SYNALLOY CORP
Form 10-K
March 25, 2011

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

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED JANUARY 1, 2011
OR
__ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
COMMISSION FILE NUMBER 0-19687

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

Delaware (State of incorporation)	57-0426694 (I.R.S. Employer Identification No.)

Croft Industrial Park, P.O. Box 5627, Spartanburg, South Carolina 29304
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (864) 585-3605

Securities registered pursuant to Section 12(b) of the Act Common Stock, $1.00 Par Value (Title of Class)	Name of each exchange on which registered: NASDAQ Global Market

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

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

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

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 X 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 _ (Not yet applicable to Registrant)

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

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 X

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

Based on the closing price as of July 3, 2010, which was the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the common stock held by non-affiliates of the registrant was $48.2 million. Based on the closing price as of February 28, 2011, the aggregate market value of common stock held by non-affiliates of the registrant was $80.2 million. The registrant did not have any non-voting common equity outstanding at either date.

The number of shares outstanding of the registrant's common stock as of February 28, 2011 was 6,301,699.

Documents Incorporated By Reference

Portions of the Proxy Statement for the 2011 annual shareholders' meeting are incorporated by reference into Part III of this Form 10-K.

1

Synalloy Corporation

Form 10-K

For Period Ended January 1, 2011

Table of Contents

Forward-Looking Statements

This Annual Report on Form 10-K includes and incorporates by reference "forward-looking statements" within the meaning of the securities laws. All statements that are not historical facts are "forward-looking statements." The words "estimate," "project," "intend," "expect," "believe," "anticipate," "plan," “outlook” 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; customer delays or difficulties in the production of products; 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 Synalloy's Securities and Exchange Commission filings. Synalloy Corporation assumes no obligation to update any forward-looking information included in this Annual Report on Form 10-K.

PART I

Item 1 Business

Synalloy Corporation, a Delaware corporation ("the Company"), 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. On June 3, 1988, the state of incorporation was changed from South Carolina to Delaware. The Company's executive offices are located at 775 Spartan Boulevard, Suite 102, Spartanburg, South Carolina.

The Company’s business is divided into two segments, the Metals Segment and the Specialty Chemicals Segment. The Metals Segment operates as Bristol Metals, LLC (“Bristol”) and Ram-Fab, LLC (“Ram-Fab”). Bristol manufactures pipe (“Bristol Pipe”) and fabricates piping systems (“BPS”) from stainless steel and other alloys, and Ram-Fab fabricates piping systems from carbon, chrome, stainless steel and other alloys. The Metals Segment’s markets include the chemical, petrochemical, pulp and paper, mining, power generation (including nuclear), water and wastewater treatment, liquid natural gas (“LNG”), brewery, food processing, petroleum, pharmaceutical and other industries. The Specialty Chemicals Segment operates as Manufacturers Chemicals, LLC (“MC”), located in Cleveland, Tennessee and Dalton, Georgia. The Specialty Chemicals Segment produces specialty chemicals and dyes for the carpet, chemical, paper, metals, mining, agricultural, fiber, paint, textile, automotive, petroleum, cosmetics, mattress, furniture, janitorial and other industries.

General

Metals Segment – This Segment is comprised of two wholly-owned subsidiaries: Synalloy Metals, Inc. which owns 100 percent of Bristol Metals, LLC, located in Bristol, Tennessee; and Ram-Fab, LLC, located in Crossett, Arkansas.

Bristol Pipe manufactures welded pipe, primarily from stainless steel, but also from other corrosion-resistant metals. Pipe is produced in sizes from one-half inch to 120 inches in diameter and wall thickness up to one and one-half inches. Sixteen-inch and smaller pipe is made on equipment that forms and welds the pipe in a continuous process. Pipe larger than 16 inches is formed on presses or rolls and welded on batch welding equipment. Pipe is normally produced in standard 20-foot lengths. However, Bristol Pipe has unusual capabilities in the production of long length pipe without circumferential welds. This can reduce installation cost for the customer. Lengths up to 60 feet can be produced in sizes up to 16 inches in diameter. In larger sizes Bristol Pipe has a unique ability among domestic producers to make 48-foot lengths in sizes up to 36 inches. Over the past five years, Bristol has made substantial capital improvements to both Bristol Pipe and BPS, expanding and improving capabilities to service markets requiring large diameter pipe and specialty alloy pipe such as water and waste water treatment, LNG, and scrubber applications for the power industry. These improvements include expanding its x-ray facilities which allows simultaneous use of real time and film examination; updating material handling equipment; expanding capabilities for forming large pipe on existing batch equipment, giving Bristol Pipe the capability to produce 36-inch diameter pipe in 48-foot lengths with wall thicknesses of up to one inch; adding a shear that has the capacity of shearing stainless steel plate up to one-inch thick; completing plant expansions that allow the manufacture of pipe up to 42 inches in diameter utilizing more readily available raw materials at lower costs, provide additional manufacturing capacity, and provide improved product handling and additional space for planned equipment additions; and installing automated hydro-testing equipment for pipe up to 72 inches in diameter.

A portion of the pipe produced is further processed into piping systems that conform to engineered drawings furnished by the customers. This allows the customer to take advantage of the high quality and efficiency of BPS rather than performing all of the welding at the construction site. BPS's pipe fabrication shop can make one and one-half inch diameter cold bends on one-half inch through eight-inch stainless pipe with thicknesses up through schedule 40S. Most piping systems are produced from pipe manufactured by Bristol Pipe.

Ram-Fab's carbon and chrome alloy pipe fabrication enhances the stainless fabrication business of BPS, giving the Segment the capability to quote on all types of pipe fabrication projects utilizing any combination of these three material types. Ram-Fab, which was purchased by the Company in 2009, was established over 20 years ago in Crossett, Arkansas and provides affordable, quality pipe fabrication in carbon steel and high chrome alloys. From power plants to refineries to chemical plants, Ram-Fab serves a broad range of customers, both domestic and international. As a carbon steel and high chrome pipe fabrication facility Ram-Fab is poised to take advantage of the anticipated increase in the construction of power generation plants utilizing coal or natural gas, as well as nuclear. Refinery upgrades and environmental work will also add to the requirements of quality shop-fabricated carbon steel and high chrome systems. Since Bristol does not manufacture carbon or chrome alloy pipe, these materials are purchased from outside suppliers. During 2010, Ram-Fab completed a capital project to add a temperature and humidity controlled paint facility. Since the majority of its carbon steel fabrication systems requires painting, this will increase their production throughput while improving quality.

In order to establish stronger business relationships, only a few raw material suppliers are used. Five suppliers furnish about 84 percent of total dollar purchases of raw materials, with one supplier totaling about 49 percent. However, the Company does not believe that the loss of any of these suppliers would have a materially adverse effect on the Company as raw materials are readily available from a number of different sources, and the Company anticipates no difficulties in fulfilling its requirements.

This Segment's stainless steel products are used principally by customers requiring materials that are corrosion-resistant or suitable for high-purity processes. The largest users are the chemical, petrochemical, pulp and paper, waste water treatment and LNG industries, with some other important industry users being mining, power generation (including nuclear), water treatment, brewery, food processing, petroleum, pharmaceutical and alternative fuels. The Segment's carbon and chrome alloy products are used primarily in the power generation and chemical industries.

Specialty Chemicals Segment – This Segment consists of the Company's wholly-owned subsidiary Manufacturers Soap and Chemical Company (MS&C). MS&C owns 100 percent of MC which is located in Cleveland, Tennessee and Dalton, Georgia and is fully licensed for chemical manufacture. The Segment produces specialty chemicals and dyes for the carpet, chemical, paper, metals, mining, agricultural, fiber, paint, textile, automotive, petroleum, cosmetics, mattress, furniture, janitorial and other industries.

MC, which was purchased by the Company in 1996, produces over 500 specialty formulations and intermediates for use in a wide variety of applications and industries. MC's primary product lines focus on the areas of defoamers, surfactants and lubricating agents. Over 20 years ago, MC began diversifying its marketing efforts and expanding beyond traditional textile chemical markets. These three fundamental product lines find their way into a large number of manufacturing businesses. Over the years, the customer list has grown to include end users and chemical companies that supply paper, metal working, surface coatings, water treatment, mining and janitorial applications. MC's capabilities also include the sulfation of fats and oils. These products are used in a wide variety of applications and represent a renewable resource, animal and vegetable derivatives, as alternatives to more expensive and non-renewable petroleum derivatives. In its Dalton, Georgia facility, MC serves the carpet and rug markets and also focuses on processing aids for wire drawing. MC Dalton blends and sells specialty dyestuffs and resells heavy chemicals and specialty chemicals manufactured in MC's Cleveland plant to its markets out of its leased warehousing facility. The Dalton site also contains a shade matching laboratory and sales offices for the group. Both MC sites have extensive chemical storage and blending capabilities.

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

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

Most raw materials used by the Segment are generally available from numerous independent suppliers and about 30 percent of total purchases are from its top five suppliers. While some raw material needs are met by a sole supplier or only a few suppliers, the Company anticipates no difficulties in fulfilling its raw material requirements.

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

Sales and Distribution

Metals Segment – The Metals Segment utilizes separate sales organizations for its different product groups. Stainless steel pipe is sold nationwide under the Brismet trade name through authorized stocking distributors at warehouse locations throughout the country. In addition, large quantity orders are shipped directly from Bristol's plant to end-user customers. Producing sales and providing service to the distributors and end-user customers are the President, two outside sales employees, seven independent manufacturers' representatives and nine inside sales employees. The Metals Segment has one domestic customer that accounted for approximately eleven percent of the Metals Segment's revenues in 2010 and 2008, respectively, and was less than ten percent for 2009. The Segment also has one other domestic customer that accounted for less than ten percent of the Segment's revenues in 2010 but was approximately ten and twelve percent in 2009 and 2008, respectively. Loss of either of these customers' revenues would have a material adverse effect on both the Metals Segment and the Company.

Piping systems are sold nationwide under both the Bristol Piping Systems and Ram-Fab trade names by four outside sales employees. They are under the direction of the President of the Piping Systems division who spends a substantial amount of his time in sales and service to customers. Piping systems are marketed to engineering firms and construction companies or directly to project owners. Orders are normally received as a result of competitive bids submitted in response to inquiries and bid proposals.

Specialty Chemicals Segment – Specialty chemicals are sold directly to various industries nationwide by five full-time outside sales employees and five manufacturers' representatives. In addition, the President and other members of the management team of MC devote a substantial part of their time to sales. The Specialty Chemicals Segment has one domestic customer that accounted for approximately 24 percent of the Segment's revenues in 2010 and 2009 and 20 percent of revenues in 2008. Loss of this customer's revenues would have a material adverse effect on both the Specialty Chemicals Segment and the Company.

Competition

Metals Segment – Welded stainless steel pipe is the largest sales volume product of the Metals Segment. Although information is not publicly available regarding the sales of most other producers of this product, management believes that the Company is one of the largest domestic producers of such pipe. This commodity product is highly competitive with seven known domestic producers and imports from many different countries. The largest sales volume among the non-commodity specialized products comes from fabricating stainless, nickel alloys, chrome alloys and carbon piping systems. Management believes the Company is one of the largest producers of such systems. There is also significant competition in the piping systems' markets with 13 known domestic suppliers with similar capabilities as BPS and Ram-Fab, along with many other smaller suppliers.

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

Environmental Matters

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

Research and Development Activities

The Company spent approximately $392,000 in 2010, $289,000 in 2009 and $348,000 in 2008 on research and development activities that were expensed in its Specialty Chemicals Segment. Four individuals, all of whom are graduate chemists, are engaged primarily in research and development of new products and processes, the improvement of existing products and processes, and the development of new applications for existing products.

Seasonal Nature of the Business

The Company's businesses and products are not normally subject to any seasonal impact causing significant variations from one quarter to another.

Backlogs

The Specialty Chemicals Segment operates primarily on the basis of delivering products soon after orders are received. Accordingly, backlogs are not a factor in this business. The same applies to commodity pipe sales in the Metals Segment. However, backlogs are important in the Metals Segment's piping systems products because they are produced only after orders are received, generally as the result of competitive bidding. Order backlogs for these products were $25,300,000 at the end of 2010. Approximately 80 percent of the backlog should be completed in 2011. The backlog totaled $44,300,000 and $45,500,000 at the 2009 and 2008 respective year ends.

Employee Relations

As of January 1, 2011, the Company had 441 employees. The Company considers relations with employees to be satisfactory. The number of employees of the Company represented by unions, all located at the Bristol, Tennessee facility, is 231, or 52 percent of the Company’s employees. They are represented by two locals affiliated with the AFL-CIO and one local affiliated with the Teamsters. Collective bargaining contracts will expire in January 2015, February 2014 and March 2015.

Financial Information about Geographic Areas

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

Available information

The Company electronically files with the Securities and Exchange Commission (SEC) its annual reports on Form 10-K, its quarterly reports on Form 10-Q, its periodic reports on Form 8-K, amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 (the "1934 Act"), and proxy materials pursuant to Section 14 of the 1934 Act. The SEC maintains a site on the Internet, www.sec.gov, that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The Company also makes its filings available, free of charge, through its Web site, www.synalloy.com, as soon as reasonably practical after the electronic filing of such material with the SEC.

Item 1A Risk Factors

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

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

Product pricing and raw material costs are subject to volatility, both of which may have an adverse effect on our revenues. From time-to-time, intense competition and excess manufacturing capacity in the commodity stainless steel industry have resulted in reduced prices, excluding raw material surcharges, for many of our stainless steel products sold by the Metals Segment. These factors have had and may have an adverse impact on our revenues, operating results and financial condition. Although inflationary trends in recent years have been moderate, during the same period stainless steel raw material costs, including surcharges on stainless steel, have been volatile. While we are able to mitigate some of the adverse impact of rising raw material costs, such as passing through surcharges to customers, rapid increases in raw material costs may adversely affect our results of operations. Surcharges on stainless steel are also subject to rapid declines which can result in similar declines in selling prices causing a possible marketability problem on the related inventory as well as negatively impacting revenues and profitability. While there has been ample availability of raw materials, there continues to be a significant consolidation of stainless steel suppliers throughout the world which could have an impact on the cost and availability of stainless steel in the future. The ability to implement price increases is dependent on market conditions, economic factors, raw material costs, including surcharges on stainless steel, availability of raw materials, competitive factors, operating costs and other factors, most of which are beyond our control. In addition, to the extent that we have quoted prices to customers and accepted customer orders for products prior to purchasing necessary raw materials, or have existing contracts, we may be unable to raise the price of products to cover all or part of the increased cost of the raw materials.

The Specialty Chemicals Segment uses significant quantities of a variety of specialty and commodity chemicals in its manufacturing processes which are subject to price and availability fluctuations. Any significant variations in the cost and availability of our specialty and commodity materials may negatively affect our business, financial condition or results of operations. The raw materials we use are generally available from numerous independent suppliers.

However, some of our raw material needs are met by a sole supplier or only a few suppliers. If any supplier that we rely on for raw materials ceases or limits production, we may incur significant additional costs, including capital costs, in order to find alternate, reliable raw material suppliers. We may also experience significant production delays while locating new supply sources. Purchase prices and availability of these critical raw materials are subject to volatility. Some of the raw materials used by this Segment are derived from petrochemical-based feedstock, such as crude oil and natural gas, which have been subject to historical periods of rapid and significant movements in price. These fluctuations in price could be aggravated by factors beyond our control such as political instability, and supply and demand factors, including OPEC production quotas and increased global demand for petroleum-based products. At any given time we may be unable to obtain an adequate supply of these critical raw materials on a timely basis, on price and other terms acceptable, or at all. If suppliers increase the price of critical raw materials, we may not have alternative sources of supply. We selectively pass changes in the prices of raw materials to our customers from time-to-time. However, we cannot always do so, and any limitation on our ability to pass through any price increases could affect our financial performance.

We rely upon third parties for our supply of energy resources consumed in the manufacture of our products in both of our Segments. The prices for and availability of electricity, natural gas, oil and other energy resources are subject to volatile market conditions. These market conditions often are affected by political and economic factors beyond our control. Disruptions in the supply of energy resources could temporarily impair the ability to manufacture products for customers. Further, increases in energy costs that cannot be passed on to customers, or changes in costs relative to energy costs paid by competitors, has adversely affected, and may continue to adversely affect, our profitability.

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

The applicability of numerous environmental laws to our manufacturing facilities could cause us to incur material costs and liabilities. We are subject to federal, state, and local environmental, safety and health laws and regulations concerning, among other things, emissions to the air, discharges to land and water, climate changes and the generation, handling, treatment and disposal of hazardous waste and other materials. Under certain environmental laws, we can be held strictly liable for hazardous substance contamination of any real property we have ever owned, operated or used as a disposal site. We are also required to maintain various environmental permits and licenses, many of which require periodic modification and renewal. Our operations entail the risk of violations of those laws and regulations, and we cannot assure you that we have been or will be at all times in compliance with all of these requirements. In addition, these requirements and their enforcement may become more stringent in the future. Although we cannot predict the ultimate cost of compliance with any such requirements, the costs could be material. Non-compliance could subject us to material liabilities, such as government fines, third-party lawsuits or the suspension of non-compliant operations. We also may be required to make significant site or operational modifications at substantial cost. Future developments also could restrict or eliminate the use of or require us to make modifications to our products, which could have a significant negative impact on our results of operations and cash flows. At any given time, we are involved in claims, litigation, administrative proceedings and investigations of various types involving potential environmental liabilities, including cleanup costs associated with hazardous waste disposal sites at our facilities. We cannot assure you that the resolution of these environmental matters will not have a material adverse effect on our results of operations or cash flows. The ultimate costs and timing of environmental liabilities are difficult to predict. Liability under environmental laws relating to contaminated sites can be imposed retroactively and on a joint and several basis. We could incur significant costs, including cleanup costs, civil or criminal fines and sanctions and third-party claims, as a result of past or future violations of, or liabilities under, environmental laws. For additional information related to environmental matters, see Note E to the Consolidated Financial Statements.

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

Certain of our employees in the Metals Segment are covered by collective bargaining agreements, and the failure to renew these agreements could result in labor disruptions and increased labor costs. We have 231 employees represented by unions at the Bristol, Tennessee facility, which is 52 percent of our total employees. They are represented by two locals affiliated with the AFL-CIO and one local affiliated with the Teamsters. Collective bargaining contracts will expire in January 2015, February 2014 and March 2015. Although we believe that our present labor relations are satisfactory, our failure to renew these agreements on reasonable terms as the current agreements expire could result in labor disruptions and increased labor costs, which could adversely affect our financial performance.

The limits imposed on us by the restrictive covenants contained in our credit facilities could prevent us from obtaining adequate working capital, making acquisitions or capital improvements, or cause us to lose access to our facilities. Our existing credit facilities contain restrictive covenants that limit our ability to, among other things, borrow money or guarantee the debts of others, use assets as security in other transactions, make investments or other restricted payments or distributions, change our business or enter into new lines of business, and sell or acquire assets or merge with or into other companies. In addition, our credit facilities require us to meet financial ratios which could limit our ability to plan for or react to market conditions or meet extraordinary capital needs and could otherwise restrict our financing activities. Our ability to comply with the covenants and other terms of our credit facilities will depend on our future operating performance. If we fail to comply with such covenants and terms, we will be in default and the maturity of any then outstanding related debt could be accelerated and become immediately due and payable. We may be required to obtain waivers from our lender in order to maintain compliance under our credit facilities, including waivers with respect to our compliance with certain financial covenants. If we are unable to obtain any necessary waivers and the debt under our credit facilities is accelerated, our financial condition would be adversely affected.

We may not have access to capital in the future. We may need new or additional financing in the future to expand our business or refinance existing indebtedness. If we are unable to access capital on satisfactory terms and conditions, we may not be able to expand our business or meet our payment requirements under our existing credit facilities. Our ability to obtain new or additional financing will depend on a variety of factors, many of which are beyond our control. We may not be able to obtain new or additional financing because we may have substantial debt or because we may not have sufficient cash flow to service or repay our existing or future debt. In addition, depending on market conditions and our financial performance, equity financing may not be available on satisfactory terms or at all.

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

We may not be able to make changes necessary to continue to be a market leader and an effective competitor. We believe that we must continue to enhance our existing products and to develop and manufacture new products with improved capabilities in order to continue to be a market leader. We also believe that we must continue to make improvements in our productivity in order to maintain our competitive position. When we invest in new technologies, processes, or production capabilities, we face risks related to construction delays, cost over-runs and unanticipated technical difficulties. Our inability to anticipate, respond to or utilize changing technologies could have a material adverse effect on our business and our consolidated results of operations.

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

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

Item 1B Unresolved Staff Comments

None.

Item 2 Properties

The Company operates the major plants and facilities listed below, all of which are in adequate condition for their current usage. All facilities throughout the Company are believed to be adequately insured. The buildings are of various types of construction including brick, steel, concrete, concrete block and sheet metal. All have adequate transportation facilities for both raw materials and finished products. The Company owns all of these plants and facilities, except the dye blending and warehouse facilities located in Dalton, GA, and the corporate offices located in Spartanburg, SC.

Location	Principal Operations	Building Square Feet	Land Acres
Cleveland, TN	Chemical manufacturing and warehousing facilities	118,000	8.6
Bristol, TN	Manufacturing of stainless steel pipe and stainless steel piping systems	275,000	73.1
Crossett, AR	Manufacturing carbon and chrome alloy piping systems	133,000	19.8
Dalton, GA	Dye blending and warehouse facilities (1)	32,000	2.0
Spartanburg, SC	Corporate headquarters (1)	6,000	-
Augusta, GA	Chemical manufacturing (2)	-	46.0

(1) Leased facility.
(2) Plant was closed in 2001 and all structures and manufacturing equipment have been removed.

Item 3 Legal Proceedings

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

PART II

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

The Company had 705 common shareholders of record at February 28, 2011. The Company's common stock trades on the NASDAQ Global Market under the trading symbol SYNL. The Company's credit agreement only restricts the payment of dividends through a minimum tangible net worth covenant. The Company paid a $0.25 cash dividend on December 8, 2010, a $0.25 cash dividend on March 22, 2010, a $0.10 cash dividend on March 10, 2009, and a $0.25 cash dividend on March 7, 2008. The prices shown below are the high and low sales prices for the common stock for each full quarterly period in the last two fiscal years as quoted on the NASDAQ Global Market.

	2010		2009	
Quarter	High	Low	High	Low
1st	$ 9.22	$ 7.47	$ 6.83	$ 3.85
2nd	11.04	7.97	8.68	5.25
3rd	10.15	8.25	10.49	7.88
4th	12.25	8.40	9.98	7.75

Unregistered Sales of Equity Securities

Pursuant to the compensation arrangement with directors discussed under Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" in this Form 10-K, on April 24, 2010, the Company issued to each of its non-employee directors 1,531 shares of its common stock (an aggregate of 7,655 shares). Such shares were issued to the directors in lieu of $15,000 of their annual cash retainer fees. During 2010, a non-employee director resigned from the Board of Directors resulting in the forfeiture of 765 shares. Issuance of these shares was not registered under the Securities Act of 1933 based on the exemption provided by Section 4(2) thereof because no public offering was involved. During 2010, the Company also issued 7,059 shares of common stock to management and key employees that vested pursuant to the 2005 Stock Awards Plan. Issuance of these shares was not registered under the Securities Act of 1933 based on the exemption provided by Section 4(2) thereof because no public offering was involved. Also during 2010, the Registrant issued shares of common stock to the following classes of persons upon the exercise of options issued pursuant to the Registrant's 1998 Stock Option Plan. Issuance of these shares was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933 because the issuance did not involve a public offering.

Date Issued	Class of Purchasers	Number of Shares Issued	Aggregate Exercise Price
2/27/2010	Officers and Employees	3,600	$16,740
5/6/2010	Non-Employee Directors	1,500	$10,125
9/23/2010	Officers and Employees	4,800	$22,320
		9,900	$49,185

Neither the Company, nor any affiliated purchaser (as defined in Rule 10b-18(a)(3) of the Securities Exchange Act of 1934) on behalf of the Company repurchased any of the Company's securities during the fourth quarter of 2010.

Item 6 Selected Financial Data

(Dollar amounts in thousands except for per share data)

Selected Financial Data and Other Financial Information

	2010	2009	2008	2007	2006
Operations					
Net sales	$151,121	$103,640	$167,269	$155,704	$131,404
Gross profit	15,916	9,489	18,552	25,564	20,163
Selling, general & administrative expense	9,724	8,787	9,729	10,079	8,835
Operating income	6,192	702	8,823	15,485	11,328
Net income continuing operations	4,034	219	5,631	9,481	6,699
Net (loss) income discontinued operations	-	(4)	352	644	909
Net income	4,034	215	5,983	10,125	7,608
Financial Position					
Total assets	81,375	78,252	94,666	96,621	89,810
Working capital	43,232	44,123	49,433	45,446	43,237
Long-term debt, less current portion	219	-	9,959	10,246	17,731
Shareholders' equity	63,875	62,721	62,867	58,140	47,127
Financial Ratios					
Current ratio	4.0	4.5	3.7	2.7	2.9
Gross profit to net sales	11%	9%	11%	16%	15%
Long-term debt to capital	0%	0%	14%	15%	27%
Return on average assets	5%	0%	6%	10%	8%
Return on average equity	6%	0%	9%	18%	16%
Per Share Data (income/(loss) – diluted)					
Net income continuing operations	$0.64	$0.03	$0.90	$1.51	$1.07
Net income (loss) discontinued operations	-	(0.00)	0.05	0.10	0.15
Net income	0.64	0.03	0.95	1.61	1.22
Dividends declared and paid	0.50	0.10	0.25	0.15	-
Book value	10.16	10.01	10.06	9.32	7.68
Other Data					
Depreciation and amortization	$2,642	$2,402	$2,082	$1,997	$2,095
Capital expenditures	$5,095	$1,892	$3,059	$3,340	$2,343
Employees at year end	441	466	459	482	437
Shareholders of record at year end	704	790	826	834	897
Average shares outstanding - diluted	6,309	6,269	6,281	6,296	6,234
Stock Price					
Price range of common stock					
High	$12.25	$10.49	$17.96	$47.45	$18.90
Low	7.47	3.85	3.52	14.79	10.38
Close	12.12	9.42	5.00	17.67	18.54

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

Critical Accounting Policies and Estimates

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

The Company maintains allowances for doubtful accounts, $435,000 as of January 1, 2011, for estimated losses resulting from the inability of its customers to make required payments and for disputed claims and quality issues. If the financial condition of any of the customers of the Company were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

The Company writes down its inventory for estimated obsolescence or unmarketable inventory in an amount equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and current market conditions. As of January 1, 2011, the Company has $3,299,000 accrued for inventory obsolescence and market reserves. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

As noted in Note E to the Consolidated Financial Statements included in Item 8 of this Form 10-K, the Company has accrued $936,000 as of January 1, 2011, in environmental remediation costs which, in management's best estimate, are expected to satisfy anticipated costs of known remediation requirements as outlined in Note E. Expenditures related to costs currently accrued are not discounted to their present values and are expected to be made over the next three to four years. However, as a result of the evolving nature of the environmental regulations, the difficulty in estimating the extent and necessary remediation of environmental contamination, and the availability and application of technology, the estimated costs for future environmental compliance and remediation are subject to uncertainties and it is not possible to predict the amount or timing of future costs of environmental matters which may subsequently be determined. Changes in information known to management or in applicable regulations may require the Company to record additional remediation reserves.

The Company continually reviews the recoverability of the carrying value of long-lived assets. Long-lived assets are reviewed for impairment when events or changes in circumstances, (also referred to as “triggering events”), indicate that the carrying value of a long-lived asset or group of assets (the “Assets”) may no longer be recoverable. Triggering events include: a significant decline in the market price of the Assets; a significant adverse change in the operating use or physical condition of the Assets; a significant adverse change in legal factors or in the business climate impacting the Assets’ value, including regulatory issues such as environmental actions; the generation by the Assets of historical cash flow losses combined with projected future cash flow losses; or, the expectation that the Assets will be sold or disposed of significantly before the end of the useful life of the Assets. The Company concluded that there were no indications of impairment requiring further testing during the year ended January 1, 2011.

If the Company concluded that, based on its review of current facts and circumstances, there were indications of impairment, then testing of the applicable Assets would be performed. The recoverability of the Assets to be held and used is tested by comparing the carrying amount of the Assets at the date of the test to the sum of the estimated future undiscounted cash flows expected to be generated by those Assets over the remaining useful life of the Assets. In estimating the future undiscounted cash flows, the Company uses projections of cash flows directly associated with, and which are expected to arise as a direct result of, the use and eventual disposition of the Assets. This approach requires significant judgments including the Company’s projected net cash flows, which are derived using the most recent available estimate for the reporting unit containing the Assets tested. Several key assumptions would include periods of operation, projections of product pricing, production levels, product costs, market supply and demand, and inflation. If it is determined that the carrying amount of the Assets are not recoverable, an impairment loss would be calculated equal to the excess of the carrying amount of the Assets over their fair value. Assets classified as held for sale are recorded at the lower of their carrying amount or fair value less cost to sell. Assets to be disposed of other than by sale are classified as held and used until the Assets are disposed or use has ceased.

The Company has goodwill of $1,355,000 recorded as part of its acquisition, in 1996, of Manufacturers Soap and Chemical Company, operating within the Chemicals Segment, and $1,000,000 recorded as part of its acquisition in 2009, of Ram-Fab, Inc., operating within the Metals Segment. Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is to be tested for impairment at least on an annual basis. The initial step of the goodwill impairment test involves a comparison of the fair value of the reporting unit in which the goodwill is recorded, with its carrying amount. If the reporting unit's fair value exceeds its carrying value, no impairment loss is recognized and the second step, which is a calculation of the impairment, is not performed. However, if the reporting unit's carrying value exceeds its fair value, an impairment charge equal to the difference in the carrying value of the goodwill and the implied fair value of the goodwill is recorded. Implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to the assets and liabilities of the reporting unit as if it had been acquired in a business combination. The excess of the fair value of the reporting unit over the amounts allocated to assets and liabilities is the implied fair value of goodwill. In making our determination of fair value of the reporting unit, we rely on the discounted cash flow method. This method uses projections of cash flows from the reporting unit. This approach requires significant judgments including the Company's projected net cash flows, the weighted average cost of capital ("WACC") used to discount the cash flows and terminal value assumptions. We derive these assumptions used in our testing from several sources. Many of these assumptions are derived from our internal budgets, which would include existing sales data based on current product lines and assumed production levels, manufacturing costs and product pricing. We believe that our internal forecasts are consistent with those that would be used by a potential buyer in valuing our reporting units. The WACC rate is based on an average of the capital structure, cost of capital and inherent business risk profiles of the Company. The assumptions used in our valuation are interrelated. The continuing degree of interrelationship of these assumptions is, in and of itself a significant assumption. Because of the interrelationships among the assumptions, we do not believe it would be meaningful to provide a sensitivity analysis on any of the individual assumptions. However, one key assumption in our valuation model is the WACC. If the WACC, which is used to discount the projected cash flows, were higher, the measure of the fair value of the net assets of the reporting unit would decrease. Conversely, if the WACC were lower, the measure of the fair value of the net assets of the reporting unit would increase. Changes in any of the Company's other estimates could also have a material effect on the estimated future undiscounted cash flows expected to be generated by the reporting unit's assets. Based on the Company's goodwill impairment test in the fourth quarter of 2010, each reporting unit's fair value exceeded its carrying value, therefore no further testing was required and no impairment loss was recognized.

The Company believes that if impairment charges should occur with respect to its existing assets, the charges would not be material to the consolidated financial statements. However, if business conditions at any of the plant sites were to deteriorate to an extent where cash flows and other impairment measurements indicated values for the related long-lived assets, including goodwill, were less than the carrying values of those assets, significant impairment charges could be necessary.

Liquidity and Capital Resources

Cash flows used in operating activities during 2010 totaled $6,048,000 compared to cash flows provided by continuing operations during 2009 of $19,903,000, or a decline in cash flows of $25,951,000 from 2009 to 2010. Cash flows provided by discontinued operations for 2009 was $286,000. Cash flows in 2010 were generated from net income totaling $6,676,000 before depreciation and amortization expense of $2,642,000. Cash flows were adversely affected in 2010 by a $8,849,000 increase in the Company's inventories as inventories increased, net of reserves, from $25,504,000 at the end of 2009 to $34,353,000 at the end of 2010. Substantially all of the increase occurred in the Metals Segment to support higher 2011 sales projections. Accounts receivable increased by $5,932,000 in 2010, net of reserves, reflecting a 46 percent increase in sales in the fourth quarter of 2010 over the fourth quarter of 2009. In addition, accounts payable increased $4,092,000 in 2010, resulting primarily from the timing of the receipt of and payment for stainless steel raw materials by the Metals Segment at year end. Also negatively impacting cash flows in 2010 was a decline in accrued expenses at the end of 2010 compared to the end of 2009 of $2,514,000, as advances from customers (prepayments from customers used to purchase raw materials required for piping systems projects) declined $1,679,000 and a customer product claim was paid during 2010 for $1,900,000. These amounts were partially offset by higher accruals for profit based incentives of $552,000 reflecting higher profits earned in 2010 compared to 2009.

Cash flows provided by operations during 2009 totaled $20,189,000 of which $19,903,000 came from continuing operations. This compares to cash flows provided by operations during 2008 of $5,940,000 and $6,444,000 from continuing operations, or increases in cash flows of $14,262,000 and $13,412,000 from 2008 to 2009, respectively. Cash flows from continuing operations in 2009 were generated from net income totaling $2,621,000 before depreciation and amortization expense of $2,402,000. Cash flows were also positively impacted in 2009 by a $17,392,000 decrease in the Company's inventories, as inventories declined, net of reserves, from $38,958,000 at the end of 2008 to $25,504,000 at the end of 2009. Almost all of the decrease occurred in the Metals Segment, primarily as a result of the significant declines in stainless steel pipe unit selling prices and volumes sold coupled with declines in cost from stainless steel surcharges, discussed further in the Metals Segment Comparison of 2009 to 2008 below. Cash flows were also positively impacted from a decrease in accounts receivable of $4,313,000 in 2009 compared to 2008, reflecting a 30 percent decline in sales in the fourth quarter of 2009, offset by a decrease in accounts payable of $2,053,000 in 2009 compared to 2008, resulting primarily from the decline in the costs of raw materials discussed above combined with the timing of the receipt of and payment for stainless steel raw materials by the Metals Segment at year end. Cash flows were negatively impacted in 2009 by a decline of $749,000 in accrued expenses at the end of 2009 compared to the end of 2008, as advances from customers (prepayments from customers used to purchase raw materials required for piping systems projects) declined $1,223,000, and accruals for profit based incentives declined $554,000 reflecting the reduction in profits earned in 2009 compared to 2008, offset by a $1,100,000 increase in a claims reserve in the Metals Segment as discussed further in the Metals Segment Comparison of 2009 to 2008 below.

In 2010, the Company's current assets increased $605,000 and current liabilities increased $1,496,000, from the year ended 2009 amounts, which caused working capital for 2010 to decrease by $891,000 to $43,232,000 from the 2009 total of $44,123,000. The current ratio for the year ended January 1, 2011, decreased to 4.0:1 from the 2009 year-end ratio of 4.5:1.

The Company also used cash during 2010 to fund capital expenditures of $5,095,000, which included $2,037,000 for the purchase in June 2010 of the land and buildings of Ram-Fab to complete the acquisition. Also, during 2010, the Company paid a $0.25 dividend on March 22, 2010 and another $0.25 dividend on December 8, 2010. Total cash outlay for the dividends amounted to $3,166,000. The Company expects that along with the existing amount of cash on hand, cash flows from 2011 operations and available borrowings will be sufficient to make debt payments (if any), fund estimated 2011 capital expenditures of $4,300,000 and have sufficient resources to expand into other business opportunities.

On June 30, 2010, the Company entered into a Credit Agreement with a regional bank to provide a $20,000,000 line of credit that expires on June 30, 2013. The Company's previous debt facility, with a different lender, was going to expire at the end of 2010. Interest on the new Credit Agreement is calculated using the One Month LIBOR Rate, plus a pre-defined spread, which is determined by the Company's Total Funded Debt to EBITDA ratio. Borrowings under the line of credit are limited to an amount equal to a borrowing base calculation that includes eligible accounts receivable, inventories and cash surrender value of the Company's life insurance. Additionally, the credit facility requires an agreement not to pledge the fixed assets of the Company. Covenants under the new agreement include maintaining a certain Funded Debt to EBITDA ratio, a minimum tangible net worth, and total liabilities to tangible net worth ratio. The Company will also be limited to a maximum amount of capital expenditures per year, which is in line with the Company’s currently projected needs. Management does not believe that these covenants and restrictions will have an adverse effect on its operations.

Results of Operations

Comparison of 2010 to 2009

For 2010, the Company generated net earnings from continuing operations of $4,034,000, or $0.64 per share, on sales of $151,121,000, compared to net earnings from continuing operations of $219,000, or $0.03 per share, on sales of $103,640,000 in the prior year. The Company generated net earnings from continuing operations of $1,462,000, or $0.23 per share, on sales of $37,639,000 in the fourth quarter of 2010, compared to a net loss from continuing operations of $143,000, or $0.02 loss per share, on sales of $25,843,000 in the fourth quarter of 2009. The Company did not have discontinued operations for 2010 but generated a net loss from discontinued operations of $4,000, or $0.00 loss per share, and a net loss of $144,000, or $0.03 loss per share, for the fiscal year and fourth quarter of 2009, respectively. As a result, the Company earned $4,034,000, or $0.64 per share, and $1,462,000, or $0.23 per share, for the fiscal year and fourth quarter of 2010, respectively, compared to net earnings of $215,000, or $0.03 per share, and a net loss of $287,000, or $0.05 loss per share, for the same periods in 2009.

Consolidated gross profits from continuing operations increased 68 percent to $15,916,000 in 2010, compared to $9,489,000 in 2009, and as a percent of sales increased to eleven percent of sales in 2010 compared to nine percent of sales in 2009. Most of the improvement in dollars and in percentage of sales was attributable to the Metals Segment as discussed in the Metals Segment Comparison of 2010 to 2009 below. Consolidated selling, general and administrative expense for 2010 increased by $937,000, compared to 2009, and was six percent and nine percent of sales for 2010 and 2009, respectively. The dollar increase resulted primarily from including a full year of selling and administrative costs for Ram-Fab in 2010 compared to four months in 2009. Also, management incentive bonuses, which are based on profits, increased in 2010 compared to 2009.

Comparison of 2009 to 2008

For the fiscal year ending January 2, 2010, the Company generated net earnings from continuing operations of $219,000, or $0.03 per share, on sales of $103,640,000, compared to net earnings from continuing operations of $5,631,000, or $0.90 per share, on sales of $167,269,000 in the prior year. The Company generated a loss from continuing operations of $143,000, or $0.02 per share, on sales of $25,843,000 in the fourth quarter of 2009, compared to a net loss from continuing operations of $644,000, or $0.10 per share, on sales of $36,657,000 in the fourth quarter of 2008. The Company recorded net losses from discontinued operations of $4,000, or $0.00 loss per share, and $144,000, or $0.03 loss per share, for the fiscal year and fourth quarter of 2009, respectively, compared to net earnings from discontinued operations of $352,000, or $0.05 per share, and $131,000, or $0.02 per share, for the same periods a year earlier. As a result, the Company earned $215,000, or $0.03 per share, and lost $287,000, or $0.05 per share, for the fiscal year and fourth quarter of 2009, respectively, compared to net earnings of $5,983,000, or $0.95 per share, and a net loss $513,000, or $0.08 per share, for the same periods in 2008.

Consolidated gross profits from continuing operations declined 49 percent to $9,489,000 in 2009, compared to $18,552,000 in 2008, and as a percent of sales decreased to nine percent of sales in 2009 compared to eleven percent of sales in 2008. The decreases in dollars and in percentage of sales were attributable to the Metals Segment as discussed in the Metals Segment Comparison of 2009 to 2008 below. Consolidated selling, general and administrative expense from continuing operations for 2009 decreased by $942,000, compared to 2008, but increased to nine percent as a percent of sales from six percent. The dollar decrease in 2009 when compared to 2008 resulted primarily from a $554,000 decrease in management incentives, which are based on profits, coupled with a $347,000 decline in environmental expenses, which were favorably impacted by the divestiture of part the chemical businesses.

16

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

	2010		2009		2008	
(Amounts in thousands)	Amount	%	Amount	%	Amount	%
Net sales	$108,544	100.0 %	$70,891	100.0 %	$131,877	100.0 %
Cost of goods sold	99,367	91.5 %	66,713	94.1 %	117,856	84.9 %
Gross profit	9,177	8.5 %	4,178	5.9 %	14,021	10.6 %
Selling, general and administrative expense	5,403	5.0 %	4,190	5.9 %	4,695	3.6 %
Operating income (loss)	$3,774	3.5 %	$(12)	0.0 %	$9,326	7.0 %
Year-end backlogs - Piping systems	$25,300		$44,300		$45,500	

Comparison of 2010 to 2009 – Metals Segment

The Metals Segment sales increased 53 percent for the year ended 2010 compared to 2009 from a 50 percent increase in unit volumes combined with a two percent increase in average selling prices. Gross profit for 2010 increased 120 percent to $9,177,000, or nine percent of sales, from 2009 year end's total of $4,178,000, or six percent of sales. Operating income for 2010 was $3,774,000 compared to an operating loss of $12,000 for 2009. Sales for the fourth quarter of 2010 increased 60 percent to $27,573,000 from sales of $17,272,000 in the fourth quarter of 2009, resulting from a 18 percent increase in unit volumes and a 35 percent increase in average selling prices. The Segment had a gross profit of $2,936,000, or eleven percent of sales, for the fourth quarter of 2010 compared to a gross profit of $161,000, or one percent of sales, for the fourth quarter of 2009. The Segment generated operating income of $1,441,000 in the fourth quarter of 2010 compared to an operating loss of $985,000 for the fourth quarter of 2009.

The large unit volume improvement for 2010 compared to 2009 was essentially the result of increased commodity pipe sales resulting from an aggressive effort to gain market share combined with a modest increase in non-commodity products. Although sales prices per pound increased about 16 percent for both commodity and non-commodity products, the change in product mix to a much higher percentage of commodity pipe resulted in the modest overall selling price increase. Operating income for 2010 also reflects a $500,000 charge during the first quarter for a product claim made by a Metals Segment customer and $1,100,000 was expensed for this claim in 2009, $343,000 of which was recorded in the fourth quarter of 2009. Fourth quarter 2010 unit volumes increased as a result of the aforementioned aggressive marketing effort partially offset by lower non-commodity unit sales. Fourth quarter's selling prices, when compared to 2009's fourth quarter, reflects primarily much higher prices for non-commodity products resulting from selling more expensive special alloys. Higher stainless steel prices and a change in product mix to a higher percent of lower-priced commodity pipe also impacted the average selling price. The improvement in fourth quarter operating income came primarily from our fabricated piping systems operations. Piping systems' backlog was $25,300,000 at the end of the fourth quarter of 2010 compared to $44,300,000 at the end of the fourth quarter of 2009.

Selling, general and administrative expense increased $1,214,000, or 29 percent in 2010 when compared to 2009, and was five percent of sales compared to six percent of sales for 2010 and 2009, respectively. The dollar increase was attributable to including a full year of Ram-Fab's selling, general and administrative expense during 2010 compared to only four months for 2009 since Ram-Fab was acquired by the Company on August 31, 2009. Also, higher incentive based bonuses were earned for 2010 based upon the higher profits for the current year.

Comparison of 2009 to 2008 – Metals Segment

The Metals Segment sales decreased 46 percent for the year from a 37 percent decline in average selling prices, coupled with a 12 percent decline in unit volumes. Sales for the fourth quarter decreased 39 percent compared to 2008 from a 29 percent decline in average selling prices, coupled with a twelve percent decline in unit volumes. The Segment experienced operating losses of $12,000 and $985,000 for the year and fourth quarter of 2009 compared to a profit of $9,326,000 for the year and a fourth quarter loss of $1,196,000 in the same periods in 2008, respectively. Sales of commodity pipe were down 47 percent and 48 percent for the year and in the fourth quarter, as average selling prices declined 38 percent and 22 percent and unit volumes decreased 15 percent and 33 percent for the year and in the quarter, respectively, compared to the same periods of 2008. Non-commodity pipe and piping systems also experienced declines in sales for the year and fourth quarter, down 44 percent and 31 percent respectively. The decrease in sales for the year resulted from a 38 percent decline in average selling prices and a nine percent decrease in unit volumes. The decrease for the quarter resulted from a 47 percent decline in average selling prices, offset by a 31 percent increase in unit volumes, when compared to the fourth quarter of 2008. The volume increase for non-commodity pipe and piping systems in the fourth quarter resulted primarily from the acquisition on August 31, 2009, of Ram-Fab.

The significant decreases in selling prices together with unit volume declines in both commodity and non-commodity pipe and piping systems, without including Ram-Fab and when compared to the same periods in 2008, reflect the decrease in demand for these products resulting from the worldwide economic turmoil and recession. This contributed to the large decline in both gross profit and operating income for 2009 compared to 2008, and to the losses incurred in the fourth quarters of both 2009 and 2008. Stainless steel surcharges, resulting primarily from the changes in nickel prices, peaked in October of 2009 after incrementally increasing over the six-month period from May to October, and fell slightly over the next three months. The surcharge averages remained at levels equal to approximately half of 2008's averages throughout most of 2009. Although we cannot precisely calculate the effect of the price declines, we estimate that they reduced profits by about $1,700,000 for 2009 compared to 2008. The lower volumes also generated unabsorbed manufacturing costs and taken together with the lower selling prices and unit volumes, caused commodity pipe to incur losses for the year and fourth quarter of 2009. Responding to the poor economy, many of the piping systems' customers extended their delivery dates throughout 2009 causing a decline in both dollar and unit volume sales compared to last year, and creating manufacturing inefficiencies throughout the Segment. The piping systems operations benefitted in 2008 from the completion of several favorable contracts, primarily in the LNG market, which generated significant volume, revenues and profits in 2008. As a result of these factors, non-commodity pipe and piping systems experienced significant reductions in sales and profits compared to the same periods of 2008. Also contributing significantly to the Segment's losses for the year and fourth quarter of 2009 was the accrual of a claim from a customer who is alleging that the Segment delivered defective pipe in 2006 which the customer removed and replaced. While we believe the claim is unwarranted, and we are vigorously defending it, approximately $1,100,000 in claims expense was recorded in 2009, of which $343,000 was recorded in the fourth quarter. All of these factors taken together caused the Segment to incur losses for the year and fourth quarter of 2009.

Selling, general and administrative expense decreased $505,000, or eleven percent in 2009 when compared to 2008, but increased to six percent of sales in 2009 compared to four percent of sales in 2008. The dollar decrease came primarily from decreased management incentives, which are based on profits.

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

	2010			2009			2008		
(Amounts in thousands)	Amount	%		Amount	%		Amount	%	
Net sales	$42,577	100.0	%	$32,749	100.0	%	$35,392	100.0	%
Cost of goods sold	35,838	84.2	%	27,438	83.8	%	30,861	87.2	%
Gross profit	6,739	15.8	%	5,311	16.2	%	4,531	12.8	%
Selling, general and administrative expense	2,779	6.5	%	2,589	7.9	%	2,541	7.2	%

Operating income	$3,960	9.3 %	$2,722	8.3 %	$1,990	5.6 %

Comparison of 2010 to 2009 – Specialty Chemicals Segment

The Specialty Chemicals Segment sales increased 30 percent for the year ended 2010 compared to 2009. Gross profit for the year ended 2010 increased 28 percent to $6,739,000, or 16 percent of sales, compared to a gross profit of $5,311,000, or 16 percent of sales, for 2009. Operating income increased 46 percent to $3,960,000 for the year ended 2010 compared to $2,722,000 earned in 2009. Sales increased 17 percent to $10,066,000 for the fourth quarter of 2010 compared to $8,571,000 for the fourth quarter of 2009. Gross profit for the fourth quarter of 2010 was $1,400,000 or 14 percent of sales, which approximated the fourth quarter of 2009's total of $1,406,000, or 16 percent of sales. Operating income declined one percent to $777,000 for the fourth quarter of 2010 compared to $783,000 for the fourth quarter of 2009. The sales gain came from increases in the sulfated product line and additives for dust control and agricultural chemicals. Contract manufacturing also contributed to the sales growth. The declines in gross profit and operating income for the fourth quarter of 2010, when compared to the same period in 2009, were caused primarily by our inability to pass on all of the increases in raw material costs, especially from naturally occurring fats and oils and petroleum derivatives.

Selling, general and administrative expense increased $190,000 or seven percent in 2010 compared to the 2009 amount, and decreased to seven percent of sales in 2010 from eight percent of sales in 2009. The increase resulted primarily from increased selling commissions from the increase in sales in 2010 compared to 2009 plus higher incentive based bonuses for the current year.

Comparison of 2009 to 2008 – Specialty Chemicals Segment

The Specialty Chemicals Segment's operating income for the year increased 37 percent to $2,722,000 on sales of $32,749,000 compared to operating income of $1,990,000 on sales of $35,392,000 in 2008. Operating income for the fourth quarter of 2009 increased 230 percent to $783,000 on sales of $8,571,000 compared to operating income of $237,000 on sales of $8,449,000 for the fourth quarter of 2008. During 2008, the Segment experienced rising raw material and energy costs throughout the year and while management increased prices in an effort to offset the cost increases, the increases were not sufficient to prevent the cost increase from impacting profitability. During 2009, the increases in raw material and energy costs abated and in some cases actually declined, forcing Management to lower selling prices, which caused the sales decline for the year. However, price levels remained at levels allowing the Segment to maintain a higher level of profitability in 2009 compared to 2008. The Segment experienced strong sales volumes in the majority of its markets throughout the fourth quarter of 2009, which contributed to the increases in sales and profits achieved in the fourth quarter compared to the same period last year.

On October 2, 2009, the Company entered into an Asset Purchase Agreement with SantoLubes Manufacturing, LLC ("SM") to sell the specialty chemical business of Blackman Uhler Specialties, LLC ("BU") for a purchase price of $10,366,000, along with certain property, plant and equipment held by Synalloy Corporation for a purchase price of $1,130,000, all located at the Spartanburg, SC location. The purchase price of approximately $11,496,000, payable in cash, was equal to the approximate net book values of the assets sold as of October 3, 2009, the effective date of the sale, and the Company has recorded a loss of approximately $250,000 resulting primarily from transaction fees and other costs related to the sale. Divesting BU's specialty chemicals business, which had annual sales of approximately $14,500,000, has freed up resources and working capital to allow further expansion into the Company's metals businesses. BU along with Organic Pigment's ("OP") pigment dispersion business, which was sold on March 6, 2009 and had annual sales of approximately $7,000,000, were both physically located at the Spartanburg facility. OP completed all operating activities at the end of the third quarter. As a result, these operations, which were previously included in the Specialty Chemicals Segment, are being reported as discontinued operations.

Selling, general and administrative expense increased $48,000 or two percent of sales in 2009 compared to the 2008 amount, and increased to eight percent of sales in 2008 from seven percent of sales in 2008. The increase resulted primarily from increased management incentives, which are based on profits.

Unallocated Income and Expense

Reference should be made to Note M to the Consolidated Financial Statements, included in Item 8 of this Form 10-K, for the schedule that includes these items.

Comparison of 2010 to 2009 – Corporate

Corporate expense decreased $467,000, or 23 percent, to $1,541,000, or one percent of sales, for 2010, compared to $2,008,000, or two percent of sales, in 2009. The decrease resulted primarily from a decrease in environmental expenses that were eliminated by the sale of BU at the end of the third quarter of 2009. There was no environmental expense during 2010, compared to $343,000 in 2009. The remainder of the decrease resulted from lower performance based bonuses for 2010. Higher bonuses were awarded in 2009 due to the Ram-Fab acquisition and BU / OP disposition. Interest expense in 2010 decreased $165,000 from 2009 as a result of lower outstanding debt balances during 2010 compared to 2009. Other expense for the prior year reflects a $150,000 medical settlement with a former employee of the Company's Augusta, Georgia chemical operation which was closed in 2001. No similar charge occurred in the current year.

Comparison of 2009 to 2008 – Corporate

Unallocated corporate expenses in the fourth quarter of 2009 include a $106,000 favorable adjustment from the reversal of accrued environmental remediation liabilities on projects at the Company's Spartanburg location that were completed in the quarter. In addition, corporate expenses in the quarter were favorably impacted by reduced quarterly environmental charges of approximately $100,000 that were eliminated by the sale of BU at the end of the third quarter of 2009. Unallocated Corporate Expenses for the year and fourth quarter also declined over last year's totals for the same periods as a result of no management incentive in 2009, which is based on profits.

Contractual Obligations and Other Commitments

As of January 1, 2011, the Company's contractual obligations and other commitments were as follows:

(Amounts in thousands)	Payment Obligations for the Year Ended						
	Total	2011	2012	2013	2014	2015	Thereafter
Obligations:							
Revolving credit facility	$219	$-	$-	$219	$-	$-	$-
Interest payments	20	8	8	4	-	-	-
Operating leases	93	56	14	10	7	6	-
Purchase obligations	-	-	-	-	-	-	-
Deferred compensation (1)	471	73	83	83	83	83	66
Total	$803	$137	$105	$316	$90	$89	$66

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

Current Conditions and Outlook

Management is very pleased with achieving substantial increases in sales and profits in both our segments during a period of slow economic activity. The Metals Segment's business is highly dependent on its customers' capital expenditures which have been significantly impacted by economic conditions. Stainless steel surcharges, which affect our costs of raw materials and selling prices, have increased consistently through June 2010, dropped slightly for the third quarter but increased during the fourth quarter of 2010 and are projected to increase for the first quarter of 2011. While the project and specialty products activities have been soft, there is some recent increase in these sectors. 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 which should serve us well in the long run. We also continue to be optimistic about the piping systems business over the long term. Approximately 90 percent of the piping systems backlog comes from paper, water and wastewater treatment projects. Piping systems' backlog was $25,300,000 at January 1, 2011 compared to $44,300,000 at the end of 2009. We estimate that approximately 80 percent of the backlog should be completed over the next 12 months.

The higher sales levels the Specialty Chemicals Segments experienced during 2010 should continue into 2011. Business conditions continue to be strong in our markets. Management will continue to monitor raw material cost increases and control spending in order to minimize their effect on Segment profitability.

Item 7A Quantitative and Qualitative Disclosures about Market Risks

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

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

At January 1, 2011

$219,000 under a $20,000,000 revolving line of credit expiring on June 30, 2013 with a variable interest rate of 1.76 percent.

At January 2, 2010

The Company had no outstanding bank indebtedness

Item 8 Financial Statements and Supplementary Data

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

Consolidated Balance Sheets
Years ended January 1, 2011 and January 2, 2010

	2010	2009
Assets		
Current assets		
Cash and cash equivalents	$ 108,902	$ 14,096,557
Accounts receivable, less allowance for doubtful accounts of $435,000 and $355,000, respectively	19,972,900	14,041,130
Inventories		
Raw materials	12,660,670	8,639,078
Work-in-process	9,571,811	8,418,840
Finished goods	12,120,276	8,446,406
Total inventories	34,352,757	25,504,324
Deferred income taxes	2,257,000	1,702,000
Prepaid expenses and other current assets	814,185	1,556,423
Total current assets	57,505,744	56,900,434
Cash value of life insurance	3,029,566	2,959,637
Property, plant and equipment, net	18,191,947	15,796,882
Goodwill	2,354,730	2,354,730
Deferred charges, net and other non-current assets	293,372	240,000
Total assets	$ 81,375,359	$ 78,251,683
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	$ 10,674,077	$ 6,581,631
Accrued expenses	3,306,291	5,820,748
Current portion of environmental reserves	293,456	375,000
Total current liabilities	14,273,824	12,777,379
Long-term debt	219,275	-
Environmental reserves	643,000	750,000
Deferred compensation	302,159	380,562
Deferred income taxes	2,062,000	1,623,000
Shareholders' equity		
Common stock, par value $1 per share - authorized 12,000,000 shares; issued 8,000,000 shares	8,000,000	8,000,000
Capital in excess of par value	942,707	856,021
Retained earnings	69,981,395	69,113,403
	78,924,102	77,969,424
Less cost of common stock in treasury: 1,710,591 and 1,733,424 shares, respectively	15,049,001	15,248,682
Total shareholders' equity	63,875,101	62,720,742
Commitments and contingencies – See Note K		

Total liabilities and shareholders' equity	$ 81,375,359	$ 78,251,683

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations
Years ended January 1, 2011, January 2, 2010 and January 3, 2009

	2010	2009	2008
Net sales	$151,120,668	$103,639,587	$167,268,987
Cost of sales	135,204,721	94,150,808	148,717,173
Gross profit	15,915,947	9,488,779	18,551,814
Selling, general and administrative expense	9,723,590	8,786,544	9,729,026
Operating income	6,192,357	702,235	8,822,788
Other (income) and expense			
Interest expense	54,240	350,400	684,943
Change in fair value of interest rate swap	-	(131,000)	181,000
Other, net	(11,706)	131,210	(256)
Income from continuing operations before income tax	6,149,823	351,625	7,957,101
Provision for income taxes	2,116,000	133,000	2,326,000
Net income from continuing operations	4,033,823	218,625	5,631,101
Income from discontinued operations before income tax	-	36,891	521,591
Provision for income taxes	-	41,000	170,000
Net (loss) income from discontinued operations	-	(4,109)	351,591
Net income	$4,033,823	$214,516	$5,982,692
Net income (loss) per basic common share:			
Continuing operations	$ 0.64	$ 0.03	$ 0.90
Discontinued operations	-	(0.00)	0.06
Net income	$ 0.64	$ 0.03	$ 0.96
Net income (loss) per diluted common share:			
Continuing operations	$ 0.64	$ 0.03	$ 0.90
Discontinued operations	-	(0.00)	0.05
Net income	$ 0.64	$ 0.03	$ 0.95

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Cost of Common Stock in Treasury	Total
Balance at December 29, 2007	$8,000,000	$532,860	$65,113,597	$(15,506,175)	$58,140,282
Net income			5,982,692		5,982,692
Payment of dividends, $.25 per share			(1,566,294)		(1,566,294)
Issuance of 9,229 shares of common stock from the treasury		7,472		81,186	88,658
Stock options exercised for 1,000 shares, net		(4,147)		8,797	4,650
Employee stock option and grant compensation		216,580			216,580
Balance at January 3, 2009	8,000,000	752,765	69,529,995	(15,416,192)	62,866,568
Net income			214,516		214,516
Payment of dividends, $.10 per share			(631,108)		(631,108)
Issuance of 19,042 shares of common stock from the treasury		(106,219)		167,510	61,291
Employee stock option and grant compensation		209,475			209,475
Balance at January 2, 2010	8,000,000	856,021	69,113,403	(15,248,682)	62,720,742
Net income			4,033,823		4,033,823
Payment of dividends, $.50 per share			(3,165,831)		(3,165,831)
Issuance of 13,949 shares of common stock from the treasury		(55,220)		122,707	67,487
Stock options exercised for 8,884 shares, net		(37,908)		76,974	39,066
Employee stock option and grant compensation		179,814			179,814
Balance at January 1, 2011	$8,000,000	$942,707	$69,981,395	$(15,049,001)	$63,875,101

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows
Years ended January 1, 2011, January 2, 2010 and January 3, 2009

	2010	2009	2008
Operating activities			
Net income from continuing operations	$ 4,033,823	$ 218,625	$ 5,631,101
Adjustments to reconcile net income to net cash			
(used in) provided by operating activities:			
Depreciation expense	2,631,785	2,331,531	2,046,592
Amortization of deferred charges	10,680	70,535	35,256
Deferred income taxes	(116,000)	(100,000)	832,051
Reduction in reserves for uncertain tax positions	-	-	(199,000)
Provision for losses on accounts receivable	62,617	497,576	106,265
Provision for losses on inventories	1,356,057	(1,604,000)	1,137,000
(Gain) loss on sale of property, plant and equipment	5,372	(4,973)	20,536
Cash value of life insurance	(69,929)	(91,662)	(62,475)
Environmental reserves	(188,544)	(239,000)	316,629
Issuance of treasury stock for director fees	67,487	75,010	74,970
Employee stock option and grant compensation	179,814	209,475	216,580
Changes in operating assets and liabilities:			
Accounts receivable	(5,994,387)	4,313,283	(1,061,056)
Inventories	(10,204,490)	17,392,097	5,784,098
Other assets and liabilities	(17,103)	(618,415)	(42,982)
Accounts payable	4,092,446	(2,053,358)	(3,498,443)
Accrued expenses	(2,514,456)	(748,568)	(4,102,675)
Accrued income taxes	616,885	254,403	(790,478)
Net cash (used in) provided by continuing operating activities	(6,047,943)	19,902,559	6,443,969
Net cash (used in) provided by discontinued operating activities	-	285,972	(504,026)
Net cash (used in) provided by operating activities	(6,047,943)	20,188,531	5,939,943
Investing activities			
Purchases of property, plant and equipment	(5,095,254)	(1,892,195)	(3,058,727)
Proceeds from sale of property, plant and equipment	63,032	1,162,119	-
Acquisition of Ram-Fab, Inc.	-	(5,707,773)	-
Net cash used in continuing investing activities	(5,032,222)	(6,437,849)	(3,058,727)
Sale of Blackman Uhler Specialties, LLC assets, net	-	10,365,757	-
Sale of Organic Pigments, LLC assets, net	-	1,441,006	-
Purchases of property, plant and equipment	-	(501,346)	(977,312)
	-	11,305,417	(977,312)

Net cash (used in) provided by discontinued investing activities			
Net cash (used in) provided by investing activities	(5,032,222)	4,867,568	(4,036,039)
Financing activities			
Net borrowings from (payments on) long-term debt	219,275	(10,425,649)	(287,034)
Proceeds from exercised stock options	39,066	-	4,650
Dividends paid	(3,165,831)	(631,108)	(1,566,294)
Excess tax benefits from Stock Grant Plan	-	-	13,720
Net cash used in financing activities	(2,907,490)	(11,056,757)	(1,834,958)
(Decrease) increase in cash and cash equivalents	(13,987,655)	13,999,342	68,946
Cash and cash equivalents at beginning of year	14,096,557	97,215	28,269
Cash and cash equivalents at end of year	$ 108,902	$ 14,096,557	$ 97,215

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note A Description of Business and Summary of Significant Accounting Policies

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. On June 3, 1988, the state of incorporation was changed from South Carolina to Delaware. The Company's executive offices are located at 775 Spartan Boulevard, Suite 102, Spartanburg, South Carolina.

The Company’s business is divided into two segments, the Metals Segment and the Specialty Chemicals Segment. The Metals Segment operates as Bristol Metals, LLC and Ram-Fab, LLC. Bristol manufactures pipe and fabricates piping systems from stainless steel and other alloys, and Ram-Fab fabricates piping systems from carbon, chrome, stainless steel and other alloys. The Specialty Chemicals Segment operates as Manufacturers Chemicals, LLC, produces specialty chemicals and dyes.

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. The Metals Segment is comprised of two wholly-owned subsidiaries: Synalloy Metals, Inc. which owns 100 percent of Bristol Metals, LLC, located in Bristol, Tennessee; and Ram-Fab, LLC, located in Crossett, Arkansas. The Specialty Chemicals Segment consists of the Company’s wholly-owned subsidiary Manufacturers Soap and Chemical Company which owns 100 percent of Manufacturers Chemicals, LLC, located in Cleveland, Tennessee and Dalton, Georgia. All significant intercompany transactions have been eliminated.

Use of Estimates. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, primarily for establishing reserves on accounts receivable, inventories and environmental issues, that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Accounting Period. The Company’s fiscal year is the 52 or 53 week period ending the Saturday nearest to December 31. Fiscal year 2010 ended on January 1, 2011 and fiscal year 2009 ended on January 2, 2010, both having 52 weeks. Fiscal year 2008 ended on January 3, 2009, having 53 weeks.

Revenue Recognition. Revenue from product sales is recognized at the time ownership of goods transfers to the customer and the earnings process is complete. Shipping costs of approximately $2,669,000, $1,730,000 and $2,138,000 in 2010, 2009 and 2008, respectively, are recorded in cost of goods sold.

Inventories. Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method. The Company writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and current market conditions. As of January 1, 2011 and January 2, 2010, inventory has been reduced by $3,299,000 and $1,943,000, respectively, for obsolescence and market reserves.

Long-Lived Assets. Property, plant and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful life of the assets. Land improvements and buildings are depreciated over a range of ten to 40 years, and machinery, fixtures and equipment are depreciated over a range of three to 20 years.

The costs of software licenses are amortized over five years using the straight-line method. Debt expenses are amortized over the period of the underlying debt agreement using the straight-line method. Goodwill, representing intangibles arising from the excess of purchase price over fair value of net assets of businesses acquired, is not amortized but is reviewed annually in the fourth quarter for impairment. Deferred charges represent other intangible assets that are amortized over their useful lives. Accumulated amortization of deferred charges totaled $10,680 as of January 1, 2011.There were no deferred charges as of January 2, 2010.

The Company continually reviews the recoverability of the carrying value of long-lived assets. The Company also reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. When the future undiscounted cash flows of the operation to which the assets relate do not exceed the carrying value of the asset, the assets are written down to fair value.

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

Concentrations of Credit Risk. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash deposits, trade accounts receivable and cash surrender value of life insurance. The Company maintains cash balances at financial institutions with strong credit ratings. Generally, amounts invested with financial institutions are in excess of FDIC insurance limits. Accounts receivable from the sale of products are recorded at net realizable value and the Company generally grants credit to customers on an unsecured basis. Substantially all of the Company's accounts receivables are due from companies located throughout the United States. The Company provides an allowance for doubtful collections and for disputed claims and quality issues. The allowance is based upon a review of outstanding receivables, historical collection information and existing economic conditions. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. Receivables are generally due within 30 to 45 days. Delinquent receivables are written off based on individual credit evaluations and specific circumstances of the customer. The cash surrender value of life insurance is the contractual amount on policies maintained with one insurance company. The Company performs a periodic evaluation of the relative credit standing of this company as it relates to the insurance industry.

Research and Development Expense. The Company incurred research and development expense of approximately $392,000, $289,000 and $348,000 in 2010, 2009 and 2008, respectively.

Fair Value of Financial Instruments. The carrying amounts reported in the balance sheet for cash and cash equivalents, trade accounts receivable, cash surrender value of life insurance, investments and borrowings under the Company's line of credit approximate their fair value.

Fair Value Disclosures. The Company determines the fair values of its financial instruments maximizing the use of observable inputs and minimizing the use of unobservable inputs when measuring fair value. The Company utilizes three levels of inputs when measuring fair value. Level-1 measurements utilize quoted prices in active markets for identical assets or liabilities. The Company does not currently have any Level-1 financial assets or liabilities. Level-2 measurements utilize observable inputs other than Level-1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs observable or that can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company had a level-2 liability from its interest rate swap having a fair value of $376,000 at January 3, 2009, which was eliminated on December 7, 2009. Changes in its fair value were recorded in current liabilities with corresponding offsetting entries to other expense. The Company does not currently have any material Level-2 financial assets or liabilities. Level-3 measurements utilize unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Company does not currently have any material Level-3 financial assets or liabilities.

Subsequent Events. Management has evaluated subsequent events through the date of filing this Form 10-K.

Note B Property, Plant and Equipment

Property, plant and equipment consist of the following:

	2010	2009
Land	$451,523	$191,523
Land improvements	635,217	591,217
Buildings	11,938,434	9,282,636
Machinery, fixtures and equipment	42,366,519	41,615,632
Construction-in-progress	1,286,579	848,824
	56,678,272	52,529,832
Less accumulated depreciation	38,486,325	36,732,950