

SYNALLOY CORP

Form DEF 14A

April 04, 2017

United States

Securities and Exchange Commission

Washington, D. C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934 (Amendment No. \_\_\_)

Filed by the Registrant  (x)

Filed by a Party other than the Registrant  ( )

Check the appropriate box:

( ) Preliminary Proxy Statement

( ) Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

(x) Definitive Proxy Statement

( ) Definitive Additional Materials

( ) Soliciting Material Under Rule 14a-12

SYNALLOY CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

(x) No fee required

( ) \$125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1), or 14a6(i)(2) or Item 22a(2) of Schedule 14A

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3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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Filing Party: \_\_\_\_\_

Date Filed: \_\_\_\_\_

SYNALLOY CORPORATION  
4510 COX ROAD, SUITE 201  
RICHMOND, VA 23060

NOTICE OF ANNUAL MEETING  
May 18, 2017

TO THE SHAREHOLDERS OF SYNALLOY CORPORATION

Notice is hereby given that the Annual Meeting of Shareholders of Synalloy Corporation, a Delaware corporation (the "Company"), will be held as a virtual meeting at [www.virtualshareholdermeeting.com/SYNL2017](http://www.virtualshareholdermeeting.com/SYNL2017), at 10:00 a.m. EST on Thursday, May 18, 2017. The following important matters will be presented for your consideration.

1. Election of seven nominees listed in the Proxy Statement to the Company's Board of Directors to hold office until the 2018 Annual Meeting of Shareholders or until their successors are elected and qualified;
2. Approval, on a non-binding advisory basis, of the compensation of our named executive officers (say on pay);
3. Ratification of the Audit Committee's selection of KPMG, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017; and
4. Transaction of such other business as may properly be brought before the meeting and any adjournment or adjournments thereof.

All of the above matters are more fully described in the accompanying Proxy Statement.

Only shareholders of record at the close of business on March 27, 2017 are entitled to notice of and to vote at the meeting.

By order of the Board of Directors  
Sally M. Cunningham  
Secretary

Richmond, Virginia  
April 4, 2017

Important: You are cordially invited to attend the meeting, but whether or not you plan to attend, PLEASE VOTE YOUR PROXY promptly by Internet, phone or mail as set forth on the proxy card. If you are a shareholder of record and attend the meeting, you may either use your proxy, or withdraw your proxy and vote online.

The 2016 Annual Report on Form 10-K is furnished herewith.

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SYNALLOY CORPORATION  
2017 Proxy Statement  
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SYNALLOY CORPORATION  
4510 COX ROAD, SUITE 201  
RICHMOND, VA 23060  
PROXY STATEMENT  
ANNUAL MEETING OF SHAREHOLDERS

May 18, 2017

The 2016 Annual Report to Shareholders, including our 2016 Form 10-K, is being made available to shareholders together with these proxy materials on or about April 4, 2017.

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS, ANNUAL MEETING AND VOTING

When and where will the Annual Meeting be held?

The Annual Meeting of Shareholders of Synalloy Corporation (the "Company") will be held as a virtual meeting at [www.virtualshareholdermeeting.com/SYNL2017](http://www.virtualshareholdermeeting.com/SYNL2017), at 10:00 a.m. EST on Thursday, May 18, 2017. For directions to the meeting site, please go to <http://investor.synalloy.com/events.com>.

Who is soliciting my proxy?

Our Board is soliciting your proxy to vote on all matters scheduled to come before the 2017 Annual Meeting of Shareholders, whether or not you attend the virtual meeting. By completing and returning the proxy card or voting instruction card, or by transmitting your voting instructions via the Internet, you are authorizing the proxy holders to vote your shares at our Annual Meeting as you have instructed.

On what matters will I be voting? How does the Board recommend that I cast my vote?

At the Annual Meeting, you will be asked to: elect the seven director nominees listed in this Proxy Statement; approve, on an advisory basis, the compensation of our named executive officers; and ratify the appointment of our independent registered public accounting firm.

Our Board unanimously recommends that you vote:

FOR all seven of the director nominees listed in this Proxy Statement;

FOR the approval, on an advisory basis, of the compensation of our named executive officers; and

FOR the ratification of the appointment of KPMG, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017.

How many votes may I cast?

You may cast one vote for every share of our Common Stock that you owned on March 27, 2017, the record date, except you have the right to cumulate your votes in regards to the election of directors. For more information, see "What is Cumulative Voting?" below.

What is cumulative voting?

You have the right to cumulate your votes either (i) by giving to one candidate as many votes as equal the number of shares owned by you multiplied by the number of directors to be elected, or (ii) by distributing your votes on the same principle among any number of candidates.

How many shares are eligible to be voted?

On March 27, 2017 the record date, the Company had 8,678,622 shares of Common Stock outstanding and eligible to be voted at the Annual Meeting (excluding 1,621,378 shares held in treasury).

How many shares must be present to hold the Annual Meeting?

Under Delaware law and our Bylaws, the presence in person or by proxy of a majority of the issued and outstanding shares of our Common Stock entitled to vote is necessary to constitute a quorum at the Annual Meeting. The inspector of election will determine whether a quorum is present. If you are a beneficial owner (as defined below) of shares of our Common Stock and you do not

instruct your bank, broker, or other holder of record how to vote your shares (so-called "broker non-votes") on any of the proposals, your shares may still be counted as present at the Annual Meeting for purposes of determining whether a quorum exists since your bank, broker or other holder of record has discretionary authority to vote on Proposal 3. In addition, shares held by shareholders of record who are present at the Annual Meeting in person or by proxy will be counted as present at the Annual Meeting for purposes of determining whether a quorum exists, whether or not such holder abstains from voting his shares on any of the proposals.

If a quorum is present at the Annual Meeting, with respect to Proposal 1 - "Election of Directors," directors will be elected by a plurality of the votes cast by shares present in person or by proxy and entitled to vote at the meeting. "Plurality" means that, if there were more nominees than positions to be filled, the individuals who received the largest number of votes cast for directors would be elected, whether or not they received a majority of votes cast. Votes that are withheld or shares that are not voted in the election of directors will have no effect on the outcome of election of directors.

Approval for Proposal 2 - "Advisory Vote on the Compensation of our Named Executive Officers and Proposal 3 - "Ratification of the Appointment of Our Independent Registered Public Accounting Firm" and all other matters which may be considered and acted upon by the holders of Common Stock at the Annual Meeting will be approved if a majority of the shares present and eligible to vote at the meeting are voted in favor of the proposals.

If a quorum is not present or represented at the meeting, the shareholders entitled to vote who are present in person or represented by proxy have the power to adjourn the meeting. If the meeting is to be reconvened within 30 days, no notice of the reconvened meeting will be given other than an announcement at the adjourned meeting. If the meeting is to be adjourned for 30 days or more, notice of the reconvened meeting will be given as provided in the Bylaws. At any reconvened meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

Who pays for soliciting proxies?

We pay all expenses incurred in connection with the solicitation of proxies for the Annual Meeting. In addition to solicitations by mail, our directors, officers, and employees, without additional remuneration, may solicit proxies personally or by telephone, other electronic means or mail and we reserve the right to retain outside agencies for the purpose of soliciting proxies. Banks, brokers or other holders of record will be requested to forward proxy soliciting material to the beneficial owners, and, as required by law, we will reimburse them for their out-of-pocket expenses in this regard.

How do I vote?

Shareholders of Record

Shareholders of record can vote in person at the Annual Meeting or by proxy. Shareholders of record may also vote their proxy by mail or by Internet following the instructions on the proxy card.

Beneficial Shareholders

If your shares are held in the name of a bank, broker or other nominee, you will receive instructions from the nominee that you must follow in order for your shares to be voted. Your broker is not permitted to vote your shares on the election of directors or the advisory vote on the compensation of our named executive officers unless you provide voting instructions, but does have discretionary authority to vote your shares on ratification of the appointment of KPMG, LLP. Therefore, if your shares are held in the name of a broker, to be sure your shares are voted, please instruct your broker as to how you wish it to vote. If your shares are not registered in your own name and you wish to vote your shares in person at the Annual Meeting, you should contact your broker or agent to obtain a proxy card from your broker and bring it to the Annual Meeting in order to vote. You may vote your shares by Internet, by mail or by telephone as further described below.

Participants in the Synalloy Corporation 401(k)/ESOP Plan

If you are a participant in the Synalloy Corporation 401(k) Plan/Employee Stock Ownership Plan (the "401(k)/ESOP Plan") and you own shares of our Common Stock through the 401(k)/ESOP Plan, the proxy card sent to you will also serve as your voting instruction card to the 401(k)/ESOP Plan trustee, who actually votes the shares of our Common Stock that you own through the 401(k)/ESOP Plan. If you do not provide voting instructions for these shares to the trustee by 5:00 p.m., local time, April 28, 2016 (the "plan cut-off date"), as directed by the terms of the 401(k)/ESOP

Plan, the Company, in its capacity as the 401(k)/ESOP Plan administrator, will instruct the trustee to vote those 401(k)/ESOP Plan shares "FOR" all the director nominees named in this Proxy Statement and "FOR" all other proposals.

### Voting Methods

You can vote your proxy by any of the methods below:

**VOTE BY INTERNET** - [www.proxyvote.com](http://www.proxyvote.com)

Use the Internet to transmit your voting instructions and for electronic delivery of information until 11:59 p.m. Eastern Time the day before the meeting date or the plan cut-off date for 401(k)/ESOP Plan participants. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

### **ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our Company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE** - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions until 11:59 p.m. Eastern Time the day before the meeting date or the plan cut-off date for 401(k)/ESOP Plan participants. Have your proxy card in hand when you call and then follow the instructions.

### **VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

Only the latest dated proxy received from you, whether submitted by Internet, mail or telephone, will be voted at the Annual Meeting. If you vote by Internet or telephone, please do not mail your proxy card. You may also vote in person at the Annual Meeting.

What happens if I do not vote for a proposal? What is a broker non-vote?

If you properly execute and return a proxy or voting instruction card, your shares will be voted as you specify. If you are a shareholder of record and you return an executed proxy card but make no specifications on your proxy card, your shares will be voted in accordance with the recommendations of our Board, as provided above. If any other matters properly come before the Annual Meeting, the persons named as proxies by the Board of Directors will vote upon such matters according to their judgment.

If you hold your shares through a bank, broker or other nominee, and you return a broker voting instruction card but do not indicate how you want your broker to vote, your broker has discretionary authority to vote on Proposal 3, but a broker non-vote will occur as to Proposals 1 and 2. A broker "non-vote" occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee has not received instructions from the beneficial owner and either (i) does not have discretionary voting power for that particular proposal, or (ii) chooses not to vote the shares. Brokers do not have discretionary voting power to vote on Proposals 1 and 2.

Can I revoke or change my vote after I deliver my proxy?

Yes. You can revoke your proxy at any time before it is voted by providing notice in writing to our Corporate Secretary at 4510 Cox Road, Suite 201, Richmond, VA 23060; by delivering a valid proxy bearing a later date to the Company's office at 4510 Cox Road, Suite 201, Richmond, VA 23060, prior to the meeting; or by attending the virtual meeting and voting in person. Attendance at the Annual Meeting will not in itself constitute revocation of a proxy. Shareholders who hold their shares in street name with a broker or other nominee may change or revoke their proxy instructions by submitting new voting instructions to the broker or other nominee.

I share an address with another shareholder, and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?

Some banks, brokers and other holders of record are "householding" our proxy statements and annual reports for their customers. This means that only one copy of our proxy materials may have been sent to multiple shareholders in your household. If you prefer to receive separate copies of a proxy statement or annual report, either now or in the future, please call us at 864-585-3605, or send your request in writing to the following address: Corporate Secretary of Synalloy Corporation, 4510 Cox Road, Suite 201, Richmond, VA 23060. If you are still receiving multiple reports and proxy statements for shareholders who share an address and would prefer to receive a single copy of the annual report and proxy statement in the future, please contact us at the above address or telephone number. If you are a beneficial holder, you should contact your bank, broker or other holder of record.



NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIAL FOR THE MEETING OF SHAREHOLDERS TO BE HELD ON MAY 18, 2017

The Company's 2016 Annual Report to Shareholders, 2016 Annual Report on Form 10-K and 2017 Proxy Statement are available via the Internet at <http://investor.synalloy.com>.

ANNUAL REPORT ON FORM 10-K

The Company's Annual Report to Shareholders, including the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 as filed with the Securities and Exchange Commission ("SEC"), accompanies this Proxy Statement. Copies of exhibits to the 2016 Annual Report on Form 10-K will be provided upon written request to the Corporate Secretary, Synalloy Corporation, 4510 Cox Road, Suite 201, Richmond, VA 23060, at a charge of \$.10 per page. Copies of the 2016 Annual Report on Form 10-K and exhibits may also be downloaded from the SEC's website at <http://www.sec.gov>. The 2016 Annual Report on Form 10-K does not form any part of the material for soliciting proxies.

BENEFICIAL OWNERS OF MORE THAN FIVE PERCENT (5%) OF THE COMPANY'S COMMON STOCK

The table below provides certain information regarding persons known by the Company to be the beneficial owners of more than five percent (5%) of the Company's Common Stock as of December 31, 2016. This information has been obtained from Schedules 13D and 13G, and related amendments, filed with the SEC, and has not been independently verified by the Company.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Privet Fund LP 79 West Paces Ferry Road, Suite 200B Atlanta, GA 30305	652,421	7.50
Van Den Berg Management I, Inc. 805 Las Cimas Parkway, Suite 430 Austin, TX 78746	634,968 (2)	7.33
Royce & Associates, LP 745 Fifth Avenue New York, NY 10151	628,533 (3)	7.25
DePrince, Race & Zollo, Inc. 250 Park Ave South, Suite 250 Winter Park, FL 32789	480,298 (4)	5.50

(1) In each case, the beneficial owner has reported sole voting power and sole investment power with respect to such shares.

(2) Van Den Berg Management I, Inc. is an investment advisor registered with the SEC under the Investment Advisors Act of 1940.

(3) Royce & Associates, LP is an investment advisor registered with the SEC under the Investment Advisors Act of 1940.

(4) DePrince, Race & Zollo, Inc. is an investment advisor registered with the SEC under the Investment Advisors Act

of 1940.

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## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the ownership of the Company's Common Stock as of March 7, 2017 by each director and nominee for director, each current executive officer of the Company for whom compensation information is disclosed under the heading "Discussion of Executive Compensation," and for the directors, nominees for director and executive officers of the Company as a group.

Name of Beneficial Owner	Common Stock Beneficially Owned	Percent of Class
Craig C. Bram	249,643 (1)	4.39%
Murray H. Wright	124,668 (2)	2.19%
Henry L. Guy	32,748 (3)	*
Dennis M. Loughran	29,020	*
Vincent W. White	27,394 (4)	*
James W. Terry, Jr.	27,207 (5)	*
J. Kyle Pennington	26,954 (6)	*
J. Greg Gibson	14,398 (7)	*
Anthony A. Callander	12,797	*
Amy J. Michtich	12,556	*
Susan S. Gayner	11,801	*
All Directors, Nominees and Executive Officers as a group (13 persons)	602,065 (8)	10.60%

\*Less than 1%

(1) Includes 2,548 shares held in an IRA; 28,763 shares held by his spouse; 3,150 shares allocated under the Company's 401(k)/ESOP Plan; and 98,110 shares which are subject to currently exercisable options.

(2) Includes indirect ownership of 30,000 shares held in an IRA; 4,830 held by his spouse; 5,630 shares held in a custodial account for a minor child; and, 81,103 shares held in a revocable trust.

(3) Includes 539 shares held in custodial accounts for minor children.

(4) Includes 21,804 shares held in a revocable trust.

(5) Includes 16,000 shares held in an IRA.

(6) Includes 5,675 shares allocated under the Company's 401(k)/ESOP Plan; and 8,204 shares which are subject to currently exercisable options.

(7) Includes 1,896 shares held in an IRA; 7,076 shares held under the Company's 401(k)/ESOP; and 1,778 shares which are subject to currently exercisable options.

(8) Includes 31,730 shares allocated under the Company's 401(k)/ESOP Plan; and 117,075 shares which are subject to currently exercisable options. The beneficial owners have a right to acquire such shares within 60 days of March 7, 2016.

## PROPOSAL 1 - ELECTION OF DIRECTORS

The Certificate of Incorporation of the Company provides that the Board of Directors shall consist of not less than three nor more than 15 individuals. Upon recommendation of the Corporate Governance Committee, the Board of Directors has fixed the number of directors constituting the full Board at seven members and recommends that the seven nominees listed in the table which follows be elected as directors to serve for a term of one year until the next Annual Meeting or until their successors are elected and qualified to serve. Each of the nominees has consented to be named in this Proxy Statement and to serve as a director if elected.

If cumulative voting is not requested, the proxy agents named in the Board of Directors' form of proxy that accompanies this Proxy Statement will vote the proxies received by them "FOR" the election of the seven persons named as directors. If cumulative voting is requested, the proxy agents named in the Board of Directors' form of proxy that accompanies this Proxy Statement intend to vote the proxies received by them cumulatively for some or all of the nominees in such manner as may be determined at the time by such proxy agents.



If, at the time of the Annual Meeting of Shareholders, or any adjournment(s) thereof, one or more of the nominees is not available to serve by reason of any unforeseen contingency, the proxy agents intend to vote for such substitute nominee(s) as the Board of Directors recommends, or the Board of Directors will reduce the number of directors.

**Vote Required**

Directors will be elected by a plurality of the votes cast. Votes that are withheld or shares that are not voted will have no effect on the outcome of the election of directors.

**Board Recommendation**

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE ELECTION OF THE SEVEN NOMINEES LISTED IN THE FOLLOWING TABLE AS DIRECTORS OF THE COMPANY.

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The following table sets forth the names of nominees for director, their ages, the years in which they were first elected directors, if applicable, and a brief description of their principal occupations and business experience during the last five years. There are no family relationships among any of the directors and executive officers.

Name, Age, Principal Occupation, Other Directorships and Other Information	Director Since
<p>Craig C. Bram, age 58</p> <p>Mr. Bram became President, CEO and a director of Synalloy on January 24, 2011. From 2004 until September 24, 2010, he served as a director of the Company. He was the founder and has been President of Horizon Capital Management, Inc., an investment advisory firm located in Richmond, VA since 1995. Mr. Bram was the CEO of Bizport, Ltd., a document management company in Richmond, VA, from 2002 through 2010.</p>	2004
<p>Anthony A. Callander, age 70</p> <p>Mr. Callander is the Upstate Managing Director of The Hobbs Group, a certified public accounting ("CPA") firm in Columbia, SC, effective January 2012. He retired from Ernst &amp; Young, LLP in 2008 after 36 years in its Columbia, SC, Greenville, SC and Atlanta, GA offices. He served as a Partner in the firm's audit and assurance practice and in various other roles including Office Managing Partner of the Columbia and Greenville offices, and leading the Southeast manufacturing industry group.</p>	2012
<p>Susan S. Gayner, age 55</p> <p>Ms. Gayner was named CEO and President of ParkLand Ventures, Inc., an owner-operator of multi-family housing communities in nine states, in May 2014. From October 2010, Ms. Gayner served as the COO of ParkLand, and was Vice President from May 2009. Ms. Gayner is a chemical engineer and holds an MAI designation (currently inactive). Prior to ParkLand, she served as an independent MAI and held various manufacturing and quality assurance roles with DuPont Company and Hercules, Inc.</p>	2016
<p>Henry L. Guy, age 48</p> <p>Mr. Guy is the President &amp; CEO of Modern Holdings Incorporated, a diversified holding company with assets primarily in the telecommunications, media, healthcare and energy industries. Mr. Guy joined the firm in 2002 and has led investments in over 30 Modern Holdings subsidiaries.</p>	2011
<p>Amy J. Michtich, age 48</p> <p>Ms. Michtich currently serves as the Chief Supply Chain Officer of Molson Coors Canada, where she oversees end-to-end operations for Canada's largest and North America's oldest brewer of quality beers and ciders. From 2007 to 2015, she was employed by MillerCoors, a joint venture formed in the U.S. by SABMiller and Molson Coors. During this time, Ms. Michtich served as Vice President - Brewery Operations, located in Rockingham County, VA and Brewery Operations Manager - Milwaukee, WI. Prior to 2007, Ms. Michtich held executive and operations leadership positions across various consumer package goods companies including Pepsi Bottling Group, Clorox and Lipton.</p>	2014
<p>James W. Terry, Jr., age 69</p> <p>Mr. Terry has been the President of Hollingsworth Funds, Inc., Greenville, SC, a charitable foundation, since October 2009. His career has been principally in the banking industry where he served as President of Carolina First Bank, Greenville, SC from 1991 to 2008.</p>	2011
<p>Murray H. Wright, age 71</p> <p>Mr. Wright has served as Chairman of the Board of Synalloy since 2014. He became employed as Senior Counsel at the Richmond, VA law firm of DuretteCrump, PLC in January 2013. From 2011 until January 2013, he was a Partner at the VanDeventer Black, LLP law firm, Richmond, VA, where he served as Senior Counsel from 2009 to 2011. From 1999 to 2012, he was a founder and managing director of Avitas Capital, LLC, a closely held investment banking firm in Richmond, VA.</p>	2001
<p>The Corporate Governance Committee believes the combined business and professional experience of the Company's directors, and their various areas of expertise make them a useful resource to management and qualify them for service on the Board. Messrs. Wright and Bram have served on the Board for a significant period of time. During their tenures, these directors have gained considerable institutional knowledge about the Company and its operations,</p>	

which has made them effective board members. Because the Company's operations are complex, continuity of service and development of institutional knowledge help make the Board more efficient and more effective at developing long-range plans than it would be if there were frequent turnover in Board membership. When a Board member decides not to run for re-election, the Corporate Governance Committee seeks replacement directors who it believes will make significant contributions to the Board for a variety of reasons, including among others, business

and financial experience and expertise, business and government contacts, relationship skills, knowledge of the Company and diversity.

The Corporate Governance Committee believes the current Board members are highly qualified to serve and each member has unique qualifications and business expertise that benefit the Company. Mr. Wright's career as a trial lawyer, founder and CEO of a law firm and his business and financial experience as managing director of a closely-held investment banking firm are considered to be valuable attributes to the Board. Mr. Bram has over 30 years' experience in business management, financial operations, logistics, management consulting, business start-ups and strategic planning for a variety of companies. Mr. Bram was employed by the Reynolds Metals Company, a global aluminum manufacturer, in its corporate Logistics and Sales and Marketing departments. He is an investor in multiple private businesses and real estate ventures and also serves on the boards of several private companies. Mr. Terry joined the Board in August 2011. He brings a wealth of experience in the banking industry where he spent more than 35 years including 17 years as President of a bank where he managed and directed an 85-branch statewide network growing the asset structure from approximately \$300 million in 1991 to over \$6 billion in 2008. In his current role at Hollingsworth Funds, Mr. Terry manages and administers a non-profit fund exceeding \$100 million and is responsible for investment asset management, expense and accounting functionality for all subsidiary operations with assets exceeding \$400 million. We believe Mr. Terry's banking experience is valuable in helping the Company evaluate financing options as well as acquisitions. A Board member since August 2011, Mr. Guy's primary career focus has been in the area of private investments. His expertise and experience in this area are valuable tools as the Company focuses on growing through acquisitions. Mr. Callander spent his career in the audit and assurance practice with significant experience in auditing, mergers and acquisitions, initial public offerings and other financings, reorganizations, business process improvement and business strategy development. From 1998 to 2003, while with Ernst & Young, Mr. Callander served as the audit partner on the Company's independent audits, giving him in depth experience and knowledge about the Company. Mr. Callander, a CPA, also meets the criteria of a financial expert. Ms. Michtich joined the Board in 2014 and has served in executive and operations leadership positions with several large union and non-union manufacturing businesses. She has significant experience in the areas of human resources, manufacturing operations, environmental compliance and safety. Ms. Gayner, who joined the Board in 2016, offers valuable experience in the chemical business. She has 10 years' experience working for two large chemical companies in the area of quality assurance and as a research and development engineer. In her current role as CEO and President of Parkland Ventures, Inc., she has valuable experience in executive management and operations.

#### BOARD OF DIRECTORS AND COMMITTEES

**Director Independence.** The Board of Directors has determined that each of the following directors are independent as such term is defined by the applicable rules of the NASDAQ Stock Market LLC (the "NASDAQ Rules"): Anthony Callander, Susan Gayner, Henry Guy, Amy Michtich, James Terry and Murray Wright. The Board has also determined that each of the current members of the Audit Committee, the Compensation & Long-Term Incentive Committee and the Corporate Governance Committee is independent within the meaning of the NASDAQ Rules, and each person who served on such committees at any time during 2016 was independent under the NASDAQ Rules. **Board and Board Committee Meetings and Attendance at Shareholder Meetings.** During fiscal year 2016, the Board of Directors met six times. All members of the Board attended 75% or more of the aggregate of the total number of meetings of the Board of Directors and of the committees of the Board on which they served. The Company encourages, but does not require, its directors to attend annual meetings of shareholders. All directors attended the 2016 Annual Meeting.



The Board has established an Audit Committee, a Compensation & Long-Term Incentive Committee and a Corporate Governance Committee, each of which is comprised entirely of directors who meet the applicable independence requirement of the NASDAQ rules. The Committees keep the Board informed of their actions and provide assistance to the Board in fulfilling its oversight responsibility to shareholders. The table below provides current membership information as well as the meeting information for the last fiscal year.

Name	Audit Committee	Compensation & Long-Term Incentive Committee	Corporate Governance Committee
Anthony A. Callander X*			X
Susan S. Gayner		X	X
Henry L. Guy	X	X*	
Amy J. Michtich		X	X
James W. Terry, Jr.	X	X	X*
Vincent W. White	X		X
Total Meetings in 2016	8	12	4

\* Committee Chair

**Audit Committee.** The Company has an Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934.

The Audit Committee acts pursuant to a written charter adopted by the Board of Directors which is available on the Company's website at [www.synalloy.com](http://www.synalloy.com). Each member of the Audit Committee is independent as defined in the NASDAQ Rules and meets the independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934. The Audit Committee selects and appoints the independent registered public accounting firm, pre-approves the fees on the independent registered public accounting firm, reviews and discusses with management and the independent auditors prior to filing with the SEC the audited financial statements to be included in the Company's Annual Report on Form 10-K and the Form 10-Q for each quarter, meets independently with the independent auditors, reviews the Audit Committee's charter, and has oversight of the Company's Code of Conduct and Internal Audit. The Board designated Mr. Callander as the Audit Committee Financial Expert, as defined by the Securities and Exchange Commission ("SEC") rules.

**Compensation & Long-Term Incentive Committee.** All members of the Compensation & Long-Term Incentive Committee are independent as defined in the NASDAQ Rules. This committee acts pursuant to a written charter which is available on the Company's website at [www.synalloy.com](http://www.synalloy.com). The committee reviews and approves salaries, bonuses, incentive compensation and benefits for executive officers of the Company, and administers and makes recommendations with respect to the Company's cash incentive and equity plans, including the granting of shares and options thereunder, and reviews the committee's charter.

The committee sets the compensation for the CEO and evaluates performance, and it considers recommendations from the Company's CEO in setting compensation for other senior executive officers. The Vice President, Corporate Administration supports the committee in its duties, and the committee may delegate authority to the Human Resources Department to fulfill administrative duties relating to the Company's compensation programs. The committee has the authority under its charter to retain and terminate, and approve fees for compensation consultants and other advisors as it deems appropriate to assist it in the fulfillment of its duties. In early 2016, the Committee retained Pearl Meyer ("PM") as the Compensation and Long Term Incentive Committee's outside independent compensation consulting firm. PM is a nationally recognized executive compensation consultant and the Compensation Committee retained PM to assist in designing the 2016 executive compensation plans including providing information concerning compensation paid by competitors and members of our peer group. The Committee has reviewed and confirmed the independence of PM as the Committee's compensation consultant. Neither Pearl Meyer nor any of its affiliates provide any services to Synalloy except for the services related solely to the executive officer and director compensation.

**Corporate Governance Committee.** All members of the Corporate Governance Committee are independent as defined in the NASDAQ Rules. This committee acts pursuant to a written charter which is available on the Company's website

at [www.synalloy.com](http://www.synalloy.com). This committee is responsible for reviewing and recommending changes in the size and composition of the Board of Directors and evaluating and recommending candidates for election to the Company's Board. This committee also reviews and oversees corporate governance issues and makes recommendations to the Board related to the adoption of policies pursuant to rules of the SEC, NASDAQ and other governing authorities, and as required by the Sarbanes-Oxley Act of 2002.

Compensation Committee Interlocks and Insider Participation. Susan Gayner, Henry Guy, Amy Michtich and James Terry served on the Compensation & Long-Term Incentive Committee during 2016. All members of the Compensation & Long-Term

Incentive Committee are independent directors and none of them is a present or past employee or officer of the Company or its subsidiaries.

Related Party Transactions. The Company requires that each executive officer, director and director nominee complete an annual questionnaire and report all transactions with the Company in which such persons (or their immediate family members) had or will have a direct or indirect material interest (except for salaries, directors' fees and dividends on our stock). Management reviews responses to the questionnaires and, if any such transactions are disclosed, they are reviewed by the Board of Directors. The Company does not, however, have a formal written policy setting out these procedures. There were no such transactions during the fiscal year ended December 31, 2016.

#### CORPORATE GOVERNANCE

##### Board Leadership Structure and Board's Role in Risk Oversight

The Board of Directors' roles and responsibilities are set forth in the Bylaws and Board Charter which provide for a Chairman elected by the Board from among its members. The business and affairs of the Company are managed under the direction of the Board of Directors, and that management control is subject to the authority of the Board of Directors to appoint and remove any of our officers at any time. Our Board does not have a specific policy as to whether the role of Chairman and CEO should be held by separate persons, but rather makes an assessment of the appropriate form of leadership structure on a case-by-case basis. The Board believes that this issue can be a part of the succession planning process and recognizes that there are various circumstances that weigh in favor of or against both combination and separation of these offices. Since 2002, the roles of Chairman and CEO have been held by separate persons. The Board believes it is appropriate, and in our Company's best interests, for the two roles to be separated at this time.

Our Board is actively involved in the oversight of risks that could affect our Company. The Board receives regular reports from members of senior management on areas of material risk to us, including operational, financial, legal and regulatory, and strategic risks. These reports are reviewed by the full Board, or, where responsibility for a particular area of risk oversight is delegated to a committee of the Board, that committee reviews the report and then reports to the full Board. In addition, the Audit Committee's charter requires the committee to inquire of management and the registered public accountants about significant risks or exposures and assess the steps management has taken to manage such risks, and further requires the committee to discuss with the registered public accountants the Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs.

##### Director Qualifications and Nomination Process

The Corporate Governance Committee has adopted Corporate Governance Guidelines that sets forth factors in recommending and evaluating candidates, including personal characteristics, core competencies, commitment and independence. It also takes into consideration such factors as it deems appropriate based on the Company's current needs. These factors may include diversity, age, skills such as understanding of appropriate technologies and general finance, decision-making ability, inter-personal skills, experience with businesses and other organizations of comparable size, and the interrelationship between the candidate's experience and business background and other Board members' experience and business background. Although the Corporate Governance Committee does not have a specific policy with regard to the consideration of diversity in identifying director nominees, the committee considers racial and gender diversity, as well as diversity in business and educational experience, as part of the total mix of information it takes into account in identifying nominees. Additionally, candidates for director should possess the highest personal and professional ethics, and they should be committed to the long-term interests of the shareholders of the Company.

The Corporate Governance Committee does not have any specific process for identifying director candidates. Such candidates are routinely identified through personal and business relationships and contacts of the directors and executive officers.

The Corporate Governance Committee will consider as potential nominees persons recommended by shareholders if the following requirements are met. If a shareholder wishes to recommend a director candidate to the Corporate Governance Committee for consideration as a Board of Directors' nominee, the shareholder must submit in writing to the Corporate Governance Committee the recommended candidate's name, a brief resume setting forth the recommended candidate's business and educational background and qualifications for service, the number of the

Company's shares beneficially owned by the person, and a notarized consent signed by the recommended candidate stating the recommended candidate's willingness to be nominated and to serve. Additionally, the recommending shareholder must provide his or her name and address and the number of the Company's shares beneficially owned by such person. This information must be delivered to the Corporate Secretary of the Company at the Company's corporate headquarters at 4510 Cox Road, Suite 201, Richmond, VA 23060 for transmission to the Corporate Governance Committee, and must be received not less than 90 days nor more than 120 days prior to an annual meeting of shareholders. The committee may request further information if it determines a potential candidate may be an appropriate nominee. Director candidates recommended

by shareholders that comply with these requirements will receive the same consideration from the committee that other candidates receive.

Nominations for election as directors may also be made by shareholders from the floor at an annual meeting of shareholders provided such nominations are received by the Company not less than 30 nor more than 60 days prior to the annual meeting, contain the information set forth above, and otherwise are made in accordance with the procedures set forth in the Company's Bylaws.

#### Shareholder Communications with Directors

Any shareholder who wishes to send communications to the Board of Directors should mail them addressed to the intended recipient by name or position in care of: Corporate Secretary, Synalloy Corporation, 4510 Cox Road, Suite 201, Richmond, VA 23060. Upon receipt of any such communications, the Corporate Secretary will determine the identity of the intended recipient and whether the communication is an appropriate shareholder communication. The Corporate Secretary will send all appropriate shareholder communications to the intended recipient. An "appropriate shareholder communication" is a communication from a person claiming to be a shareholder in the communication the subject of which relates solely to the sender's interest as a shareholder and not to any other personal or business interest.

In the case of communications addressed to the Board of Directors, the Corporate Secretary will send appropriate shareholder communications to the Chairman of the Board. In the case of communications addressed to the independent or outside directors, the Corporate Secretary will send appropriate shareholder communications to the Chairman of the Audit Committee. In the case of communications addressed to committees of the Board, the Corporate Secretary will send appropriate shareholder communications to the Chairman of such committee.

#### DIRECTOR COMPENSATION

For the 2016-17 term year, non-employee directors will be paid a total annual retainer of \$95,000 to be paid in the form of cash and restricted stock. Directors must elect a minimum of \$25,000 of the retainer fee to be paid in restricted stock, and may elect up to 100% of the retainer to be paid in restricted stock. The number of restricted shares issued is determined by the average of the high and low Common Stock price on the day prior to the Annual Meeting of Shareholders or the date prior to the appointment to the Board. Non-employee directors elected by the shareholders for the 2016-2017 term year received an aggregate of 40,991 shares of restricted stock in lieu of such cash retainer amount as follows: Anthony Callander - 6,211; Susan Gayner - 11,801; Henry Guy - 3,105; Amy Michtich - 6,211; James Terry - 4,968; Vincent White - 5,590; and Murray Wright - 3,105. The annual retainer is inclusive of all director fees and directors will not receive meeting fees or chair fees in addition to the retainer.

Directors were reimbursed for travel and other expenses related to attendance at meetings. Directors who are employees did not receive extra compensation for service on the Board or any committee of the Board.

There are no changes to the 2017-18 term non-employee director compensation program. Non-employee directors will be paid a total annual retainer of \$95,000 to be paid in the form of cash and restricted stock. Directors must elect a minimum of \$25,000 of the retainer fee to be paid in restricted stock, and may elect up to 100% of the retainer to be paid in restricted stock. The annual retainer is inclusive of all director fees and directors will not receive meeting fees or chair fees in addition to the retainer. Directors are reimbursed for travel and other expenses related to attendance at meetings. Directors who are employees will not receive extra compensation for service on the Board or any committee of the Board.

The shares granted to the non-employee directors are not registered under the Securities Act of 1933 and are subject to forfeiture in whole or in part upon the occurrence of certain events.

The following table sets forth information about compensation paid by the Company to non-employee directors during fiscal 2016. While our director compensation programs run from one annual meeting of shareholders to the next, this table reports director compensation for the fiscal year. As a result, this table reports a portion of director compensation for the 2015-2016 director compensation program and a portion of director compensation for the 2016-2017 director compensation program.

Name	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Awards <sup>(2)</sup>	Total (\$)
(a)	(b)	(c)	(h)
Anthony A. Callander	51,125	42,058	93,183
Susan S. Gayner	—	62,727	62,727
Henry L. Guy	72,375	26,905	99,280
Amy J. Michtich	40,500	51,096	91,596
James W. Terry, Jr.	63,000	31,837	94,837
Vincent W. White <sup>(3)</sup>	59,250	29,713	88,963
Murray H. Wright	69,875	16,507	86,382

<sup>(1)</sup> Each non-employee director must elect a minimum of \$25,000 and may elect up to 100% of the annual retainer in stock.

<sup>(2)</sup> Represents the grant date fair value, computed in accordance with FASB ASC Topic 718 as disclosed in the Stock Awards footnote to the Summary Compensation Table, of restricted shares granted to the directors on May 5, 2016 for 2016 service. For 2016 the directors received restricted shares in lieu of cash retainer as follows: Anthony A. Callander - 4,101; Susan S. Gayner 7,792; Henry L. Guy - 2,051; Amy J. Michtich - 4,101; James W. Terry, Jr - 3,281; Vincent W. White - 3,691; and Murray H. Wright - 2,051. The restricted shares received by directors ceased to be restricted after six months, so the directors do not have any shares of restricted stock other than as reported in this table. No director has been granted any stock options by the Company.

<sup>(3)</sup> Mr. White is not standing for re-election in 2017.

#### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and any persons who own more than 10% of the Common Stock of the Company, to file with the SEC reports of beneficial ownership and changes in beneficial ownership of Common Stock. Officers and directors are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file. Based solely on review of the copies of such reports furnished to the Company or written representations that no other reports were required, the Company believes that, during 2016, all filing requirements applicable to its officers and directors were met on a timely basis.

#### Code of Conduct

Our Board has formally adopted a Code of Conduct that applies to all of our employees, officers and directors. We intend to satisfy the disclosure requirement regarding any amendment to, or waiver of, a provision of the Code of Conduct for the Company's CEO, CFO, CAO and Controller, or persons performing similar functions, by posting such information on the Company's website.

There were no amendments to, or waivers of, any provision of the Code of Conduct for the Company's CEO, CFO, CAO, Controller, or any persons performing similar functions during fiscal year 2016. A copy of our Code of Conduct is available on our website at [www.synalloy.com](http://www.synalloy.com).

## EXECUTIVE OFFICERS

Information about Mr. Craig Bram, the Company's CEO, is set forth above under "Election of Directors." Name, Age, Principal Position and Five-Year Business Experience

Dennis M. Loughran, age 59

Mr. Loughran joined the Company in July 2015, as SVP and CFO. Most recently, he was the CFO of Citadel Plastics, a privately-owned company headquartered in Chicago, IL, which merged with A Schulman, Inc. in June 2015. From 2006 to 2014, he served as the CFO for Rogers Corporation (NYSE:ROG), headquartered in Rogers, CT. Previous experience includes 19 years with Reynolds Metals Company in various financial and operations roles and six years as Vice President, Finance and Supply Chain with Alcoa Consumer Products. Mr. Loughran has a broad background in international business management, financial reporting, planning and analysis, profit improvement, mergers and acquisitions, supply chain optimization, tax and treasury management and investor relations.

J. Kyle Pennington, age 59

Mr. Pennington was named President, Synalloy Metals, Inc., a subsidiary of the Company, effective January 1, 2013. He served as President, Bristol Metals, LLC, a subsidiary of the Company, from July 2011 until December 31, 2012. He was President, Bristol Metals, LLC's BRISMET Pipe Division from September 2009 to July 2011; and Vice President, Manufacturing, Bristol Metals, LLC from December 2007 through September 2009. Prior to joining the Company, Mr. Pennington worked for 17 years in the metals industry, including 12 years' experience in executive management and service on the Board of Directors of Texas & Northern Industries, a Lone Star Steel Company subsidiary.

J. Greg Gibson, age 43

In April 2015, Mr. Gibson was named General Manager and President of Synalloy Chemicals, with business unit responsibility for both Manufacturers Chemicals and CRI Tolling. He served as Executive Vice President, Sales and Administration for Manufacturers Chemicals, a wholly-owned subsidiary of the Company from July 2011 to April 2015. Mr. Gibson joined the Company in 2005 as a sales representative providing expertise in building client relationships, growing product market share, sales profitability and developing and executing sales strategies. Prior to joining Synalloy Chemicals, he began his sales career in the pharmaceutical industry.

## DISCUSSION OF EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

This Compensation Discussion and Analysis ("CD&A") describes our compensation program and policies, and explains how the Board's Compensation & Long-Term Incentive Committee (the "Committee") established goals, reviewed performance measures, and decided compensation for our Named Executive Officers ("NEOs") in and for fiscal year 2016. NEOs are listed in the table below:

NEO	Title
Craig C. Bram	President and Chief Executive Officer
Dennis M. Loughran	Senior Vice President and Chief Financial Officer
J. Kyle Pennington	President, Synalloy Metals
J. Greg Gibson	President, Synalloy Chemicals

### Executive Summary

#### 2016 Financial Results

The Company suffered challenging market conditions that resulted in 2016 Revenue of \$138.6 million, down 21% from 2015, and Adjusted EBITDA of \$5.5 million, down 72% from 2015. Revenue and Adjusted EBITDA were impacted by the decline in nickel and oil prices and an overall depressed market at both our Metals and Chemicals segments. Nickel prices in the first half of 2016 averaged \$3.98 per pound, down from \$4.48 per pound in the second half of 2015. This fluctuation in nickel prices led to continued inventory losses in the stainless steel pipe business of our Metals segment. Domestic oil prices also remained depressed for the first half of 2016, with WTI prices averaging \$39.89 per barrel. Low oil prices have the most noticeable impact on the Metals segment, reducing capital spending throughout the energy sector but it also impacted selling prices at our Chemicals segment.





Despite the depressed market, we believe the Company performed well and focused on several strategic initiatives that have materially improved the outlook for the Company. Highlights on the year include:

**Strengthened the Balance Sheet**

We put in place a new asset based lending line of credit with BB&T Bank. The new line of credit provides up to \$42 million and offers considerable flexibility from a covenant perspective.

We entered into a sale leaseback with STORE Capital to free up cash from our operating companies' land and buildings. The cash proceeds from this transaction was \$22.2 million.

We finished 2016 with debt of \$8.8 million, of which \$3.0 million is related to the Marcegaglia transaction. Total debt at the end of 2015 (which did not include any debt from the Marcegaglia transaction) was \$27.9 million.

**Synalloy Metals Performance**

New heavy wall press and ancillary equipment were successfully installed in Bristol at the end of Q3. Order activity for this new equipment has been positive, including a sizable project for a domestic LNG facility.

We opened an office in Shanghai to market special alloy pipe products in Asia.

In December, the Company executed a definitive agreement to acquire the domestic stainless steel pipe and tube business of Marcegaglia USA, and we closed this transaction on February 28, 2017. Marcegaglia USA's operations are a complement to Bristol Metals capabilities. A combination of the two companies will result in the largest manufacturer of stainless steel pipe and mechanical tube in North America.

**Synalloy Chemicals Performance**

The management team made progress in improving operating margins in 2016. The capital investments made to production equipment in recent years generated improved productivity across both Chemical facilities.

**Summary of 2016 Compensation Changes**

In 2016, the Committee engaged Pearl Meyer to assist in designing the 2016 executive compensation plan. The following chart summarizes the key changes we made to the compensation of our named executive officers in 2016.

Compensation Category	Changes We Made in 2016	Why We Made These Changes
Base Salary	8.6% increase for Mr. Bram; 3.5% increase for Mr. Loughran; 6.3% increase for Mr. Pennington; 7.8% increase for Mr. Gibson	Based on individual performance and to better align base salary among our blended peer/survey data. The maximum payout was reduced to allow for a
Short-Term Cash Incentive	Maximum payout capped at 100% for Mr. Bram and 85% for all other NEOs. Previous maximum payout was 130% for Mr. Bram, 115% for Mr. Loughran and 105% for Mr. Pennington and Mr. Gibson	time-vesting long term equity award while still keeping the NEO total compensation in line with our blended peer/survey data. See pages 16 to 19 for more detail.
Long-Term Equity Award	Established a time-vesting and a performance-vesting long term equity incentive for each NEO. Combined 65% Target payout for Mr. Bram and 45% Target payout for all other NEOs. Previous target payout was 60% for Mr. Bram, 55% for Mr. Loughran and 45% for Mr. Pennington and Mr. Gibson.	The long term-equity award was increased to closely tie total NEO compensation to long-term shareholder value while still keeping NEO total compensation in line with our blended peer/survey data. See pages 16 to 19 for more detail.

**Summary of 2016 Compensation Paid**

Given the depressed market and the performance of the Company in 2016, the Committee approved modest salary increases for the NEOs at the following percentages: Mr. Bram - 8.6% increase, Mr. Loughran - 3.5% increase, Mr. Pennington - 6.3% increase; and Mr. Gibson - 7.8%.

The Short-Term Cash Incentive consisted of two components: an Adjusted EBITDA component and a strategic goals component. For the Adjusted EBITDA component, Mr. Gibson earned a cash incentive of 30.4% of his base salary for meeting the 2016 Adjusted EBITDA threshold for the Specialty Chemicals segment. No other NEO met the 2016 Adjusted EBITDA threshold and

did not earn a cash incentive for that component. For the Strategic Goals Component, all NEOs achieved maximum performance. Mr. Bram earned a cash incentive of 30% of his base salary and all other NEOs earned 25.5% of their base salary.

The Long Term Equity Award consisted of two components: time-vesting award and a performance-vesting award. For the time-vesting award, Mr. Bram was awarded 32.5% of his base salary and all other NEOs were awarded 22.5% of their base salary in the form of restricted stock. The NEOs are eligible for performance-vesting restricted stock based on the achievement of a three-year Adjusted EBITDA target and will be earned, if at all, for performance during the three-year period ending December 31, 2018.

Additionally, due to the transition from a one year performance based equity grant to a three-year cycle for such grants in 2016, the Committee made a "gap year" incentive award in the form a time-vesting restricted stock designed to reflect the threshold earn-out level of a typical incentive year performance-vesting grant. Mr. Bram received 16.25% of his base salary in the form of restricted stock and all other NEOs received 11.25% of their base salary in the form of restricted stock.

#### Section I: Compensation Philosophy, Objectives and Process

##### Compensation Philosophy and Objectives

The Board of Directors and Management believe that the performance and contributions of our executive officers are critical to our overall success. To attract, retain and motivate the executives to accomplish our business strategy, the Committee establishes executive compensation policies and oversees Company's executive compensation practices. The Company's goal is to attract and retain highly motivated and talented executives to ensure a strong link between executive pay, Company performance and shareholder value.

##### Compensation Objective How Objective is Achieved

**Pay for Performance** The majority of the annual cash incentive and long-term equity components of the compensation program have Adjusted EBITDA target ranges for each business segment and the Company as a whole. Executives are rewarded with higher incentive pay when above target ranges are met, while lower incentives are paid when target ranges are not achieved.

**Attracting and retaining highly motivated and talented executives** The overall compensation program is designed to be competitive with positions at peer group companies to attract highly qualified candidates. Restricted stock awards have multi-year time vesting elements with forfeiture of unvested grants if an executive leaves the Company prior to vesting for any reason other than retirement, disability or death.

**Aligning the interests of executives with the interests of shareholders** A portion of each executive's pay is equity-based compensation, to align the executives' interests with those of our shareholders.

The Company and the Committee believe that the most effective executive compensation program is one that is designed to reward the achievement of specific annual and long-term goals and functional operational initiatives of the Company as well as align the interest of executives with the interest of shareholders, ultimately improving shareholder value. Our pay for performance emphasis attracts executives who are willing to risk a larger share of their compensation on their own performance and the performance of the Company for the benefit of the longer term shareholder value.

Our compensation programs are relatively simple and straightforward, and consist of three main components: base salary, short-term cash incentives and long-term stock-based incentives.

**Base Salaries.** Annual base salaries for named executives are designed to provide executives with a reasonable level of fixed income relative to the responsibility of the positions they hold. Base salary data for other internal positions and base salaries for similar positions at peer group companies are obtained from publicly available information, including peer group data, surveys and from our compensation consultant. In addition to comparable salary data, the Committee considers geographic location and cost of living as an additional factor in setting executive salary levels.

**Short-Term Cash Incentive.** This component provides annual short-term cash incentives as a percent of base salary, depending on the executive's position with the Company, earned based partially on the achievement of Adjusted EBITDA target ranges and partially based on completion of key goals. The 2016 Incentive Plan defines "Adjusted

EBITDA" as operating income before interest, change in fair value of interest rate swap, income taxes, depreciation and amortization and excluding inventory profits and losses, acquisition costs, goodwill impairment and costs associated with raising capital. The Company believes that the at-risk cash portion of an executive's compensation should have a potential dollar value to equal the executive's base salary, should be significantly tied to the Company's financial performance and should allow executives to participate in the financial success

of the Company. For the 2016 Incentive Plan, the Committee established a minimum annual threshold Adjusted EBITDA target that represented 70% of the short-term cash incentive. The remainder of the cash incentive was aligned with strategic goals.

**Equity-Based Compensation.** The Company's long-term stock-based incentives are delivered in the form of restricted stock awards. Stock-based compensation is established at percentage of each executive's base salary. In order to closely tie total compensation to long-term shareholder value, 50% of the long-term incentive compensation for the NEOs is earned based on achievement of a three-year cumulative Adjusted EBITDA target. In order to attract and retain executive talent, the other 50% of the long-term incentive is a time-vesting retention award. Over the past ten years, the Company has used both stock options that vest over five years and restricted stock awards that vest over either three or five years.

#### Compensation Process

The Committee continues to look for opportunities to improve upon the executive compensation program and in early 2016 the Company retained PM as the Committee's outside independent compensation consulting firm. PM is a nationally recognized executive compensation consultant and the Committee has retained it to provide information concerning compensation paid by competitors and members of our peer group and to assist in designing 2016 executive compensation plans.

In setting the compensation of our NEOs in 2016, the Committee worked with PM to review aggregated information from third-party surveys and, for the executives below chief executive officer level, input and guidance from the CEO on the performance of these employees. The Committee additionally reviews the performance of the CEO and considers this information in making compensation decisions.

The Committee identified 14 companies for its peer group, all manufacturing businesses, with many in either the Basic Materials- Metals/Mining or Materials-Specialty Chemicals industry classification. Others are manufacturers of machinery or component parts. The primary peer group is focused on micro-cap companies with three-year average annual EBITDA that is close to Synalloy's performance. The secondary peer group are companies with a three-year average annual EBITDA that are larger than Synalloy's performance.

For 2016, our primary peer group consists of the following companies: Ampco-Pittsburgh, Eastern Company, Houston Wire and Cable, Hurco, Landec Corp., Lawson Products Inc., MFRI, Northwest Pipe Co., UFP Technologies and Universal Stainless & Alloy Products. Our secondary peer group includes American Vanguard, Hawkins, Insteel and KMG Chemical.

The peer group information is used by the Company to benchmark the compensation for our CEO and other executive officers. The Committee sets base salary for our CEO below the median base salary for the peer group. The Committee sets the base salaries of the other NEOs to be market competitive as compared to the salaries of similarly situated companies. However, the Committee believes that targeted total cash compensation, including short-term incentive pay, should provide the CEO and all other NEOs with the potential to earn in excess of the median total cash compensation of the peer group.

The Committee believes this methodology is appropriate because it directly aligns the CEO and NEOs' pay with the Company's performance by putting more emphasis on at-risk components of cash compensation.

**Stock-Ownership Levels** The Board of Directors has established stock ownership levels for the senior management team and the Board of Directors. Directors and executive officers have five years to achieve the targeted ownership levels. Stock ownership levels for NEOs and Directors are based on dollars invested or cost basis, not market value. Stock ownership requirements are as follows:

- Board of Directors - \$250,000;
- CEO - four times base salary;
- CFO, Metals and Specialty Chemicals Segment Presidents - \$250,000;
- Business Unit General Managers, Executive Vice Presidents and the Corporate Secretary - \$200,000.

#### Risk Considerations

The Committee has assessed the risks arising from the Company's compensation policies and practices for all employees to determine whether such policies or practices are reasonably likely to have a material adverse effect on

the Company. Based on its assessment, the Committee has determined that the Company's compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

## Section II: 2016 Performance and Compensation Overview

## Compensation Decisions

Below is information on the main components of our executive compensation program and on certain decisions made to 2016 compensation.

## Base Salary

Base salary is a tool to provide executives with a reasonable level of fixed income relative to the responsibility of the positions they hold. Base salaries are reviewed annually by the Committee and the CEO and adjustments are considered at that time. Base salaries are adjusted from time to time to reflect changes in responsibility level, comparison of data obtained from peer groups and other external market comparative data. In addition, the Company considers the attributes of each individual executive, including but not limited to his or her longevity with the Company, his or her educational background and experience, the particular responsibilities of his or her position, the compensation of others with similar background, credentials and responsibilities, and his or her past level of performance.

Base salary increases for 2016 are listed in the table below:

NEO	Title	Base Salary at 12/31/2016	Base Salary at 12/31/2015	% Increase
Craig C. Bram	President and CEO	\$380,000	\$350,000	8.6 %
Dennis M. Loughran	SVP and CFO	\$295,000	\$285,000	3.5 %
J. Kyle Pennington	President, Synalloy Metals, Inc.	\$255,000	\$240,000	6.3 %
J. Greg Gibson	President, Synalloy Chemicals	\$248,000	\$230,000	7.8 %

Base salary increases for Messrs. Bram, Loughran, Pennington and Gibson were based upon continued peer group evaluations and survey data aimed at recognizing performance and retention. The Compensation and Long Term Incentive Committee recommended a 2016 salary increase for Mr. Bram to \$410,000 but, with input from the CEO, elected to defer half of the salary increase until mid-2017. However, both short term and long term incentive payouts for Mr. Bram for 2016 were calculated based on the \$410,000 base salary rate.

## 2016 Incentive Plan

With compensation consultant assistance, the Committee established the 2016 Incentive Plan. The 2016 Incentive Plan consists of two components: short-term cash incentive compensation, and long-term equity incentive compensation in the form of restricted stock awards to be issued under the 2015 Stock Award Plan (the "2015 Stock Plan"), which was approved by shareholders at the 2015 Annual Meeting.

The short-term cash incentive in the 2016 Incentive Plan was calculated as a percentage of an executive's base salary, depending on the executive's position with the Company and what specified strategic goals were achieved. The two factors included in the short-term cash incentive are:

70% of short term cash incentive: Adjusted EBITDA Target with an established Threshold Adjusted EBITDA and Maximum Adjusted EBITDA for the payment of cash incentives. The Threshold Adjusted EBITDA is set at 75% of Target. The Maximum Adjusted EBITDA is set at 125% of Target.

30% of short term cash incentive: Successful delivery of specified strategic goals that drive stronger efficiencies across their business.

While Adjusted EBITDA performance carried the heaviest weighting (70%) for the short-term cash component, the Committee used qualitative measures related to strategic goals to increase executive focus beyond annual Adjusted EBITDA to include those measures Management and the Board believe will lead to sustained results on a longer term basis.

The long-term equity incentive contains two sub-components: time-vesting stock award and a performance-vesting stock award.

50% of long term equity incentive: Time-Vesting restricted stock award calculated as a percentage of an executive's base salary, depending on the executive's position with the Company. The Time-Vested stock award portion of the 2016 Incentive Plan is a long-term retention tool to attract and retain talented management.





50% of long term equity incentive: Performance-Vesting restricted stock award calculated as a percentage of an executive's base salary, depending on the executive's position with the Company. The Performance-Vesting restricted stock award is calculated based on a three-year cumulative Adjusted EBITDA Target with an established Threshold Adjusted EBITDA and Maximum Adjusted EBITDA for the restricted stock award.

Additionally, due to the transition from a one year performance based equity grant to a three-year cycle for such grants in 2016, the Committee made a "gap year" incentive award in the form a time-vesting restricted stock designed to reflect the threshold earn-out level of a typical incentive year performance-vesting grant.

### Section III: Performance Targets and Results for 2016

#### Short-Term Cash Incentive

For the short-term cash incentive compensation component of the 2016 Incentive Plan, the following table sets forth the Adjusted EBITDA target component and the strategic goals component for each executive. Actual payout is based on a calculation using results for the year, and may vary between Threshold and Maximum values.

(dollars in millions)	Adjusted EBITDA Component			Strategic Goals Component				Maximum Cash Incentive
	2016 Adjusted EBITDA Target	% of Base Salary at Threshold	% of Base Salary at Target	% of Base Salary at Maximum	% of Base Salary at Threshold	% of Base Salary at Target	% of Base Salary at Maximum	% of Base Salary
President & CEO	\$16.20	42.0%	45.5%	70.0%	18.0%	19.5%	30.0%	100.0%
SVP & CFO	\$16.20	29.4%	45.5%	59.5%	12.6%	19.5%	25.5%	85.0%
President, Synalloy Metals	\$12.00 <sup>(1)</sup>	29.4%	45.5%	59.5%	12.6%	19.5%	25.5%	85.0%
President, Synalloy Chemicals	\$8.50 <sup>(2)</sup>	29.4%	45.5%	59.5%	12.6%	19.5%	25.5%	85.0%

<sup>(1)</sup> 2016 Adjusted EBITDA Target for the Metals Segment.

<sup>(2)</sup> 2016 Adjusted EBITDA Target for the Chemicals Segment.

For 2016, Adjusted EBITDA fell below Threshold level (75% of Target) for the Company as a whole as well as for the Metals Segment. The Synalloy Chemicals segment met the Threshold level for Adjusted EBITDA. All NEOs met 100% of the strategic goals component. The strategic goals component of the short-term cash incentive are operational and strategic goals specific to each named executive officer's area of responsibility, in each case designed to drive overall Company financial and operational performance. Mr. Bram and Mr. Pennington each have 6 goals - threshold performance is met with the achievement of 3 of the 6 goals, target with the achievement of 4 of the 6 goals, and maximum with the achievement of all 6 goals. Mr. Loughran and Mr. Gibson each have 5 goals - threshold performance is met with the achievement of 2 of the 5 goals, target with the achievement of 3 of the 5 goals, and maximum with the achievement of all 5 goals.

Cash incentives were earned for fiscal year 2016 as follows:

Name	Position	2016 Adjusted EBITDA Component Payout	2016 Strategic Goals Component Payout	Total 2016 Short-Term Cash Incentive Payments
Craig C. Bram	President & CEO	\$0	\$123,000	\$123,000
Dennis M. Loughran	SVP & CFO	\$0	\$75,225	\$75,225