

SYNALLOY CORP
Form 10-Q
November 04, 2014

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

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the Quarterly Period Ended September 27, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the Transition Period from _____ to _____

COMMISSION FILE NUMBER 0-19687

Synalloy Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or
organization)

57-0426694

(I.R.S. Employer Identification No.)

775 Spartan Blvd, Suite 102, P.O. Box 5627,
Spartanburg, South Carolina

(Address of principal executive offices)

29304

(Zip Code)

(864) 585-3605

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated Filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No
The number of shares outstanding of the registrant's common stock as of November 4, 2014 was 8,709,126.

Synalloy Corporation
Index

PART I FINANCIAL INFORMATION

- Item 1. Financial Statements
Condensed consolidated balance sheets - September 27, 2014 and December 28, 2013
Condensed consolidated statements of operations - Three and nine month periods ended September 27, 2014 and September 28, 2013
Condensed consolidated statements of cash flows - Nine months ended September 27, 2014 and September 28, 2013
Notes to condensed consolidated financial statements
- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Item 3. Quantitative and Qualitative Disclosures About Market Risk
- Item 4. Controls and Procedures

Part II OTHER INFORMATION

- Item 1. Legal Proceedings
- Item 1A. Risk Factors
- Item 6. Exhibits
- Signatures and Certifications

PART I

Item 1. FINANCIAL STATEMENTS

Synalloy Corporation

Condensed Consolidated Balance Sheets

	Sep 27, 2014 (Unaudited)	Dec 28, 2013
Assets		
Current assets		
Cash and cash equivalents	\$20,747,522	\$1,773,743
Accounts receivable, less allowance for doubtful accounts of \$1,559,562 and \$1,079,288, respectively	29,645,862	29,923,485
Inventories, net	48,047,605	51,495,912
Deferred income taxes	4,011,318	3,776,647
Prepaid expenses and other current assets	4,297,478	4,091,489
Current assets held for sale	—	8,550,076
Total current assets	106,749,785	99,611,352
Cash value of life insurance	2,079,419	2,007,419
Property, plant and equipment, net of accumulated depreciation of \$45,165,201 and \$42,489,518, respectively	34,426,532	32,665,281
Goodwill	17,252,678	17,252,678
Intangible asset, net	5,962,500	6,930,000
Deferred charges, net and other non-current assets	428,865	575,546
Assets held for sale	—	4,218,095
Total assets	\$166,899,779	\$163,260,371
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$14,118,095	\$11,440,573
Accrued expenses	12,366,051	9,182,369
Current portion of long-term debt	2,533,908	2,533,908
Other current liabilities	173,996	147,500
Current liabilities held for sale	—	1,318,876
Total current liabilities	29,192,050	24,623,226
Long-term debt	19,004,280	20,904,708
Long-term contingent consideration	—	3,362,031
Deferred income taxes	7,177,046	7,573,999
Other long-term liabilities	1,574,179	698,294
Shareholders' equity		
Common stock, par value \$1 per share - authorized 12,000,000 shares; issued 10,300,000 shares	10,300,000	10,300,000
Capital in excess of par value	33,938,122	33,657,714
Retained earnings	79,792,653	76,337,597
	124,030,775	120,295,311
Less cost of common stock in treasury: 1,590,874 and 1,612,200 shares, respectively	14,078,551	14,197,198
Total shareholders' equity	109,952,224	106,098,113

Commitments and contingencies – See Note 11

Total liabilities and shareholders' equity

\$166,899,779

\$163,260,371

Note: The balance sheet at December 28, 2013 has been derived from the audited consolidated financial statements at that date.

See accompanying notes to condensed consolidated financial statements.

3

Synalloy Corporation
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended		Nine Months Ended	
	Sep 27, 2014	Sep 28, 2013	Sep 27, 2014	Sep 28, 2013
Net sales	\$48,451,944	\$49,212,219	\$150,935,909	\$150,349,608
Cost of sales	40,131,353	44,045,750	125,565,826	133,321,398
Gross profit	8,320,591	5,166,469	25,370,083	17,028,210
Selling, general and administrative expense	3,613,857	3,896,881	12,108,703	11,857,323
Acquisition related costs	210	152,294	(2,936)	) 203,484
Operating income	4,706,524	1,117,294	13,264,316	4,967,403
Other (income) and expense				
Interest expense	261,168	362,386	788,854	1,076,613
Change in fair value of interest rate swap	(102,972)	) 106,437	191,527	(526,672)
Palmer earn-out adjustment	—	—	(3,476,197)) —
Bargain purchase gain from acquisition of CRI Tolling, LLC, net of taxes	—	(1,077,323)	) —	(1,077,323)
Other, net	(150)	) (84)	(6,796)	) (278)
Income from continuing operations before income taxes	4,548,478	1,725,878	15,766,928	5,495,063
Provision for income taxes	1,371,000	245,000	4,557,000	1,500,000
Net income from continuing operations	3,177,478	1,480,878	11,209,928	3,995,063
(Loss) income from discontinued operations, net of tax	(1,898,988)	) (19,417)	(7,754,872)	) 844,509
Net income	\$1,278,490	\$1,461,461	\$3,455,056	\$4,839,572
Net income per common share from continuing operations:				
Basic	\$0.36	\$0.23	\$1.29	\$0.63
Diluted	\$0.36	\$0.23	\$1.29	\$0.62
Net (loss) income per common share from discontinued operations:				
Basic	\$(0.22)	) \$—	\$(0.89)	) \$0.13
Diluted	\$(0.22)	) \$—	\$(0.89)	) \$0.13
Weighted average shares outstanding:				
Basic	8,707,063	6,382,800	8,699,428	6,374,913
Dilutive effect from stock options and grants	38,776	60,704	15,782	59,655
Diluted	8,745,839	6,443,504	8,715,210	6,434,568

See accompanying notes to condensed consolidated financial statements.

Synalloy Corporation
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended	
	Sep 27, 2014	Sep 28, 2013
Operating activities		
Net income	\$3,455,056	\$4,839,572
Loss (income) from discontinued operations, net of tax	7,754,872	(844,509)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation expense	2,816,742	2,351,340
Amortization expense	1,027,105	1,190,458
Deferred income taxes	(631,624)	37,006)
Bargain gain on acquisition of CRI Tolling, LLC, net of taxes	—	(1,077,323)
Palmer earn-out adjustment	(3,476,197)	—)
Provision for (reduction of) losses on accounts receivable	593,042	(140,417)
Provision for losses on inventory	3,828,122	766,122
Gain on sale of property, plant and equipment	(8,000)	(3,911)
Cash value of life insurance	(72,000)	(81,000)
Change in fair value of interest rate swap	191,527	(526,672)
Environmental reserves	26,496	27,209
Issuance of treasury stock for director fees	110,501	127,989
Employee stock option and grant compensation	252,488	248,385
Changes in operating assets and liabilities:		
Accounts receivable	(294,896)	(2,240,645)
Inventories	(476,615)	(7,084,054)
Other assets and liabilities, net	305,948	1,243,918
Accounts payable	2,656,999	7,077,454
Accrued expenses	4,036,683	(3,060,698)
Accrued income taxes	(469,849)	(60,291)
Net cash provided by continuing operating activities	21,626,400	2,789,933
Net cash provided by (used in) discontinued operating activities	189,471	(3,597,263)
Net cash provided by (used in) operating activities	21,815,871	(807,330)
Investing activities		
Purchases of property, plant and equipment	(4,562,734)	(4,442,423)
Proceeds from sale of property, plant and equipment	8,000	103,866
Acquisition of CRI Tolling, LLC	—	(4,527,762)
Net cash used in investing activities of continuing operations	(4,554,734)	(8,866,319)
Net cash provided by (used in) discontinued investing activities	3,586,044	(112,779)
Net cash used in investing activities	(968,690)	(8,979,098)
Financing activities		
Net borrowings from line of credit	—	6,372,083
Borrowings from long-term debt	—	4,033,250
Payments on long-term debt	(1,900,428)	(1,743,969)
Proceeds from exercised stock options	27,026	80,276
Net cash (used in) provided by financing activities	(1,873,402)	8,741,640
Increase (decrease) in cash and cash equivalents	18,973,779	(1,044,788)
Cash and cash equivalents at beginning of period	1,773,743	1,085,261
Cash and cash equivalents at end of period	\$20,747,522	\$40,473

Supplemental disclosure

Cash paid during the year for:

Interest	\$719,287	\$940,688
Income taxes	\$2,112,877	\$2,050,219

See accompanying notes to condensed consolidated financial statements.

5

Synalloy Corporation

Notes to Condensed Consolidated Financial Statements
(Unaudited)

September 27, 2014

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

NOTE 1--BASIS OF 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. Operating results for the three and nine-month periods ended September 27, 2014, are not necessarily indicative of the results that may be expected for the year ending January 3, 2015. For further information, refer to the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 28, 2013.

On August 29, 2014 the Company completed the sale of all of the issued and outstanding membership interests of its wholly owned subsidiary, Ram-Fab, LLC ("Ram-Fab"), to a subsidiary of Primoris Services Corporation. On June 27, 2014, the Company completed the planned closure of the Bristol Fabrication unit of Synalloy Fabrication, LLC ("Bristol Fab"). See Note 12, Discontinued Operations, for further information regarding the sale of Ram-Fab and the closure of Bristol Fab. The Company's financial results for its sold Ram-Fab and closed Bristol Fab businesses have been presented as discontinued operations for all periods presented in the accompanying condensed consolidated financial statements included in this Form 10-Q.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation in the accompanying condensed consolidated financial statements. These reclassifications had no material effect on previously reported results of operations or shareholders' equity.

NOTE 2--RECENTLY ADOPTED ACCOUNTING STANDARDS

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity", which changes the criteria for when the disposal of a component entity may be presented as discontinued operations. The standard requires that the disposal be considered a strategic shift (such as the disposal of a major geographical area, a major line of business, a major equity method investment, or other major part of an entity) which will have a major effect on a reporting entity's operating and financial results in order to be presented as discontinued operations. Disposals that do qualify for discontinued operations presentation will require expanded disclosure. ASU 2014-08 is effective for disposals which occur during annual periods beginning on or after December 15, 2014. The Company did not elect to early adopt the provisions of this ASU.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)", which changes the criteria for recognizing revenue. The standard requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard requires a five-step process for recognizing revenue

including identifying the contract with the customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016. The Company is currently evaluating the impact that ASU 2014-09 will have on its consolidated financial statements.

Synalloy Corporation

Notes to Condensed Consolidated Financial Statements
(Unaudited)

September 27, 2014

NOTE 3--INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market. The components of inventories, net, are as follows:

	Sep 27, 2014	Dec 28, 2013
Raw materials	\$20,815,519	\$16,557,350
Work-in-process	8,489,602	16,041,141
Finished goods	18,742,484	18,897,421
	\$48,047,605	\$51,495,912

NOTE 4--STOCK OPTIONS AND RESTRICTED STOCK

During the first nine months of 2014, stock options for 15,898 shares of common stock were exercised by officers and employees for an aggregate exercise price of \$153,422. The Company repurchased 9,094 shares of common stock totaling \$149,777. Stock compensation expense for the three and nine month periods ended September 27, 2014 was approximately \$88,000 and \$252,000, respectively, while stock compensation expense for the three and nine month periods ended September 28, 2013 was approximately \$83,000 and \$248,000, respectively.

On February 20, 2014, the Compensation & Long-Term Incentive Committee of the Board of Directors of the Company approved stock option grants under the Company's 2011 Long-Term Incentive Stock Option Plan (the "2011 Plan"). Options for a total of 13,790 shares, with an exercise price of \$14.76, were granted under the 2011 Plan to certain management employees of the Company. The exercise price was determined using the average of the high and low stock price on the day prior to the grant date. The per share weighted-average fair value of the stock options granted on February 20, 2014 was \$6.70. The fair value of the option grants was estimated using the Black-Scholes option-pricing model based on a risk-free interest rate of two percent, an expected volatility of 52 percent, an expected life of seven years and a dividend yield of 1.80 percent. The stock options vest in 20 percent increments annually on a cumulative basis, beginning one year after the date of grant. In order for the options to vest, the employee must be in the continuous employment of the Company since the date of the grant. Any portion of the grant that has not vested will be forfeited upon termination of employment. 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.

On April 24, 2014, the Company issued to its non-employee directors an aggregate of 7,088 shares of its common stock in lieu of a total of \$110,501 of their annual cash retainer fees. The directors were given the option of receiving shares of common stock for all or any part of their annual retainer fee.

On September 30, 2013, the Company closed on an underwritten public offering of 2,000,000 shares of its common stock at a price of \$15.75 per share. The underwriters also exercised their option to purchase and close upon an additional 300,000 shares of common stock at a price of \$15.75 per share. The Company received net proceeds, after underwriting discounts and estimated expenses, of approximately \$34,233,000. The Company used a portion of the net proceeds from the offering to invest approximately \$3,500,000 in new equipment for the CRI Tolling, LLC ("CRI Tolling") facility during 2014. The Company used \$18,061,000 of the stock sale proceeds in 2013 to pay off the outstanding balance on the line of credit.

NOTE 5--INCOME TAXES

The Company did not have any material unrecognized tax benefits accrued at September 27, 2014 and December 28, 2013. 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 income tax examinations for years before

2009. The Company's continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense.

7

Synalloy Corporation

Notes to Condensed Consolidated Financial Statements
(Unaudited)

September 27, 2014

NOTE 6--PAYMENT OF DIVIDENDS

During 2013, the Company declared and paid a \$0.26 per share dividend on December 3, 2013 for a total of \$2,260,000. The Company's Board of Directors presently plans to review at the end of each fiscal year the financial performance and capital needed to support future growth to determine the amount of cash dividend, if any, which is appropriate.

NOTE 7--SEGMENT INFORMATION

The operating results of the Bristol Fab and Ram-Fab units have been classified as discontinued operations and are not included in the operating results presented below. See Note 12, Discontinued Operations, for further information regarding the closure and sale of the related divisions. The following table summarizes certain information regarding segments of the Company's continuing operations:

	Three Months Ended		Nine Months Ended	
	Sep 27, 2014	Sep 28, 2013	Sep 27, 2014	Sep 28, 2013
Net sales				
Metals Segment	\$32,899,000	\$35,163,000	\$102,091,000	\$108,720,000
Specialty Chemicals Segment	15,553,000	14,049,000	48,845,000	41,630,000
	\$48,452,000	\$49,212,000	\$150,936,000	\$150,350,000
Operating income				
Metals Segment	\$3,840,000	\$517,000	\$11,000,000	\$3,148,000
Specialty Chemicals Segment	1,416,000	1,576,000	4,772,000	4,466,000
	5,256,000	2,093,000	15,772,000	7,614,000
Unallocated expenses				
Corporate	549,000	824,000	2,503,000	2,443,000
Acquisition related costs	—	152,000	(3,000)	) 203,000
Interest expense	261,000	362,000	789,000	1,077,000
Change in fair value of interest rate swap	(103,000)	) 106,000	192,000	(527,000)
Palmer earn-out adjustment	—	—	(3,476,000)) —
Bargain gain on CRI acquisition	—	(1,077,000)	) —	(1,077,000)
Income from continuing operations before income taxes	\$4,549,000	\$1,726,000	\$15,767,000	\$5,495,000

NOTE 8--FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Level 2 - Inputs other than quoted prices that are observable for assets and liabilities, either directly or indirectly.

These inputs include quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are less active.

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

8

Synalloy Corporation

Notes to Condensed Consolidated Financial Statements
(Unaudited)

September 27, 2014

Estimates of fair value using levels 2 and 3 may require judgments as to the timing and amount of cash flows, discount rates, and other factors requiring significant judgment, and the outcomes may vary widely depending on the selection of these assumptions. The Company's most significant fair value estimates as of September 27, 2014 and December 28, 2013 related to purchase accounting adjustments in the CRI Tolling acquisition, as described further in Note 9, Acquisitions, below, the re-measurement of the contingent consideration for Palmer of Texas Tanks, Inc. ("Palmer"), estimating the fair value of the reporting units in testing goodwill for impairment, estimating the fair value of the interest rate swap and providing disclosures of the fair values of financial instruments.

As of September 27, 2014 and December 28, 2013, the carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and borrowings under the Company's term loan, which are based on variable interest rates, approximate their fair value.

The Company does not currently have any Level 1 financial assets or liabilities. The Company has two Level 2 financial assets and liabilities. These are classified as Level 2 as they are not actively traded and are valued using pricing models that use observable market inputs.

The fair value of the interest rate swap contract entered into on August 21, 2012 resulted in an asset of \$174,000 and \$301,000 at September 27, 2014 and December 28, 2013, respectively. The interest rate swap was priced using discounted cash flow techniques which are corroborated by using non-binding market prices. Changes in its fair value were recorded in current assets or liabilities, as appropriate, with corresponding offsetting entries to other income (expense). 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.

The fair value of the interest rate swap contract entered into on September 3, 2013 resulted in a liability of \$145,000 and \$80,000 at September 27, 2014 and December 28, 2013, respectively. The interest rate swap was priced using discounted cash flow techniques which are corroborated by using non-binding market prices. Changes in its fair value were recorded in long-term assets or liabilities, as appropriate, with corresponding offsetting entries to other income (expense). 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.

The contingent consideration liability ("earn-out") is classified as Level 3. The amount of the total earn-out liability to the former shareholders of Palmer was determined using management's best estimate of earnings before interest, taxes, depreciation and amortization ("EBITDA") for the three-year period from the acquisition date which will determine the amount of the ultimate payment to be made. Factors such as volume increases, selling price increases and inflation were used to develop a base projection. Additional projected costs to improve employee turnover, safety, internal controls, etc. were deducted in order to determine projected EBITDA. The Company's cost of borrowing at inception was used to determine the present value of these expected payments. Each quarter-end, the Company re-evaluates the assumptions and adjusts to the estimated present value of the expected payments to be made. During the three months ended June 28, 2014, the Company reviewed the Palmer earn-out reserve for the second and third year payments and determined that the EBITDA threshold target of \$5,825,000 for the period from August 22, 2013 to August 21, 2014 ("Year 2") would not be attained, and therefore, the earn-out payment of \$2,500,000 for Year 2 was not made to the former Palmer shareholders. As a result, the Company adjusted the earn-out liability to the present value of the Company's current estimates by recognizing a gain of approximately \$3,476,000 during the second quarter. The Company does not expect Palmer to meet the EBITDA threshold target of \$6,825,000 during the final twelve month earn-out period; however, it should reach the \$5,825,000 threshold for year three.

The following table presents a summary of changes in fair value of the Company's Level 3 liabilities measured on a recurring basis for the nine-month period ended September 27, 2014:

	Level 3 Liabilities
Balance at December 28, 2013	\$5,862,031

Interest expense charged during 2014	72,500	
Change in fair value of contingent consideration liability	(3,476,197)
Balance at September 27, 2014	\$2,458,334	

Synalloy Corporation

Notes to Condensed Consolidated Financial Statements
(Unaudited)

September 27, 2014

There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 in the nine-month period ended September 27, 2014 or year ended December 28, 2013. During the first nine months of 2014, there have been no changes in the fair value methodologies used by the Company.

NOTE 9--ACQUISITIONS

Acquisition of Color Resources, LLC

In August 2013, the Company completed the purchase of the business assets of Color Resources, LLC ("CRI") and the building and land located in Fountain Inn, South Carolina where CRI was the sole tenant (the "CRI Facility"). CRI Tolling, a South Carolina limited liability company and wholly-owned subsidiary of the Company, will continue CRI's business as that of a toll manufacturer that provides outside manufacturing resources to global and regional chemical companies. On August 9, 2013, Synalloy purchased the CRI Facility for a total purchase price of \$3,450,000. On August 26, 2013, the Company purchased certain assets and assumed certain operating liabilities of CRI through CRI Tolling for a total purchase price of \$1,100,000. The assets purchased from CRI included accounts receivable, inventory, certain other assets, and equipment, net of assumed payables. With the acquisition of CRI and CRI Facility, the Company is currently expanding the Company's production capacity from its Cleveland, Tennessee facility to further penetrate existing markets, as well as develop new ones, including those in the energy industry. The Company viewed both the building and operating assets of CRI together as one business, capable of providing a return to ownership by expanding the segment's production capacity. Accordingly, the acquisition meets the definition of a business and the transaction was structured in a way that meets the definition of a business combination. CRI Tolling's results of operations since the acquisition date are reflected in the Company's condensed consolidated statements of operations.

The amount of CRI Tolling's revenues and pre-tax earnings included in the condensed consolidated statements of operation for the three month period ended September 27, 2014 was \$1,452,000 and \$61,000, respectively. The amount of CRI Tolling's revenues and pre-tax earnings included in the condensed consolidated statements of operation for the nine month period ended September 27, 2014 was \$4,524,000 and \$224,000, respectively.

NOTE 10--FINANCING ARRANGEMENT

In connection with the acquisition of CRI and the CRI Facility discussed in Note 9, on August 9, 2013, the Company entered into a Second Amendment to its Credit Agreement with its current bank (the "Amended Credit Agreement") to provide for a new ten-year term loan in the amount of \$4,033,000, with monthly principal payments customized to account for the 20 year amortization of the real estate assets and five year amortization of the equipment assets purchased. The real estate portion of the loan of \$3,485,000 represents 85 percent of the appraised value of the real estate and the equipment portion of the loan of \$548,250 represents 75 percent of the purchase price of the equipment assets. Therefore, the total monthly principal payment is \$23,659 during the first 60 months of the loan and will reduce to \$14,521 for the remainder of the loan, plus accrued interest with the balance due at maturity. Interest is calculated using the One Month LIBOR (as defined in the Amended Credit Agreement), plus two percent.

Pursuant to the Amended Credit Agreement, the Company was required to pledge all of the acquired assets of CRI and the CRI Facility. This agreement also modified the definition of EBITDA (as defined in the Amended Credit Agreement) and the maximum amount of capital expenditures for the fiscal year ended December 28, 2013 to exclude assets acquired with the acquisition of CRI and the CRI Facility. Covenants under the Amended Credit Agreement including maintaining a certain Total Funded Debt to EBITDA ratio (as defined in the Amended Credit Agreement), a minimum tangible net worth, and total liabilities to tangible net worth ratio were not modified. Additionally, none of the other provisions of the Credit Agreement were changed as a result of this amendment.

In conjunction with the new term loan, to mitigate the variability of the interest rate risk, the Company entered into an interest rate swap contract on September 3, 2013 with its current bank (the “interest rate swap”). The interest rate swap is for an initial notional amount of \$4,033,250 with a fixed interest rate of 4.83 percent and runs for ten years to August 19, 2023, which equates to the date of the term loan. The notional amount of the interest rate swap decreases as monthly principal payments are made. Although the swap is expected to effectively offset variable interest in the borrowing, hedge accounting will not be utilized. Therefore, changes in its fair value are being recorded in current assets or liabilities, as appropriate, with corresponding offsetting entries to other income (expense).

Synalloy Corporation

Notes to Condensed Consolidated Financial Statements
(Unaudited)

September 27, 2014

NOTE 11--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--DISCONTINUED OPERATIONS

On August 29, 2014, the Company completed the sale of all of the issued and outstanding membership interests of its wholly owned subsidiary, Ram-Fab, a South Carolina limited liability company, to a subsidiary of Primoris Services Corporation. The transaction was valued at less than \$10 million, which consideration included cash at closing, the Company's ability to receive potential future earn-out payment(s) and the retention of specified Ram-Fab current assets. The Company recognized a one-time charge in the third quarter of \$1,996,000 for costs associated with the closure plus a \$947,000 loss on sale of Ram-Fab. These charges, along with all non-recurring expenses associated with Ram-Fab, are included in the respective financial statements as discontinued operations on the accompanying condensed consolidated statements of operations. Ram-Fab was reported as part of the Metals Segment.

On June 27, 2014, the Company completed the planned closure of the Bristol Fab unit. Bristol Fab incurred operating losses totaling \$2,258,000 during the six month period ended June 28, 2014. The collective bargaining agreement with the United Association of Journeyman and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada Local Union No. 538 (the "Union") expired on February 15, 2014. After months of negotiations with the Union, Bristol Fab was unable to reach an agreement. Also, upon closure of the operation, the Company is obligated to pay a withdrawal liability to the Union's pension fund of approximately \$1,900,000 which is included in accrued expenses on the accompanying condensed consolidated balance sheet at September 27, 2014. The Company accrued a total of \$6,988,000, which includes the pension withdrawal liability, for costs associated with the closure. Included in this amount is a non-cash charge for the disposal of inventory on hand of \$3,026,000. These costs, along with all non-recurring expenses associated with Bristol Fab are included in discontinued operations on the accompanying condensed consolidated statements of operations. Bristol Fab was reported as part of the Metals Segment.

The Company's results from discontinued operations are summarized below. These operating results for the three and nine month periods ended September 27, 2014 and September 28, 2013, respectively, do not necessarily reflect what they would have been had the Bristol Fab and Ram-Fab units not been classified as discontinued operations.

	Three Months Ended		Nine Months Ended	
	Sep 27, 2014	Sep 28, 2013	Sep 27, 2014	Sep 28, 2013
Net sales	\$3,252,000	\$5,185,000	\$21,963,000	\$18,156,000
(Loss) income before income taxes	\$(2,862,000)	\$(1,000)	\$(11,299,000)	\$1,383,000
(Benefit from) provision for income taxes	(963,000)	18,000	(3,544,000)	538,000
Net (loss) income from discontinued operations	\$(1,899,000)	\$(19,000)	\$(7,755,000)	\$845,000

Synalloy Corporation

Notes to Condensed Consolidated Financial Statements
(Unaudited)

September 27, 2014

Assets and liabilities held for sale were comprised of the following at December 28, 2013:

	Dec 28, 2013
Assets	
Accounts receivable, net	\$4,168,899
Inventory, net	4,360,891
Prepaid expenses	20,286
Total current assets held for sale	\$8,550,076
Property, plant, and equipment, net	\$3,218,095
Goodwill	1,000,000
Total noncurrent assets held for sale	\$4,218,095
Liabilities	
Accounts payable	\$989,717
Accrued expenses	329,159
Total current liabilities held for sale	\$1,318,876

NOTE 13--SUBSEQUENT EVENTS

The Company performs an evaluation of events that occur after the balance sheet date but before the condensed consolidated financial statements are issued for potential recognition or disclosure of such events in its condensed consolidated financial statements. The Company evaluated subsequent events through the date that the condensed consolidated financial statements were issued.

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

The following is management's discussion of certain significant factors that affected the Company during the three and nine-month periods ended September 27, 2014.

Consolidated net sales from continuing operations for the third quarter of 2014 were \$48,452,000, a decrease of \$760,000 or two percent when compared to net sales from continuing operations for the third quarter of 2013 of \$49,212,000. Net sales from continuing operations for the first nine months of 2014 were \$150,936,000 which approximated the net sales from continuing operations of \$150,350,000 for the same period of the prior year. For the third quarter of 2014 the Company recorded net earnings from continuing operations of \$3,178,000, or \$0.36 per share, a 115 percent increase when compared to net earnings from continuing operations of \$1,481,000, or \$0.23 per share for the same quarter in the prior year. Net earnings from continuing operations for the first nine months of 2014 amounted to \$11,210,000, or \$1.29 per share, which represents an increase of 181 percent when compared to net earnings from continuing operations of \$3,995,000, or \$0.62 per share, for the first nine months of 2013. As a result of the Company's common stock offering in September 2013, an additional 2,300,000 shares were sold and therefore are included in the weighted average share calculation for the third quarter and first nine months of 2014. These additional shares have a dilutive effect when comparing all "per share" calculations for the third quarter and first nine months of 2014 with the same periods of the prior year.

On August 29, 2014, the Company completed the sale of all of the issued and outstanding membership interests of its wholly owned subsidiary Ram-Fab, a South Carolina limited liability company, to a subsidiary of Primoris Services Corporation. The transaction was valued at less than \$10 million, which consideration included cash at closing, Synalloy's ability to receive potential future earn-out payment(s) and the retention of specified Ram-Fab current assets. The Company realized a one-time charge in the third quarter of 2014 of \$1,996,000 for costs associated with the closure plus a \$947,000 charge to write off the Company's investment in Ram-Fab. These charges, along with all non-recurring expenses associated with Ram-Fab are included in the respective financial statements as discontinued operations. Ram-Fab was reported as a part of the Metals Segment.

On June 27, 2014 the Company completed the planned closure of Bristol Fab. The unit lost approximately \$2,258,000 in the first six months of 2014. Bristol Fab's collective bargaining agreement with the Union expired on February 15, 2014. After months of negotiations with the Union, Bristol Fab was unable to reach an agreement. Also, upon closure of the operation, the Company is legally obligated to pay a withdrawal liability to the Union's pension fund of over \$1.9 million. The Company realized a one-time charge in the second quarter of 2014 of \$6,988,000 for costs associated with the closure of Bristol Fab. Included in this amount is a non-cash charge for the disposal of inventory on hand of \$3,026,000. These costs, along with all non-recurring expenses associated with Bristol Fab are included in the respective financial statements as discontinued operations. Bristol Fab was reported as a part of the Metals Segment.

Metals Segment

Sales from continuing operations during the third quarter of 2014 totaled \$32,899,000, a decrease of \$2,264,000 or six percent from \$35,163,000 for the same quarter last year. Sales from continuing operations for the first nine months of 2014 were \$102,091,000, a decrease of \$6,629,000 or six percent from the first nine months of 2013. Storage tank sales decreased 25 percent and nine percent for the third quarter and first nine months of 2014 when compared to the same periods of the prior year. Pipe sales from continuing operations increased one percent and decreased five percent for the third quarter and first nine months, respectively, of 2014 when compared to the prior year. The pipe sales increase for the third quarter resulted from a four percent increase in average unit volumes partially offset by a three percent decrease in average selling prices. In the third quarter, the Metals Segment experienced commodity unit volumes increasing nine percent while non-commodity unit volume decreased seven percent. Selling prices for commodity pipe increased approximately 20 percent while selling prices for non-commodity pipe decreased approximately 15 percent. The non-commodity price decrease was largely attributable to mix differences between the periods.

The pipe sales decrease for the first nine months of 2014 resulted from a three percent increase in average unit volumes combined with an eight percent decrease in average selling prices. In the first nine months of 2014, the Metals Segment experienced commodity unit volumes decreasing six percent while non-commodity unit volume increased 24 percent. Selling prices for commodity pipe increased six percent while selling prices for non-commodity pipe decreased 27 percent.

The entire shortfall in storage tank sales for 2014 when compared to 2013 occurred in the third quarter of 2014 as a result of a large salt water disposal project which was shipped during the third quarter of 2013 combined with the negative effect of tropical cyclone Odile that produced approximately nine inches of rain over a ten day period in mid-September. Tank orders remain strong as evidenced by the 14 percent increase in backlog during the third quarter of 2014, and the majority of the sales shortfall experienced during the third quarter should be recovered during the fourth quarter of 2014.

The Bechtel nuclear project which was completed during the fourth quarter of 2013 accounted for the decrease in Metals Segment sales in the third quarter and first nine months of 2014. The Segment also focused on obtaining an improved sales mix in 2014. Less profitable commodity pipe sales were replaced with higher margin commodity and special alloy welded stainless pipe shipments. Special alloy inquiries, bookings and backlog remained strong in the third quarter of 2014.

The Metals Segment's operating income from continuing operations increased 643 percent to \$3,840,000 for the third quarter of 2014 compared to \$517,000 for the third quarter of 2013. Operating income from continuing operations for the first nine months of 2014 for the Metals Segment increased \$7,852,000, or 249 percent, to \$11,000,000 when compared to \$3,148,000 for the first nine months of the prior year. Operating income from continuing operations, which increased \$3,323,000 and \$7,852,000 for the third quarter and first nine months of 2014, respectively, compared to the same periods of 2013, was impacted by the following factors:

The Company-wide cost cutting initiatives implemented in January 2014 had a favorable effect on profitability for a) the first nine months of 2014. The Segment is meeting or exceeding all of the financial metric targets that were implemented.

As a result of tropical cyclone Odile, Palmer lost five shipping days during September 2014. The inability to ship b) product during that time is estimated to have a negative effect on net income of approximately \$198,000 and resulted in consolidated earnings per share being unfavorably affected by \$0.023 per share.

The Company experienced higher medical claims during the third quarter 2014 which resulted in a higher cost c) allocation to both segments. The increased average medical claims lowered third quarter earnings per share by approximately \$0.016 per share.

As mentioned above, BRISMET's product mix changed significantly in 2014. New sales pricing tools have allowed d) the sales department to focus on profitable sales quotes while backing away from low margin business.

Sales and operating income for 2013 were significantly affected by the low margin Bechtel nuclear project. The e) BRISMET facility successfully converted that effort to higher margin products in 2014.

As a result of rising nickel prices during 2014, the Company experienced inventory gains of approximately f) \$808,000 and \$110,000 for the third quarter and first nine months of 2014, respectively, compared to inventory losses of approximately \$1,424,000 and \$2,631,000, respectively, for the same periods of 2013.

Specialty Chemicals Segment

Sales for the Specialty Chemicals Segment in the third quarter of 2014 were \$15,553,000, which represented an eleven percent increase from \$14,049,000 for the same quarter of 2013. Sales for the first nine months of 2014 were \$48,845,000, an increase of \$7,215,000 or 17 percent from \$41,630,000 for the same period of 2013. Overall selling prices decreased eight percent and ten percent in the third quarter and first nine months, respectively, of 2014 when compared to the same periods of 2013 due in part to a significant increase in usage of a lower cost raw material that is reflected in the selling price at Manufacturers Chemicals and generally lower average selling prices at CRI Tolling. Operating income for the third quarter of 2014 and 2013 was \$1,416,000 and \$1,576,000, respectively, a decrease of ten percent. For the first nine months of 2014, operating income was \$4,772,000 compared to \$4,466,000 for the same period of 2013, which represents an increase of seven percent. CRI Tolling continues to outperform management's acquisition projections and had a positive impact on profitability during the first nine months of 2014. The Specialty Chemicals Segment continues to focus on improving the product mix to higher margin products and controlling operating and support costs. At CRI Tolling, improving production capabilities by streamlining processes and adding necessary equipment will be a major focus. Manufacturers Chemicals will continue to focus on penetrating multiple new markets that will impact long-term organic growth.

On August 26, 2013, CRI Tolling completed the purchase of substantially all of the assets and assumed certain operating liabilities of CRI. The assets purchased from CRI included equipment and certain other assets and approximately \$387,000 of inventory and accounts receivables, net of assumed payables. The total purchase price was \$1,100,000. The Company acquired the building and land where CRI operates in a separate transaction on August 9, 2013 for approximately \$3,500,000. The Company viewed both the building and operating assets of CRI together as one business, capable of providing a return to ownership by expanding the Segment's production capacity.

Accordingly, the acquisition meets the definition of a business and the transaction is structured in a way that meets the definition of a business combination.

The Company funded the acquisition of CRI through a new term loan with the Company's bank, plus an increase in its line of credit.

Other Items

Consolidated selling, general and administrative expenses from continuing operations decreased \$283,000 to \$3,614,000 or seven percent of sales from \$3,897,000 or eight percent of sales for the third quarter of 2014 compared to 2013. For the first nine months of 2014 compared to the same period of 2013, the expenses increased \$251,000 to \$12,109,000 or eight percent of sales from \$11,857,000 or eight percent of sales. Approximately \$197,000 and \$738,000 of the increase arose from including CRI Tolling's selling, general and administrative expenses in the three and nine month periods ended September 27, 2014, respectively, with only comparable costs for 2013 for the period of August 26, 2013 to September 28, 2013. The remainder of the increase resulted from higher sales commissions associated with the sales increase experienced in the first nine months of 2014 combined with higher management incentive expense. These increases were partially offset by lower professional fees, travel costs, and amortization expense for the first nine months of 2014 compared to the same period of 2013.

Consolidated interest expense for the third quarter of 2014 was \$261,000 compared to \$362,000 for the third quarter of 2013. For the first nine months, interest expense decreased to \$789,000 for 2014 compared to \$1,077,000 for 2013. The lower expense levels resulted from the Company paying off the outstanding balance of its line of credit in October 2013 with a portion of the proceeds from the September 30, 2013 public stock offering.

In connection with the acquisition of CRI, on August 9, 2013 the Company amended its credit agreement for a new ten-year term loan in the amount of \$4,033,000, with monthly principal payments customized to account for the 20 year amortization of the real estate assets combined with a five year amortization of the equipment assets purchased. In conjunction with the new term loan, to mitigate the variability of interest rate risk, the Company entered into an interest rate swap contract on September 3, 2013. The interest rate swap is for an initial notional amount of \$4,033,250 with a fixed interest rate of 4.83 percent and runs for ten years to August 19, 2023, which equates to the due date of the term loan. The notional amount of the interest rate swap decreases as monthly principal payments are made.

Also, the change in the fair value of the interest rate swap contracts decreased unallocated expenses for the third quarter of 2014 by \$103,000 and increased unallocated expenses by \$106,000 for the third quarter of 2013. For the first nine months of 2014, unallocated expenses increased by \$192,000 for the change in the fair value of the interest rate swap contracts while decreasing unallocated expenses by \$527,000 for the first nine months of 2013.

During the second quarter, management reviewed the reserves for Palmer's second and third year earn-out payments. The earn-out period runs from August 22nd to August 21st of the following year, with a threshold target of \$5,825,000 in EBITDA in order for the former shareholders of Palmer to receive an earn-out payment of \$2,500,000. An additional earn-out payment of \$1,000,000 million can be achieved at \$6,825,000 in EBITDA. While Palmer's EBITDA results in the second quarter of this year exceeded the same period last year, EBITDA in the fourth quarter of 2013 and in January and February of this year, trailed the threshold EBITDA target required for the sellers to receive the base earn-out payment.

At the end of the second quarter 2014, with approximately seven weeks remaining in the earn-out period, management did not expect the threshold EBITDA target of \$5,825,000 to be achieved. Looking out to the third and final year of the earn-out period, management does expect Palmer to achieve the threshold EBITDA target of \$5,825,000. The Company remains pleased with Palmer's performance to date and its prospects for the future, however management does not expect the business unit to reach the \$6,825,000 level in the final earn-out period.

The amounts originally estimated for future earn-out payments and our current estimates are as follows:

	Original estimate	Current estimate	Difference
Year 2	\$2,500,000	\$—	\$2,500,000
Year 3	3,500,000	2,500,000	1,000,000
Total	\$6,000,000	\$2,500,000	\$3,500,000

During the second quarter of 2014, the Company recorded a one-time favorable adjustment at the parent company level of \$3,476,000 to reduce the earn-out liability to the present value of our current estimate.

As noted in the Specialty Chemicals Segment section, the Company realized a \$1,077,000 bargain purchase gain net of deferred taxes from the acquisition of CRI in the third quarter of 2013. The gain resulted primarily from the fair value of land, building and equipment exceeding the cost paid for these assets. The total amount of the gain was approximately \$1,678,000. The Company

reduced this amount by approximately \$601,000 to establish a deferred tax liability to provide for future book to tax depreciation differences. The net bargain purchase gain of \$1,077,000 is not taxable for federal or state purposes and was removed from the 2013 third quarter and year-to-date tax provision.

The Company's cash balance increased \$18,974,000 during 2014 from \$1,774,000 at the end of 2013 to \$20,748,000 as of September 27, 2014.

a) The Company received approximately \$3,610,000 from the sale of Ram-Fab;

Net accounts receivable decreased \$277,000 at September 27, 2014 when compared to the prior year end which

b) resulted from lower storage tank sales during the third quarter of 2014 combined with the closing of Bristol Fab during 2014;

Net inventories decreased \$3,448,000 as of September 27, 2014 compared to the end of 2013 as a result of closing

c) Bristol Fab during 2014 which had \$5,174,000 of inventory on hand at the end of 2013;

The Company generated cash during the third quarter of 2014 as accounts payable increased \$2,677,000 as of

d) September 27, 2014 from the prior year end due to the timing of raw material purchases in the third quarter of 2014 combined with the Company experiencing an expansion in the number of accounts payable days outstanding; and

e) Capital expenditures for the first nine months of 2014 were \$4,563,000, of which \$2,953,000 was for the planned CRI expansion.

These items contributed to the Company having approximately \$21,538,000 of fixed-rate bank debt outstanding as of September 27, 2014. Covenants under the various debt agreements include maintaining a certain Funded Debt to EBITDA ratio, a minimum tangible net worth and total liabilities to tangible net worth ratio. The Company is also limited to a maximum amount of capital expenditures per year, which is in line with the Company's current projected needs. The Company is in compliance with all debt covenants at September 27, 2014.

Outlook

During 2014, Synalloy sold or closed two under performing subsidiaries. Management believes the decision to close Bristol Fab and sell Ram-Fab leaves the overall Company stronger by eliminating chronically unprofitable units. The Company reallocated management and other resources to other growth and acquisition initiatives within the Metals Segment.

The Company will continue to reduce and monitor the cost structure in all of our business units, improve the product mix at both the pipe and storage tank facilities, and continue to penetrate new markets in the Specialty Chemicals Segment. Management is pleased that all remaining business units have reported results in excess of their targets thus far in 2014. With its strong balance sheet combined with the excellent performance of its current operating units, we are well positioned to pursue accretive acquisitions for the Company.

The Metals Segment's business continues to be highly dependent on its customers' capital expenditures. We expect to see additional improvements through the remainder of 2014 with increased quoting activity and new project startups. We expect continued improvement in the pricing of our commodity products over 2013 and will continue to focus on higher margin business opportunities. Nickel prices, which result in stainless steel surcharges, peaked during mid-May, with an increase of approximately 50 percent since the end of the year. Since that time, nickel prices fell back slightly from the high with third quarter prices being approximately 23 percent higher than the prior year-end value. Through October 16, 2014, nickel prices decreased another 11 percent. If the Indonesian ban on ore exports remains in place, nickel prices have room to increase from their current levels. Our inventory gains and losses are determined by a number of factors including sales mix and the holding period of particular products. As a consequence, there may not be a direct correlation between the direction of stainless steel surcharges and inventory profits or losses at a particular point in time. Our experience has been that over the course of a business cycle, this volatility has tended towards zero.

We believe we are the largest and most capable domestic producer of non-commodity stainless steel pipe and an effective producer of commodity stainless steel pipe. Our market position remains strong in the commodity pipe market and we continue to see strong order activity in special alloys. Gulf coast activity remains vigorous for chemical, petro-chem, fertilizer and plastic end-user applications. Management anticipates continued strong sales of fiberglass and steel tanks at Palmer as the oil drilling expansion continues in the Permian Basin and Eagle Ford Shale

areas of Texas. During the remainder of 2014, we will continue to focus on gaining production efficiencies and improving our product mix.

The storage tank backlog was \$13,547,000 at September 27, 2014 and \$11,477,000 at December 28, 2013. Historical backlog information is not available prior to December 28, 2013.

Specialty Chemicals Segment's sales should continue to show improvement for the remainder of 2014 and well into 2015 as both units aggressively pursue new business opportunities, evaluate product pricing, increase growth to direct customers and identify new sales opportunities for product offerings that have available production capacity. The Specialty Chemicals Segment's project pipeline is heavily weighted with oil and gas opportunities attained through new growth market penetration efforts, which should favorably impact the remainder of the year. Management expects operating margins to hold steady at current levels. The expansion of the CRI Tolling facility is currently scheduled to be on line at the end of November 2014 and the Company already entered into a three-year tolling agreement for items to be produced from this new production line.

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

This earnings release 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 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; unavailability of debt financing on acceptable terms and exposure to increased market interest rate risk; inability to comply with covenants and ratios required by our debt financing arrangements; ability to weather an economic downturn; loss of consumer or investor confidence and other risks detailed from time-to-time in the Company's Securities and Exchange Commission filings. The Company assumes no obligation to update the information included in this release.

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 28, 2013, which was filed with the Securities and Exchange Commission on March 11, 2014. 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 effective.

There have been no changes in the Company's internal control over financial reporting during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

Item 1. Legal Proceedings

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

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 28, 2013.

18

Item 6. Exhibits

Exhibit No.

	Description
31.1	Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer
32	Certifications Pursuant to 18 U.S.C. Section 1350
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
*	In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed "furnished" and not "filed."

SIGNATURES

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

SYNALLOY CORPORATION
(Registrant)

Date: November 4, 2014

By: /s/ Craig C. Bram
Craig C. Bram
President and Chief Executive Officer
(principal executive officer)

Date: November 4, 2014

By: /s/ Richard D. Sieradzki
Richard D. Sieradzki
Vice President, Finance and Chief Financial Officer
(principal accounting and financial officer)