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

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2020

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from _____ to _____

COMMISSION FILE NUMBER 0-19687

Synalloy

Synalloy Corporation
(Exact name of registrant as specified in its charter)

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒	Non-accelerated filer	☐
Smaller reporting company	☒	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes ☐ No ☐

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

The number of shares outstanding of the registrant's common stock as of September 1, 2020 was 9,058,040

Synalloy Corporation
Table of Contents

Part I - Financial Information
Item 1. Financial Statements

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

	(Unaudited) June 30, 2020		December 31, 2019	
Assets				
Current assets				
Cash and cash equivalents	$	1,412	$	626
Accounts receivable, net of allowance for credit losses of $939 and $70, respectively		36,226		35,074
Inventories, net		95,331		98,186
Prepaid expenses and other current assets		14,718		13,229
Total current assets		147,687		147,115
Property, plant and equipment, net		37,359		40,690
Right-of-use assets, operating leases, net		35,717		35,772
Goodwill		17,558		17,558
Intangible assets, net		12,835		15,714
Deferred charges, net		268		348
Total assets	$	251,424	$	257,197
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable	$	24,844	$	21,150
Accrued expenses and other current liabilities		10,243		11,613
Current portion of long-term debt		4,000		4,000
Current portion of operating lease liabilities		991		3,562
Current portion of finance lease liabilities		31		253
Total current liabilities		40,109		40,578
Long-term debt		74,635		71,554
Long-term portion of earn-out liability		1,642		3,578
Deferred income taxes		333		790
Long-term portion of operating lease liabilities		36,510		33,723
Long-term portion of finance lease liabilities		44		336
Other long-term liabilities		94		127
Total non-current liabilities		113,258		110,108
Commitments and contingencies – See Note 11				
Shareholders' equity				
Common stock, par value $1 per share; authorized 24,000,000 shares; issued 10,300,000 shares		10,300		10,300
Capital in excess of par value		37,465		37,407
Retained earnings		61,967		70,552
		109,732		118,259
Less cost of common stock in treasury - 1,241,961 and 1,257,784 shares, respectively		11,675		11,748
Total shareholders' equity		98,057		106,511
Total liabilities and shareholders' equity	$	251,424	$	257,197

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net sales	$ 66,136	$ 78,778	$ 140,833	$ 163,582
Cost of sales	61,775	70,940	129,321	147,060
Gross profit	4,361	7,838	11,512	16,522
Selling, general and administrative expense	7,043	7,663	14,814	16,558
Acquisition costs and other	6	20	135	348
Proxy contest costs	2,734	—	2,909	—
Earn-out adjustments	(827)	(418)	(823)	(401)
Asset impairments	6,079	—	6,079	—
Operating (loss) income	(10,674)	573	(11,602)	17
Other expense (income)				
Interest expense	532	1,010	1,251	2,034
Change in fair value of interest rate swaps	(4)	77	81	124
Other, net	(2,129)	(110)	(1,303)	(404)
Loss before income taxes	(9,073)	(404)	(11,631)	(1,737)
Income tax benefit	(2,116)	(142)	(3,496)	(548)
Net loss	$ (6,957)	$ (262)	$ (8,135)	$ (1,189)
Net loss per common share:				
Basic	$ (0.77)	$ (0.03)	$ (0.90)	$ (0.13)
Diluted	$ (0.77)	$ (0.03)	$ (0.90)	$ (0.13)
Weighted average shares outstanding:				
Basic	9,058	8,974	9,066	8,951
Dilutive effect from stock options and grants	—	—	—	—
Diluted	9,058	8,974	9,066	8,951

See accompanying notes to condensed consolidated financial statements

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

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Operating activities		
Net loss	$ (8,135)	$ (1,189)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation expense	3,866	3,832
Amortization expense	1,619	1,743
Asset impairments	6,079	—
Amortization of debt issuance costs	80	80
Unrealized (gain) loss on equity securities	(208)	101
Deferred income taxes	(458)	(163)
Proceeds from business interruption insurance	1,040	—
Gain on sale of equity securities	(31)	(474)
Earn-out adjustments	(823)	(401)
Payments on earn-out liabilities in excess of acquisition date fair value	(292)	(436)
Provision for losses on accounts receivable	316	64
Provision for losses on inventories	553	799
Loss on sale of property, plant and equipment	238	—
Non-cash lease expense	256	288
Non-cash lease termination loss	24	—
Change in fair value of interest rate swap	81	124
Issuance of treasury stock for director fees	—	304
Stock-based compensation expense	766	852
Changes in operating assets and liabilities:		
Accounts receivable	(1,917)	850
Inventories	(1,411)	8,550
Other assets and liabilities	(2,225)	(1,271)
Accounts payable	3,694	2,486
Accrued expenses	(203)	(1,375)
Accrued income taxes	(3,082)	(1,539)
Net cash (used in) provided by operating activities	(173)	13,225
Investing activities		
Purchases of property, plant and equipment	(1,969)	(1,884)
Proceeds from sale of property, plant and equipment	100	—
Proceeds from sale of equity securities	2,667	1,091
Purchase of equity securities	—	(544)
Acquisition of ASTI	—	(21,895)
Net cash provided by (used in) investing activities	798	(23,232)
Financing activities		
Borrowings (repayments) from line of credit	5,080	(9,068)
Borrowings from term loan	—	20,000
Payments on long-term debt	(2,000)	(1,667)
Principal payments on finance lease obligations	(93)	(109)
Payments for finance lease terminations	(204)	—
Payments on earn-out liabilities	(1,987)	(1,346)
Repurchase of common stock	(635)	—
Net cash provided by financing activities	161	7,810
Increase (Decrease) in cash and cash equivalents	786	(2,197)
Cash and cash equivalents at beginning of period	626	2,220
Cash and cash equivalents at end of period	$ 1,412	$ 23
Supplemental disclosure		
Cash paid for:		
Interest	$ 1,203	$ 1,860
Income taxes	$ 6	$ 1,166

See accompanying notes to condensed consolidated financial statements

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

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

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

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30, 2019				
	Common Stock	Capital in Excess of Par Value	Retained Earnings	Cost of Common Stock in Treasury	Total
Balance at March 31, 2019	$ 10,300	$ 36,304	$ 72,661	$ (12,470)	$ 106,795
Net loss	—	—	(262)	—	(262)
Issuance of 29,276 shares of common stock from treasury	—	24	—	280	304
Stock-based compensation	—	237	—	—	237
Balance at June 30, 2019	$ 10,300	$ 36,565	$ 72,399	$ (12,190)	$ 107,074

	Six Months Ended June 30, 2019				
	Common Stock	Capital in Excess of Par Value	Retained Earnings	Cost of Common Stock in Treasury	Total
Balance at December 31, 2018	$ 10,300	$ 36,521	$ 68,965	$ (13,302)	$ 102,484
Net loss	—	—	(1,189)	—	(1,189)
Cumulative adjustment due to adoption of ASC 842	—	—	4,623	—	4,623
Issuance of 118,430 shares of common stock from treasury	—	(808)	—	1,112	304
Stock-based compensation	—	852	—	—	852
Balance at June 30, 2019	$ 10,300	$ 36,565	$ 72,399	$ (12,190)	$ 107,074

See accompanying notes to condensed consolidated financial statements.

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

Note 1: Basis of Presentation

Basis of Financial Statement Presentation

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

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

Recently Issued Accounting Standards - Adopted

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

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

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

Recently Issued Accounting Standards - Not Yet Adopted

In December 2019, the FASB issued ASU No. 2019-12 *"Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes."* This ASU removes certain exceptions for recognizing deferred taxes for investments, performing intra-period allocation, and calculating income taxes in interim periods. This ASU also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for goodwill and allocating taxes to members of a consolidated group. The updated guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020 with early adoption permitted. The Company is currently assessing the impact that adopting this new standard will have on its consolidated financial statements and footnote disclosures.

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

Note 2: Fair Value of Financial Instruments

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

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

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

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

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

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

Level 1: Equity securities

During the three and six months ended June 30, 2020, the Company sold 705,926 shares of its equity securities investments, resulting in a realized gain of $31,421.

For the three and six months ended June 30, 2020, the Company also recorded net unrealized gains of $1.1 million and $0.2 million, respectively, on the investments in equity securities held, which is included in "Other expense (income)" on the accompanying unaudited condensed consolidated statements of operations.

The fair value of equity securities held by the Company as of June 30, 2020 and December 31, 2019 was $1.8 million and $4.3 million, respectively, and is included in “Prepaid expenses and other current assets” on the accompanying condensed consolidated balance sheets.

Level 2: Derivative Instruments

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

Level 3: Contingent consideration (earn-out) liabilities

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

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

(in thousands)	MUSA-Stainless	MUSA-Galvanized	American Stainless	Total
Balance at December 31, 2019	$ 2,403	$ 1,782	$ 4,969	$ 9,154
Earn-out payments during the period	(919)	(352)	(1,008)	(2,279)
Changes in fair value during the period	(271)	74	(626)	(823)
Balance at June 30, 2020	$ 1,213	$ 1,504	$ 3,335	$ 6,052

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

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

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

Instrument	Fair Value June 30, 2020	Principal Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average
Contingent consideration (earn-out) liabilities	$6,052	Probability Weighted Expected Return	Discount rate	-	5%
			Timing of estimated payouts	2020 - 2022	-
			Future revenue projection	$5.8M - 14.3M	$10.7M

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

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

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

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

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

Fair Value of Financial Instruments

For short-term instruments, other than those required to be reported at fair value on a recurring and non-recurring basis and for which additional disclosures are included above, management concluded the historical carrying value is a reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization. Therefore, as of June 30, 2020 and December 31, 2019, the carrying amounts for cash and cash equivalents, accounts receivable, accounts payable, the Company's revolving line of credit, which is based on a variable interest rate, and term loan approximate their fair value.

Note 3: Inventories

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

(in thousands)	June 30, 2020	December 31, 2019
Raw materials	$ 40,183	$ 42,896
Work-in-process	23,481	17,616
Finished goods	32,945	38,422
	96,609	98,934
Less inventory reserves	1,278	748
Inventories, net	$ 95,331	$ 98,186

Note 4: Property, Plant and Equipment

Property, plant and equipment consist of the following:

(in thousands)	June 30, 2020	December 31, 2019
Land	$ 63	$ 63
Leasehold improvements	2,338	1,921
Buildings	84	214
Machinery, fixtures and equipment	99,220	100,300
Construction-in-progress	3,083	2,999
	104,788	105,497
Less accumulated depreciation and amortization	67,429	64,807
Property, plant and equipment, net	$ 37,359	$ 40,690

Note 5: Goodwill and Intangible Assets

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

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

The gross carrying amounts of goodwill are as follows:

(in thousands)	June 30, 2020	December 31, 2019
Metals Segment	$ 16,203	$ 16,203
Specialty Chemicals Segment	1,355	1,355
Goodwill	$ 17,558	$ 17,558

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

(in thousands)	June 30, 2020	December 31, 2019
Intangible assets, gross	$ 30,866	$ 32,126
Accumulated amortization of intangible assets	(18,031)	(16,412)
Intangible assets, net	$ 12,835	$ 15,714

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

Remainder of 2020	$ 1,409
2021	2,721
2022	2,501
2023	1,050
2024	952
2025	855
Thereafter	3,347

Note 6: Long-term Debt

Long-term debt consists of the following:

(in thousands)	June 30, 2020	December 31, 2019
$100 million Revolving line of credit, due December 20, 2021	$ 64,302	$ 59,221
$20 million Term loan, due January 1, 2024	14,333	16,333
	$ 78,635	$ 75,554

On December 20, 2018, the Company amended its Credit Agreement with its bank to refinance and increase its Line of Credit (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 (see Note 13). The Term Loan's maturity date is January 1, 2024 and shall be repaid in 60 consecutive monthly installments. Interest on the Term Loan is calculated using the One Month LIBOR Rate (as defined in the Credit Agreement), plus 1.90 percent. The Line will be used for working capital needs and as a source for funding future acquisitions. The maturity date of the Line has been extended to December 20, 2021. Interest on the Line remains unchanged and is calculated using the One Month LIBOR Rate, plus 1.65%. Borrowings under the Line are limited to an amount equal to a Borrowing Base calculation that includes eligible accounts receivable and inventory. As of June 30, 2020, the Company had $7.2 million of remaining available capacity under the Line.

Pursuant to the Credit Agreement, the Company is subject to certain covenants including maintaining a minimum fixed charge coverage ratio of not less than1.25, maintaining a minimum tangible net worth of not less than $60.0 million, and a limitation on the Company's maximum amount of capital expenditures per year, which is in line with currently projected needs.

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

At June 30, 2020, the Company had a minimum fixed charge coverage ratio of 1.39 and a minimum tangible net worth of $67.4 million.

Note 7: Stock-Based Compensation

Stock-based compensation expense for the three and six months ended June 30, 2020 was $0.4 million and $0.8 million, respectively. Stock-based compensation expense for the three and six months ended June 30, 2019 was $0.2 million and $0.9 million, respectively.

Stock Options

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

2011 Long-Term Incentive Stock Option Plan

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

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

Restricted Stock Awards

2015 Stock Awards Plan

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

Performance-Based Restricted Stock Awards

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

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

Note 8: Loss Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share data)	2020	2019	2020	2019
Numerator:				
Net loss	$ (6,957)	$ (262)	$ (8,135)	$ (1,189)
Denominator:				
Denominator for basic earnings per share - weighted average shares	9,058	8,974	9,066	8,951
Effect of dilutive securities:				
Employee stock options and stock grants	—	—	—	—
Denominator for diluted earnings per share - weighted average shares	9,058	8,974	9,066	8,951
Net loss per share:				
Basic	$ (0.77)	$ (0.03)	$ (0.90)	$ (0.13)
Diluted	$ (0.77)	$ (0.03)	$ (0.90)	$ (0.13)

The diluted earnings per share calculations exclude the effect of potentially dilutive shares when the inclusion of those shares in the calculation would have an anti-dilutive effect. The Company had 0.3 million and 0.2 million shares of common stock that were anti-dilutive for thethree and six months ended June 30, 2020, respectively. The Company had no shares of common stock that were anti-dilutive for thethree and six months ended June 30, 2019, respectively.

Note 9: Income Taxes

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2020	2019	2020	2019
Income tax benefit	$ (2,116)	$ (142)	$ (3,496)	$ (548)
Effective income tax rate	23.3 %	35.0 %	30.1 %	31.5 %

The three and six months ended June 30, 2020 effective tax rate were higher than the statutory rate of21.0% due to discrete tax benefits over the costs associated with our public proxy contest, additional benefits on asset impairment of our Palmer business, and benefits from our stock compensation plan. Additionally, we recognized estimated tax benefits associated with the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") which was signed into law on March 27, 2020. The CARES Act includes various income and payroll tax provisions, notably enabling the Company to carry back net operating losses and recover taxes paid in prior years.

The three and six months ended June 30, 2019 effective tax rates were higher than the statutory tax rate of21% due to state taxes, net of federal benefit, and discrete benefits on our stock compensation plans.

Note 10: Leases

Balance Sheet Presentation

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

Classification	Financial Statement Line Item	June 30, 2020
Assets	Right-of-use assets, operating leases	$ 35,717
Assets	Property, plant and equipment	74
Current liabilities	Current portion of lease liabilities, operating leases	991
Current liabilities	Current portion of lease liabilities, finance leases	31
Non-current liabilities	Non-current portion of lease liabilities, operating leases	36,510
Non-current liabilities	Non-current portion of lease liabilities, finance leases	44

Total Lease Cost

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

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

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

Maturity of Leases

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

(in thousands)	Operating	Finance
Remainder of 2020	$ 1,829	$ 17
2021	3,710	22
2022	3,767	15
2023	3,803	15
2024	3,656	8
Thereafter	48,577	—
Total undiscounted minimum future lease payments	65,342	77
Imputed Interest	27,841	2
Present value of lease liabilities	$ 37,501	$ 75

Lease Term and Discount Rate

Weighted-average remaining lease term	June 30, 2020
Operating Leases	15.96 years
Finance Leases	2.97 years
Weighted-average discount rate	
Operating Leases	7.31 %
Finance Leases	2.65 %

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

Note 11: Commitments and Contingencies

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

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

Note 12: Industry Segments

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2020	2019	2020	2019
Net sales				
Metals Segment	$ 52,018	$ 64,503	$ 112,681	$ 135,607
Specialty Chemicals Segment	14,118	14,275	28,152	27,975
	$ 66,136	$ 78,778	$ 140,833	$ 163,582
Operating (loss) income				
Metals Segment	$ (9,155)	$ 1,193	$ (8,221)	$ 2,675
Specialty Chemicals Segment	1,980	926	2,447	1,540
Unallocated corporate expenses	1,586	1,944	3,607	4,251
Acquisition related costs and other	6	20	135	348
Proxy contest costs	2,734	—	2,909	—
Earn-out adjustments	(827)	(418)	(823)	(401)
Operating (loss) income	(10,674)	573	(11,602)	17
Interest expense	532	1,010	1,251	2,034
Change in fair value of interest rate swap	(4)	77	81	124
Other (income) expense, net	(2,129)	(110)	(1,303)	(404)
Loss before income taxes	$ (9,073)	$ (404)	$ (11,631)	$ (1,737)

	As of	
(in thousands)	June 30, 2020	December 31, 2019
Identifiable assets		
Metals Segment	$ 177,442	$ 186,758
Specialty Chemicals Segment	27,039	25,428
Corporate	46,943	45,011
	$ 251,424	$ 257,197

Note 13: Acquisitions

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

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

The transaction is accounted for using the acquisition method of accounting for business combinations. Under this method, the total consideration transferred to consummate the acquisition is allocated to the identifiable tangible and intangible assets acquired and liabilities assumed based on their respective fair values as of the closing date of the acquisition. The acquisition method of accounting requires extensive use of estimates and judgments to allocate the consideration transferred to the identifiable tangible and intangible assets acquired and liabilities assumed. During the third quarter of 2019, the Company finalized the purchase price allocation for the American Stainless acquisition.

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

American Stainless will receive quarterly earn-out payments for a period ofthree years following closing. Pursuant to the asset purchase agreement between ASTI and American Stainless, earn-out payments will equate to six and one-half percent (6.5 percent) of ASTI's revenue over the three-year earn-out period. In determining the appropriate discount rate to apply to the contingent payments, the risk associated with the functional form of the earn-out, and the credit risk associated with the payment of the earn-out were all considered. The fair value of the contingent consideration was estimated by applying the probability weighted expected return method using management's estimates of pounds to be shipped and future price per unit.

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

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2020	2019	2020	2019
Net sales	$ 7,255	$ 8,557	$ 14,900	$ 18,070
Income before taxes	$ 1,377	$ 992	$ 1,718	$ 1,099

Note 14: Shareholders' Equity

Stock Repurchase Program

On February 21, 2019, the Board of Directors authorized a stock repurchase program for up to850,000 shares of its outstanding common stock over24 months. The shares will be purchased from time to time at prevailing market prices, through open market or privately negotiated transactions, depending on market conditions. Under the program, the purchases will be funded from available working capital, and the repurchased shares will be returned to the status of authorized, but unissued shares of common stock or held in treasury. There is no guarantee as to the exact number of shares that will be repurchased by the Company, and the Company may discontinue purchases at any time that management determines additional purchases are not warranted.

During the three months ended June 30, 2020, the Company purchased no shares under the stock repurchase program. During thesix months ended June 30, 2020, the Company purchased 59,617 shares under the stock repurchase program at an average price of approximately$10.65 per share for an aggregate amount of$0.6 million.

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

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

Shareholder Rights Plan

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

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

Note 15: Revenues

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2020**	**2019**	**2020**	**2019**
Fiberglass and steel liquid storage tanks and separation equipment	$ 1,038	$ 10,247	$ 4,456	$ 20,076
Heavy wall seamless carbon steel pipe and tube	5,658	6,703	12,972	15,289
Stainless steel pipe and tube	39,306	41,310	83,034	87,305
Galvanized pipe and tube	6,016	6,243	12,219	12,936
Specialty chemicals	14,118	14,275	28,152	27,976
Net sales	$ 66,136	$ 78,778	$ 140,833	$ 163,582

Arrangements with Multiple Performance Obligations

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

Note 16: Proxy Contest and Related Costs

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

During the three and six months ended June 30, 2020, total costs incurred by the Company relating to the proxy contest were$2.7 million and $2.9 million, respectively.

Note 17: Subsequent Events

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

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

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

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

Business Overview

Synalloy Corporation, a Delaware corporation, was incorporated in 1958 as the successor to a chemical manufacturing business founded in 1945. Its charter is perpetual. The name was changed on July 31, 1967 from Blackman Uhler Industries, Inc. The Company's executive office is located at 4510 Cox Road, Suite 201, Richmond, Virginia 23060. Unless indicated otherwise, the terms "Synalloy", "Company," "we" "us," and "our" refer to Synalloy Corporation and its consolidated subsidiaries.

The Company's business is divided into two reportable operating segments, the Metals Segment and the Specialty Chemicals Segment. The Metals Segment operates as three reporting units, all International Organization for Standardization ("ISO") certified manufacturers, including Welded Pipe & Tube Operations, a unit that includes Bristol Metals, LLC ("BRISMET") and American Stainless Tubing, LLC ("ASTI"), which began operations effective January 1, 2019 pursuant to the American Stainless acquisition (see Note 13 to the Condensed Consolidated Financial Statements), Palmer of Texas Tanks, Inc. ("Palmer"), and Specialty Pipe & Tube, Inc. ("Specialty"). Welded Pipe & Tube Operations manufactures stainless steel, galvanized, ornamental stainless steel tubing, and other alloy pipe and tube. Palmer manufactures liquid storage solutions and separation equipment. Specialty is a master distributor of seamless carbon pipe and tube. The Metals Segment's markets include the oil and gas, chemical, petrochemical, pulp and paper, mining, power generation (including nuclear), water and waste water treatment, liquid natural gas ("LNG"), brewery, food processing, petroleum, pharmaceutical, automotive & commercial transportation, appliance, architectural, and other heavy industries. The Specialty Chemicals Segment operates as one reporting unit which includes Manufacturers Chemicals, LLC ("MC"), a wholly-owned subsidiary of Manufacturers Soap and Chemical Company ("MS&C"), and CRI Tolling, LLC ("CRI Tolling"). The Specialty Chemicals Segment produces specialty chemicals for the chemical, paper, metals, mining, agricultural, fiber, paint, textile, automotive, petroleum, cosmetics, mattress, furniture, janitorial and other industries. MC manufactures lubricants, surfactants, defoamers, reaction intermediaries and sulfated fats and oils. CRI Tolling provides chemical tolling manufacturing resources to global and regional chemical companies and contracts with other chemical companies to manufacture certain, pre-defined products.

COVID-19 Update

We are closely monitoring the impact of the outbreak of COVID-19 on all aspects of our business, including the impacts to our customers, employees and supply chain. Through the second quarter of 2020, COVID-19 did have an adverse effect on our reported results and operations, specifically with the continued curtailment of operations at our Palmer facility and $6.1 million of asset impairments related to that business. There remains significant uncertainty concerning the magnitude of the impact and the duration of the COVID-19 pandemic and as a result, we are unable to predict the ultimate impact it may have on our business, future operations, financial position or cash flows. The extent that our operations will continue to be impacted by the COVID-19 pandemic will depend on future developments, which are highly uncertain and cannot be accurately predicted, including the severity of the outbreak and continued actions by government authorities to contain and treat the outbreak. See Part II - Item 1A, "Risk Factors," included herein for updates to our risk factors regarding risks associated with the COVID-19 pandemic.

Goodwill Impairment Review

During the second quarter of 2020, as described in *Note 5 - Goodwill and Intangible Assets,* we tested our goodwill for impairment. The Company determined potential indicators of impairment within the Welded Pipe & Tube reporting unit included in the Metals Segment, with an associated goodwill balance of $16.2 million, existed. Continued deterioration in macroeconomic conditions, continued risks within the stainless steel industrial business, reporting unit operating losses and a decline in the reporting unit's net sales compared to forecast, collectively, indicated that the reporting unit had experienced a triggering event. As a result, the Company quantitatively evaluated the Welded Pipe & Tube reporting unit for impairment. Fair value of the reporting unit was determined using an income approach. Determining the fair value of the reporting unit and allocation of that fair value to individual assets and liabilities within the reporting unit to determine the implied fair value of the goodwill is judgmental in nature and requires the use of significant management estimates and assumptions. These estimates and assumptions include the discount rate, terminal growth rate, tax rate, projected capital expenditures, and overall operational forecasts, including sales growth, gross margins, and operating margins. Any changes in the judgments, estimates, or assumptions could produce significantly different results. We corroborated the reasonableness of the estimated reporting unit fair value by reconciling to our enterprise value and market capitalization.

As a result of the goodwill impairment evaluation, it was concluded that the estimated fair value of the Welded Pipe and Tube reporting unit was greater than its carrying value by 1.7% and, as such, no goodwill impairment was necessary in the quarter ended June 30, 2020. We do consider our Welded Pipe & Tube reporting unit's goodwill to be at risk and changes in our future operating results, cash flows, share price, market capitalization, or discount rate used when conducting future goodwill impairment tests could affect the estimated fair values of our reporting unit and may result in a goodwill impairment charge in the future. For example, we estimate that a 39 basis point increase in the discount rate would result in a goodwill impairment charge of approximately $0.7 million.

Results of Operations

Consolidated Performance Summary

Consolidated net sales for the second quarter of 2020 were $66.1 million representing a decrease of $12.6 million or 16.0% when compared to net sales for the second quarter of 2019. Net sales for the first six months of 2020 were $140.8 million representing a decrease of $22.7 million or 13.9% when compared to the first six months of 2019. The decrease in sales for the second quarter and first six months of 2020 was driven by our Metals Segment, which had a decrease of $12.5 million over the second quarter of 2019 and a decrease of $22.9 million over the first six months of 2019.

For the second quarter of 2020, the Company recorded a net loss of $7.0 million, or $0.77 diluted loss per share, compared to a net loss of $0.3 million, or $0.03 diluted loss per share for the second quarter of 2019. For the first six months of 2020, the Company recorded a net loss of $8.1 million, or $0.90 diluted loss per share, compared to a net loss of $1.2 million, or $0.13 diluted loss per share for the first six months of 2019.

The second quarter and first six months of 2020 were positively impacted by mark-to-market valuation gains on investments in equity securities totaling $1.1 million and $0.2 million, respectively, compared to gains on investments in equity securities of $0.1 million and $0.4 million for the second quarter and first six months of 2019, respectively. The second quarter and first six months of 2020 were also impacted by $6.1 million in non-cash asset impairment charges related to Palmer and inventory price change losses which, on a pre-tax basis, totaled $3.5 million and $3.9 million, respectively, compared to a $1.8 million loss in the second quarter of 2019 and a $5.2 million loss for the first six months of 2019. The second quarter and first six months of 2020 results were also negatively impacted by $2.7 million and $2.9 million, respectively, in costs associated with the Company's proxy contest and election of directors at the 2020 Annual Meeting of Shareholders. See Note 16, *Proxy Contest and Related Costs,* in the notes to the unaudited condensed consolidated financial statements for additional information.

The second quarter of 2020 consolidated gross profit decreased 44.4% to $4.4 million, or 6.6% of sales, compared to $7.8 million, or 10.0% of sales in the second quarter of 2019. For the first six months of 2020, consolidated gross profit decreased 30.3% to $11.5 million, or 8.2% of sales, from $16.5 million, or 10.1% of sales in the first six months of 2019. The decrease in dollars and percentage of sales were attributable to the Metals Segment as discussed below.

Consolidated selling, general, and administrative expense for the second quarter of 2020 decreased by $0.6 million to $7.0 million or 10.7% of sales compared to $7.7 million, or 9.7% of sales in the second quarter of 2019. For first six months of 2020, consolidated selling, general, and administrative expenses decreased $1.7 million, or 10.5%, to $14.8 million compared to $16.6 million in the first six months of 2019. The most significant decreases for the second quarter and first six months of 2020 compared the same period in the prior year resulted from salaries and benefits ($0.7 million lower in the second quarter and $1.0 million lower in the first six months); travel expenses ($0.3 million lower in the second quarter and $0.4 million lower in the first six months); and professional fees ($0.1 million lower in the second quarter and $0.2 million lower in the first six months).

Metals Segment

The Metals Segment's net sales for the second quarter of 2020 totaled $52.0 million, a decrease of $12.5 million or 19.4% from the second quarter of 2019. Net sales for the first six months of 2020 totaled $112.7 million, a decrease of $22.9 million or 16.9% from the first six months of 2019.

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

($ in thousands)	$	%	Average selling price (1)	Units shipped
Fiberglass and steel liquid storage tanks and separation equipment	$ (9,209)	(89.9)%	(27.9)%	(86.1)%
Heavy wall seamless carbon steel pipe and tube	(1,044)	(15.6)%	(12.0)%	(4.0)%
Stainless steel pipe and tube	(2,004)	(4.9)%	(4.1)%	(0.7)%
Galvanized pipe and tube	(228)	(3.6)%	(3.2)%	(0.5)%
Total decrease	$ (12,485)			

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

- Fiberglass and steel liquid storage tanks and separation equipment - decline due to curtailment of operations and effects of COVID-19 on oil and gas industry and Permian Basin;
- Heavy wall seamless carbon steel pipe and tube - decline based on lower mix of energy based sales, lower mill pricing and lessening impact of 232 tariffs;
- Stainless steel pipe and tube - pass through of input and cost changes related to:
    a. Alloy surcharges decrease of approximately 11%; offset by,
    b. Favorable product mix and other competitive pricing, increase of 7%; and,
- Galvanized pipe and tube - primarily decline in indexed pricing

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

($ in thousands)	$	%	Average selling price (1)	Units shipped
Fiberglass and steel liquid storage tanks and separation equipment	$ (15,619)	(77.8)%	(9.9)%	(75.5)%
Heavy wall seamless carbon steel pipe and tube	(2,317)	(15.2)%	(10.0)%	(5.8)%
Stainless steel pipe and tube	(4,272)	(4.9)%	(6.6)%	1.9%
Galvanized pipe and tube	(717)	(5.5)%	(8.9)%	3.7%
Total decrease	$ (22,925)			

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

- Fiberglass and steel liquid storage tanks and separation equipment - decline due to curtailment of operations and effects of COVID-19 on oil and gas industry and Permian Basin;
- Heavy wall seamless carbon steel pipe and tube - decline based on lower mix of energy based sales, lower mill pricing and lessening impact of 232 tariffs;
- Stainless steel pipe and tube - pass through of input and cost changes related to:
    a. Alloy surcharges decrease of approximately 2%; and,
    b. Base raw material input mill pricing, product mix and other competitive pricing, decrease of 5%; and,
- Galvanized pipe and tube - primarily decline in indexed pricing

The Metals Segment's operating loss increased $10.3 million, or 867.6%, to $9.2 million for the second quarter of 2020 compared to income of $1.2 million for the second quarter of 2019. Operating loss for the first six months of 2020 increased $10.9 million, or 407.3%, to $8.2 million from income of $2.7 million in the first six months of 2019. As mentioned above, the second quarter and first six months of 2020 were negatively impacted by $6.1 million in non-cash asset impairment charges related to Palmer.

Current quarter operating results were affected by nickel prices and resulting surcharges for 304 and 316 alloys. The second quarter of 2020 proved to be a much more unfavorable environment than the second quarter of 2019, with net metal pricing losses of $3.5 million, compared to last year's $1.8 million in metal pricing losses. Second quarter 2020 surcharges on 304 alloy were approximately 11% lower than second quarter 2019 levels and 2020 surcharges on 316 alloy were 17% lower than the second quarter of 2019. More importantly, second quarter 2020 surcharges on 304 and 316 alloys were lower by 19% and 21%, respectively, when compared with the surcharges in place just five months earlier.

Selling, general, and administrative expense decreased 0.3% to $4.8 million for the second quarter of 2020 compared to $4.9 million in the second quarter of 2019. For the first six months of 2020, selling, general, and administrative expenses decreased $0.7 million, or 7.0%, to $9.7 million from $10.4 million for the first six months of 2019. The most significant decreases for the second quarter and first six months of 2020 compared the same periods in the prior year resulted from salaries and benefits ($0.6 million lower in the second quarter and $0.9 million lower in the first six months) and travel expenses ($0.2 million lower in the second quarter and $0.3 million lower in the first six months).

Specialty Chemicals Segment

Net sales for the Specialty Chemicals Segment in the second quarter of 2020 totaled $14.1 million, representing a $0.2 million, or 1.1%, decrease from the second quarter of 2019. Net sales for the first six months of 2020 totaled $28.2 million, representing a $0.2 million, or 0.6%, increase from the first six months of 2019. Pounds shipped in the second quarter of 2020 were up 1.4% over the second quarter of 2019, with average selling prices declining 2.6%. Pounds for the first six months of 2020 were down 2.8%, with average selling prices increasing 3.5%.

The relative strength of sales during the second quarter, in the face of the COVID-19 pandemic's impact on the Household, Industrial & Institutional and Sanitation supply chain, is a result of the Segment's increased production of hand sanitizer and cleaning aids to help supply critical sanitation products.

Operating income for the Specialty Chemicals Segment for the second quarter of 2020 was $2.0 million, an increase of $1.1 million, or 113.9%, from the second quarter of 2019. Operating income for the first six months of 2020 was $2.4 million, an increase of $0.9 million, or 58.8%, from the first six months of 2019. The increase in operating income is directly related to cost cutting and other initiatives that yielded margin improvements of $0.2 million, lower manufacturing costs of $0.6 million and lower selling, general, and administrative expenses of $0.3 million.

Selling, general, and administrative expense decreased $0.3 million, or 27.0%, to $0.7 million for the second quarter of 2020 compared to the second quarter of 2019. For the first six months of 2020, selling, general, and administrative expenses decreased $0.4 million, or 18.5%, to $1.8 million from $2.2 million for the first six months of 2019. The most significant decreases for the second quarter and first six months of 2020 compared to the same periods in the prior year resulted from salaries and benefits ($0.2 million lower for the second quarter and $0.3 million lower in the first six months).

Other Items

Unallocated corporate expenses for the second quarter of 2020 decreased $0.4 million, or 18.4%, to $1.6 million (2.4 percent of sales) compared to $1.9 million (2.5 percent of sales) for the same period in the prior year comparative period. For first six months of 2020, unallocated corporate expenses decreased $0.6 million, or 15.0%, to $3.6 million from $4.2 million for the first six months of 2019. The second quarter and first six months decreases resulted primarily from lower professional fees, incentive bonuses, and travel expenses in the period.

Interest expense was $0.5 million and $1.0 million for the second quarter of 2020 and 2019, respectively. The decrease was related to lower average debt outstanding in the second quarter of 2020 compared to the second quarter of 2019.

The effective tax rate was 23.3% and 30.1% for the three and six months ended June 30, 2020, respectively, and 35.0% and 31.5% for the three and six months ended June 30, 2019, respectively. The June 30, 2020 effective tax rate was higher than the statutory rate of 21.0% due to discrete tax benefits on our stock compensation plan and estimated tax benefits associated with the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") which was signed into law on March 27, 2020. The CARES Act includes various income and payroll tax provisions, notably enabling the Company to carry back net operating losses and recover taxes paid in prior years. Additionally, we recognized a discrete tax benefit related to the costs associated with our public proxy contest.

The Company's cash balance increased $0.8 million to $1.4 million as of June 30, 2020 compared to $0.6 million at December 31, 2019. Fluctuations affecting cash flows during the six months ended June 30, 2020 were comprised of the following:

a) Net inventories decreased $2.9 million at June 30, 2020 when compared to December 31, 2019, mainly due to the write-down of inventory related to the Palmer business in the second quarter. Inventory turns increased from 1.62 turns at December 31, 2019, calculated on a three-month average basis, to 1.75 turns at June 30, 2020;

b) Accounts payable increased $3.7 million as of June 30, 2020 as compared to December 31, 2019, primarily due to higher metal purchases in the second quarter compared to the fourth quarter. Accounts payable days outstanding were approximately 32 days at June 30, 2020 compared to 36 days at December 31, 2019;

c) Net accounts receivable increased $1.2 million at June 30, 2020 as compared to December 31, 2019, due primarily to improved business activity within the Specialty Chemicals Segment in the second quarter compared to the fourth quarter of 2019. Days sales outstanding, calculated using a six-month average basis, was 46 days outstanding at June 30, 2020 and 50 days at December 31, 2019, respectively;

d) Capital expenditures for the first six months of 2020 were $2.0 million; and

e) The Company paid $2.3 million during the first six months of 2020 related to the earn-out liabilities from the 2019 American Stainless, 2018 MUSA-Galvanized and 2017 MUSA-Stainless acquisitions.

Non-GAAP Financial Measures

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

EBITDA and Adjusted EBITDA

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

Consolidated EBITDA and Adjusted EBITDA are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2020**	**2019**	**2020**	**2019**
Consolidated				
Net loss	$ (6,957)	$ (262)	$ (8,135)	$ (1,189)
Adjustments:				
Interest expense	532	1,010	1,251	2,034
Change in fair value of interest rate swap	(4)	77	81	124
Income taxes	(2,116)	(142)	(3,496)	(548)
Depreciation	1,989	1,943	3,947	3,832
Amortization	810	819	1,619	1,743
EBITDA	(5,746)	3,445	(4,733)	5,996
Acquisition costs and other	6	32	138	1,672
Proxy contest costs	2,734	—	2,909	—
Shelf registration costs	—	10	—	10
Earn-out adjustments	(827)	(418)	(823)	(401)
Gain on investments in equity securities	(1,092)	(100)	(240)	(373)
Asset impairments	6,079	—	6,079	—
Stock-based compensation	430	237	766	853
Non-cash lease expense	128	151	256	288
Retention expense	235	51	235	130
Adjusted EBITDA	$ 1,947	$ 3,408	$ 4,587	$ 8,175
% sales	2.9%	4.3%	3.3%	5.0%

Metals Segment EBITDA and Adjusted EBITDA are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2020**	**2019**	**2020**	**2019**
Metals Segment				
Net (loss) income	$ (7,308)	$ 1,587	$ (6,381)	$ 2,986
Adjustments:				
Interest expense	7	23	11	44
Depreciation	1,559	1,533	3,070	3,014
Amortization	810	819	1,619	1,743
EBITDA	(4,932)	3,962	(1,681)	7,787
Acquisition costs and other	—	12	3	1,370
Earn-out adjustments	(827)	(418)	(823)	(401)
Asset impairments	6,079	—	6,079	—
Stock-based compensation	130	63	171	210
Retention expense	—	26	—	80
Metals Segment Adjusted EBITDA	$ 450	$ 3,645	$ 3,749	$ 9,046
% of segment sales	0.9%	5.7%	3.3%	6.7%

Specialty Chemicals Segment EBITDA and Adjusted EBITDA are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2020**	**2019**	**2020**	**2019**
Chemicals Segment				
Net income	$ 1,980	$ 926	$ 2,460	$ 1,539
Adjustments:				
Interest expense	1	—	9	1
Depreciation	389	370	792	739
EBITDA	2,370	1,296	3,261	2,279
Stock-based compensation	80	26	118	96
Specialty Chemicals Segment Adjusted EBITDA	$ 2,450	$ 1,322	$ 3,379	$ 2,375
% of segment sales	17.4%	9.3%	12.0%	8.5%

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Amounts in thousands, except per share data)	2020	2019	2020	2019
Loss before taxes	$ (9,073)	$ (404)	$ (11,631)	$ (1,737)
Adjustments:				
Acquisition costs and other	6	32	138	1,672
Proxy contest costs	2,734	—	2,909	—
Shelf registration costs	—	10	—	10
Earn-out adjustments	(827)	(418)	(823)	(401)
Gain on investments in equity securities	(1,092)	(100)	(240)	(373)
Asset impairments	6,079	—	6,079	—
Stock-based compensation	430	237	766	853
Non-cash lease expense	128	151	256	288
Retention expense	235	51	235	130
Adjusted (loss) income before income taxes	(1,380)	(441)	(2,311)	442
(Benefit) provision for income taxes at 21%	(290)	(93)	(485)	93
Adjusted net (loss) income	$ (1,090)	$ (348)	$ (1,826)	$ 349
Average shares outstanding, as reported				
Basic	9,058	8,974	9,066	8,951
Diluted	9,058	8,974	9,066	8,951
Adjusted net (loss) income per common share				
Basic	$ (0.12)	$ (0.04)	$ (0.20)	$ 0.04
Diluted	$ (0.12)	$ (0.04)	$ (0.20)	$ 0.04

Liquidity and Capital Resources

Summary

We closely manage our liquidity and capital resources. Our liquidity requirements depend on key variables, including level of investment required to support our business strategies, the performance of our business, capital expenditures, credit facilities and working capital management. Capital expenditures and share repurchases are a component of our cash flow and capital management strategy which we can adjust in response to economic and other changes in our business environment. We have a disciplined approach to capital allocation focusing on priorities that support our business and growth.

Cash Flows

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

	Six Months Ended June 30,	
	2020	2019
Total cash (used in) provided by:		
Operating activities	$ (173)	$ 13,225
Investing activities	798	(23,232)
Financing activities	161	7,810
Net increase (decrease) in cash and cash equivalents	$ 786	$ (2,197)

Operating Activities

The decrease in cash provided by operating activities for thesix months ended June 30, 2020 compared to the six months ended June 30, 2019 was primarily driven by changes in working capital, driven by increases in accounts receivable, which decreased operating cash flows for the first six months of 2020 by $1.9 million, compared to an increase of $0.9 million in the first six months of 2019, increases in inventory which decreased operating cash flows$1.4 million in the first six months of 2020, compared to an increase of $8.6 million in the first six months of 2019 and accrued income taxes, which decreased operating cash flow$3.1 million for the first six months of 2020, compared to a decrease of $1.5 million in the first six months of 2020. These were partially offset by increases in accounts payable, which increased operating cash flows$3.7 million in the first six months of 2020 compared to an increase of $2.5 million in the first six months of 2019 and $1.0 million in proceeds received from the Company's business interruption insurance related to the heavy wall press outage in 2019.

Investing Activities

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

Financing Activities

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

Sources of Liquidity

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

We have a $100 million asset-backed revolving Line with a maturity date of December 21, 2021 and a $20 million Term Loan with a maturity date of January 1, 2024. As of June 30, 2020, the Company had $78.6 million of total borrowings outstanding with its lender. That total is up $3.0 million from the balance at December 31, 2019. As of June 30, 2020, the Company had $7.2 million of remaining available capacity under its Line. See Note 6, *Long-term Debt,* in the notes to the unaudited condensed consolidated financial statements for additional information.

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

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

At June 30, 2020, the Company had a minimum fixed charge coverage ratio of 1.39 and a minimum tangible net worth of $67.4 million.

Stock Repurchases and Dividends

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

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

Stock repurchase activity was as follows:

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

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

Other Financial Measures

Our current ratio, calculated as current assets divided by current liabilities, was 3.7 at June 30, 2020 and 3.6 at December 31, 2019.

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

Our return on average equity, calculated as net income divided by the trailing 12-month average of equity, was (7.9)% at June 30, 2020 and (2.9)% at December 31, 2019, respectively.

Off-Balance Sheet Arrangements and Contractual Obligations

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

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

Significant Accounting Policies and Estimates

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

Credit Losses on Accounts Receivable

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

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

This quarterly report includes and incorporates by reference "forward-looking statements" within the meaning of the federal securities laws. All statements that are not historical facts are "forward-looking statements." The words "estimate," "project," "intend," "expect," "believe," "should," "anticipate," "hope," "optimistic," "plan," "outlook," "should," "could," "may" and similar expressions identify forward-looking statements. The forward-looking statements are subject to certain risks and uncertainties, including without limitation those identified below, which could cause actual results to differ materially from historical results or those anticipated. Readers are cautioned not to place undue reliance on these forward-looking statements. The following factors could cause actual results to differ materially from historical results or those anticipated: adverse economic conditions; the impact of competitive products and pricing; product demand and acceptance risks; raw material and other increased costs; raw materials availability; employee relations; ability to maintain workforce by hiring trained employees; labor efficiencies; customer delays or difficulties in the production of products; new fracking regulations; a prolonged decrease in nickel and oil prices; unforeseen delays in completing the integrations of acquisitions; risks associated with mergers, acquisitions, dispositions and other expansion activities; financial stability of our customers; environmental issues; negative or unexpected results from tax law changes; unavailability of debt financing on acceptable terms and exposure to increased market interest rate risk; inability to comply with covenants and ratios required by our debt financing arrangements; ability to weather an economic downturn; loss of consumer or investor confidence, risks relating to the impact and spread of COVID-19 and other risks detailed from time-to-time in the Company's SEC filings. The Company assumes no obligation to update the information included in this report.

Item 3. Quantitative and Qualitative Disclosures about Market Risks

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

Item 4. Controls and Procedures

Based on the evaluation required by 17 C.F.R. Section 240.13a-15(b) or 240.15d-15(b) of the Company's disclosure controls and procedures (as defined in 17 C.F.R. Sections 240.13a-15(e) and 240.15d-15(e)), the Company's Chief Executive Officer and Chief Financial Officer concluded that such controls and procedures, as of the end of the period covered by this quarterly report, were not effective due to the presence of a material weakness in internal control over financial reporting described below. Notwithstanding the material weakness, management believes, based on its procedures in preparing this report, that the consolidated financial statements included in this report fairly present, in all material respects, the Company’s financial position, results of operations and cash flows as of and for the periods presented in conformity with accounting principles generally accepted in the United States of America.

As previously disclosed, during the same period, the Company received a hotline complaint principally regarding the accounting treatment of Palmer and other matters. In response to this complaint, the Board of Directors engaged an independent law firm to investigate the matters. The independent law firm's investigation concluded that there was no evidence of intentional misconduct, bad faith or criminal acts.

Material Weakness in Internal Control Over Financial Reporting

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

The Company's Chief Executive Officer and Chief Financial Officer concluded that several control deficiencies existed related to the Company's control environment. These control deficiencies included improper tone related to the treatment of and communication with lower-level employees by management, and certain personnel performing job responsibilities outside their job descriptions. Additionally, there was a delay in reporting a whistleblower matter to the Audit Committee, and a certain matter not being transitioned to the new Audit Committee. These control deficiencies, when aggregated, resulted in a material weakness in the Company's control environment as of June 30, 2020.

Remediation Plan

The Company is committed to remediating the control deficiencies that constituted the above material weakness by implementing changes to the Company's internal control over financial reporting. Management is responsible for implementing changes and improvements in the internal control over financial reporting and for remediating the control deficiencies that gave rise to the material weakness. In response to the identified deficiencies that aggregated to a material weakness, management, with oversight from the Company's Audit Committee, is in the process of developing a detailed plan for remediation of the material weakness, including:

- Providing leadership training and mentorship to key executives;
- Alignment of job descriptions with actual job responsibilities;
- Improving the Ethics and Compliance Hotline process, including the consideration of a third-party hotline service with automated reporting to the Audit Committee; and
- Enhancing the transition process for new finance executives and audit committee members.

As the Company continues to evaluate and work to remediate the control deficiencies that gave rise to the material weakness, the Company may determine to take additional measures to address the control deficiencies.

Changes in Internal Control over Financial Reporting

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

PART II

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
4.1	Amendment No. 1 to the Rights Agreement, dated as of June 27, 2020, by and between Synalloy Corporation and American Stock Transfer & Trust Company, LLC, as rights agent, incorporated by reference to Registrants Form 8-K filed on June 29, 2020.
10.1	Third Amendment to the Third Amended and Restated Loan Agreement, dated as of July 31, 2020, between Registrant and Truist Bank, formerly Branch Banking & Trust.
10.2	Fourth Amendment to the Third Amended and Restated Loan Agreement, dated as of August 13, 2020, between Registrant and Truist Bank, formerly Branch Banking & Trust.
31.1	Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer
32	Certifications Pursuant to 18 U.S.C. Section 1350
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL document and included in Exhibit 101*)
*	In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed "furnished" and not "filed."

SIGNATURES

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

SYNALLOY CORPORATION
(Registrant)

Date:	September 3, 2020	By:	**/s/ Craig C. Bram**
			Craig C. Bram President and Chief Executive Officer (principal executive officer)
Date:	September 3, 2020	By:	**/s/ Sally M. Cunningham**
			Sally M. Cunningham Senior Vice President and Chief Financial Officer (principal accounting officer)

Exhibit 10.1

Third Amendment to
Third Amended and Restated Loan Agreement

This Third Amendment to Third Amended and Restated Loan Agreement (this " ***Amendment***") is made as of July 31, 2020, by and among **Truist Bank f/k/a 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 **American Stainless Tubing, 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, between Borrowers and Bank, 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, as amended by that certain Second Amendment to Third Amended and Restated Loan Agreement dated December 20, 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. Conditions to Effectiveness of Amendment.

The Amendments set forth in Section 4 hereof shall become effective on the date of or after the date hereof on which the following conditions have been satisfied:

Fees: 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.

Evidence of Proxy Contest Expenses: Receipt by Bank of written documentation reasonably satisfactory to Bank of the Proxy Contest Expenses as set forth in Section 4 hereof.

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

4. Modifications to Specific Provisions of Loan Agreement

The paragraph entitled "Fixed Charge Coverage Ratio" in Section 5 of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

Third Amendment to
Third Amended and Restated Loan Agreement

"Fixed Charge Coverage Ratio. Minimum fixed charge coverage ratio of not less than 1.25, with the first test beginning December 31, 2017 and continuing each quarter thereafter all to be tested on a rolling four quarter basis. The fixed charge coverage numerator is defined as the sum of pre-tax net income or pre-tax net loss plus depreciation and amortization plus interest expense plus rent/lease expense plus goodwill impairment expense plus stock option expense, minus dividends; provided that, for the quarter ending June 30, 2020, and the directly following three quarters after the quarter ending June 30, 2020, the fixed charge coverage numerator shall include certain costs related to a proxy contest in the amount of $3,097,613.65 (the "***Proxy Contest Expenses***"). The denominator is defined as the sum of interest expense, plus current maturities of long term debt plus rent/lease expense. Notwithstanding the foregoing in this paragraph, the Proxy Contest Expenses shall be added to the fixed charge coverage numerator only if the Borrower provides, in a form reasonably satisfactory to Bank, written documentation to Bank evidencing the Proxy Contest Expenses."

5. 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.

6. Security

For the avoidance of doubt, all of the obligations of the Borrowers, whether of payment or performance, under the Line of Credit or Term Loan 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.

7. 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]

Exhibit 10.1

Third Amendment to
Third Amended and Restated Loan Agreement

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.

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.
AMERICAN STAINLESS TUBING, LLC

Witness:

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

____

Print Name: ______________________

Third Amendment to
Third Amended and Restated Loan Agreement

COMMONWEALTH OF VIRGINIA

COUNTY OF ____________

The foregoing instrument was acknowledged before me this ____ day of ________________, 2020, by Sally M. Cunningham, 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 **American Stainless Tubing, LLC**, a North Carolina limited liability company on behalf of each company.

____
Notary Public, Commonwealth of Virginia

Printed Name: ________________________

My commission expires: ________________

Third Amendment to
Third Amended and Restated Loan Agreement

TRUIST BANK

Witness:

____

Print Name: _____________________

By: ______________________________________
Stan W. Parker
Senior Vice President

Exhibit 10.2

Fourth Amendment to
Third Amended and Restated Loan Agreement

This Fourth Amendment to Third Amended and Restated Loan Agreement (this "***Amendment***") is made as of August 13, 2020, by and among **Truist Bank f/k/a 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 **American Stainless Tubing, 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, between Borrowers and Bank, 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, as amended by that certain Second Amendment to Third Amended and Restated Loan Agreement dated December 20, 2018, as amended by that certain Third Amendment to Third Amended and Restated Loan Agreement dated July 31, 2020.

<u>Agreement</u>

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. Conditions to Effectiveness of Amendment.

The Amendments set forth in Section 4 hereof shall become effective on the date of or after the date hereof on which the following conditions have been satisfied:

Modification Fee: Borrowers shall pay a modification fee payable to the Bank on the date of execution of this Amendment in the amount of $50,000.00.

Other Fees: 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.

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

Fourth Amendment to Third Amended and Restated Loan Agreement

4. Modifications to Specific Provisions of Loan Agreement

The paragraph entitled "Fixed Charge Coverage Ratio" in Section 5 of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

"Fixed Charge Coverage Ratio. Minimum fixed charge coverage ratio of not less than 1.25, with the first test beginning December 31, 2017 and continuing each quarter thereafter all to be tested on a rolling four quarter basis. The fixed charge coverage numerator is defined as the sum of pre-tax net income or pre-tax net loss plus depreciation and amortization plus interest expense plus rent/lease expense plus goodwill impairment expense plus stock option expense, minus dividends; provided that (i) for the quarter ending June 30, 2020, and the directly following three quarters after the quarter ending June 30, 2020, the fixed charge coverage numerator shall include the extraordinary costs related to a proxy contest in the amount of $3,097,613.65 (the "Proxy Contest Expenses") and (ii) for the quarter ending June 30, 2020, and the directly following three quarters after the quarter ending June 30, 2020, the fixed charge coverage numerator shall include an impairment charge for the goodwill, equipment, and inventory of Palmer of Texas Tanks, Inc. in the amount of the lesser of the actual impairment charge for the goodwill, equipment, and inventory of Palmer of Texas Tanks, Inc. or $6,000,000.00 (the "Palmer Impairment Charges"), and (iii) for the quarter ending June 30, 2020 and thereafter, the fixed charge coverage numerator may exclude, with the specific written approval of Bank to be provided or withheld in Bank's sole and absolute discretion, losses from the discontinued operations of Palmer of Texas Tanks, Inc. (the "Discontinued Operations Charges"). The denominator is defined as the sum of interest expense, plus current maturities of long term debt plus rent/lease expense. Borrowers shall provide such information as Bank may from time to time request for purposes of evaluating and analyzing this Fixed Charge Coverage Ratio Financial Covenant.

The following subsection (o) is hereby added to Section DD.04 of Schedule DD to the Loan Agreement:

"(o) Beginning January 1, 2021 and continuing thereafter, all Inventory owned by Palmer of Texas Tanks, Inc., a Texas corporation."

5. 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.

6. Security

For the avoidance of doubt, all of the obligations of the Borrowers, whether of payment or performance, under the Line of Credit or Term Loan 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.

7. 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.

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.

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.
AMERICAN STAINLESS TUBING, LLC

Witness:

____

Print Name: ______________________

By: ________________________________(SEAL)
Sally M. Cunningham
Senior Vice President and CFO or Senior Vice President, Finance
of and on behalf of each of the above-named entities

Fourth Amendment to
Third Amended and Restated Loan Agreement

COMMONWEALTH OF VIRGINIA

COUNTY OF ____________

The foregoing instrument was acknowledged before me this ____ day of August, 2020, by Sally M. Cunningham, 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: ________________

Fourth Amendment to
Third Amended and Restated Loan Agreement

Witness:

____

Print Name: _____________________

TRUIST BANK

By: _______________________________________
Stan W. Parker
Senior Vice President

Exhibit 31.1

CERTIFICATIONS

I, Craig C. Bram, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Synalloy Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 3, 2020

/s/ Craig C. Bram
Craig C. Bram
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Sally M. Cunningham, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Synalloy Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 3, 2020

/s/ Sally M. Cunningham
Sally M. Cunningham

Chief Financial Officer

Exhibit 32

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

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

Date: September 3, 2020 /s/ Craig C. Bram
Craig C. Bram
Chief Executive Officer

Date: September 3, 2020 /s/ Sally M. Cunningham
Sally M. Cunningham
Chief Financial Officer