, including without limitation, the Properties and any Personalty.

3. Lessee hereby waives, for itself and all persons or entities claiming by, through, and under Lessee, including creditors of all kinds, (a) any right and privilege which Lessee has under any present or future constitution, statute, or rule of law to redeem the Properties or to have a continuance of this Lease for the Lease Term after termination of Lessee's right of occupancy by order or judgment of any court or by any legal process or writ, or under the terms of this Lease; (b) the benefits of any present or future constitution, statute or rule of law that exempts property from liability for debt or for distress for rent; (c) any provision of law relating to notice or delay in levy of execution in case of eviction of a Lessee for nonpayment of rent; and (d) any benefits and lien rights which may arise pursuant to Section 91.004 of the Texas Property Code. In any event, Lessor and Lessee hereby acknowledge and agree that no lien or set-off rights of Lessee shall arise or attach under any circumstances until Lessee shall have obtained a final, binding and nonappealable judgment in its favor from a court of competent jurisdiction.

PENNSYLVANIA:

Lessor and Lessee agree as follows:

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

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

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

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

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

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

(a) Lessee does not leave any Property at the end of the Lease Term.

- (b) Lessee breaks any of the terms or conditions of this Lease.
- (c) Lessee fails, upon demand, to make all Rental payments and other payments when due.

4. THIS LEASE AND ALL THE OTHER DOCUMENTS EXECUTED IN CONNECTION HEREWITH EMBODY THE FINAL, ENTIRE AGREEMENT OF LESSOR AND LESSEE AND SUPERSEDE ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF LESSOR AND LESSEE. THERE ARE NO ORAL AGREEMENTS BETWEEN LESSOR AND LESSEE.

SCHEDULE 9.03

SUPPLEMENTAL FINANCIAL INFORMATION

Lessee shall deliver the following information in connection with delivery of the corporate financial statements required in Section 9.03 of the Lease.

Corporate Financial Reporting Certificate

Company:

For the Qtr or FYE ending _____

of months represented _____

Number of units operating at the end of reporting period _____

EBITDAR Calculation:

Net Income _____

Plus: Interest Expense _____

Plus: Taxes _____

Plus: Depreciation & Amortization _____

Plus: Operating Lease Expense _____

Plus: Any non-recurring expenses (please clarify below) _____

Plus: Any other non-cash expenses (please clarify below) _____

EBITDAR _____

Items required to be broken out of Balance Sheet:

Current Portion of Long-Term Debt _____

Current Portion of any Capital Leases _____

Senior Third-Party Debt Balances _____

Subordinate/Related Party Debt Balances _____

Explanations of non-recurring and non-cash items:

Lessee shall deliver the following information in connection with delivery of the unit-level financial statements required in Section 9.03 of the Lease.

STORE Capital Unit-Level Financial Reporting Certificate

Unit ID: 1 2 3

For the Qtr or FYE ending _____

of months represented

_____	_____	_____
_____	_____	_____

Store-Level pre-corporate overhead

EBITDAR Calculation:

Store-Level Net Income

_____	_____	_____
-------	-------	-------

Plus: Interest Expense

_____	_____	_____
-------	-------	-------

Plus: Taxes

_____	_____	_____
-------	-------	-------

Plus: Depreciation & Amortization

_____	_____	_____
-------	-------	-------

Plus: Property Rent Expense (base rent + any % rent)

_____	_____	_____
-------	-------	-------

Plus: Any corporate overhead allocations to the unit

_____	_____	_____
-------	-------	-------

Plus: Any non-recurring expenses (please clarify below)

_____	_____	_____
-------	-------	-------

Plus: Any other non-cash expenses (please clarify below)

_____	_____	_____
-------	-------	-------

EBITDAR

_____	_____	_____
-------	-------	-------

Items required to be broken out on unit-level profit and loss statement:

Cost Goods Sold

_____	_____	_____
-------	-------	-------

Labor Expenses

_____	_____	_____
-------	-------	-------

Explanations of non-recurring and non-cash items:

SCHEDULE 17.01

PURCHASE OPTION AREA

Synalloy Corporation

Exhibit 21 Subsidiaries of the Registrant

All of the Company's subsidiaries are wholly owned. All subsidiaries are included in the Company's consolidated financial statements. The subsidiaries are as follows:

Synalloy Metals, Inc., a Tennessee corporation

Bristol Metals, LLC, a Tennessee limited liability corporation

Manufacturers Soap and Chemicals Company, a Tennessee corporation

Manufacturers Chemicals, LLC, a Tennessee limited liability corporation

Metchem, Inc., a Delaware corporation

Synalloy Fabrication, LLC, a South Carolina limited liability corporation

Palmer of Texas Tanks, Inc., a Texas corporation (formerly Lee-Var, Inc.)

SynTrans, LLC, a Texas limited liability corporation

CRI Tolling, LLC, a South Carolina limited liability corporation

Specialty Pipe & Tube, Inc., a Delaware corporation

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Synalloy Corporation:

We consent to the incorporation by reference in the registration statement No. 333-188937 on Form S-8 of Synalloy Corporation of our reports dated March 18, 2019, with respect to the consolidated balance sheets of Synalloy Corporation as of December 31, 2018 and 2017, and the related consolidated statements of operations and comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and financial statement schedule, and the effectiveness of internal control over financial reporting as of December 31, 2018, which reports appear in the December 31, 2018 annual report on Form 10-K of Synalloy Corporation.

/s/ KPMG LLP

Richmond, Virginia
March 18, 2019

Exhibit 31.1

CERTIFICATIONS

I, Craig C. Bram, certify that:

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

Date: March 18, 2019 /s/ Craig C. Bram
Craig C. Bram
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Dennis M. Loughran, certify that:

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

Date: March 18, 2019 /s/ Dennis M. Loughran
Dennis M. Loughran
Chief Financial Officer

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

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

Date: March 18, 2019 /s/ Craig C. Bram
Craig C. Bram
Chief Executive Officer

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