

SYNALLOY CORP
Form 10-Q
August 12, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended July 2, 2011

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

For the Transition Period From _____ to _____
Commission file number 0-19687

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

Delaware
(State or other jurisdiction of
incorporation or organization)

57-0426694
(IRS Employer
Identification Number)

775 Spartan Blvd. Suite 102
Spartanburg, South Carolina
(Address of principal executive offices)

29301
(Zip code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes (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

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the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes () No (X)

(Not yet applicable to Registrant)

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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one)

Larger accelerated filer ()

Accelerated filer ()

Non-accelerated filer () (Do not check if a smaller reporting company)

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)

The number of shares outstanding of the registrant's common stock as of August 10, 2011 was 6,323,596.

Synalloy Corporation

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PART I

Item 1. FINANCIAL STATEMENTS

Synalloy Corporation

Condensed Consolidated Balance Sheets

| | (Unaudited) | |
|---|---------------|---------------|
| | Jul 2, 2011 | Jan 1, 2011 |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 115,418 | \$ 108,902 |
| Accounts receivable, less allowance for doubtful accounts | 24,404,728 | 19,972,900 |
| Inventories | | |
| Raw materials | 12,913,116 | 12,660,670 |
| Work-in-process | 15,790,832 | 9,571,811 |
| Finished goods | 17,867,139 | 12,120,276 |
| Total inventories | 46,571,087 | 34,352,757 |
| Deferred income taxes | 2,194,928 | 2,257,000 |
| Prepaid expenses and other current assets | 425,508 | 814,185 |
| Total current assets | 73,711,669 | 57,505,744 |
| Cash value of life insurance | 3,065,566 | 3,029,566 |
| Property, plant & equipment, net of accumulated depreciation of \$39,984,089 and \$38,486,325 | 17,974,319 | 18,191,947 |
| Goodwill | 2,354,730 | 2,354,730 |
| Deferred charges, net and other non-current assets | 290,191 | 293,372 |
| Total assets | \$ 97,396,475 | \$ 81,375,359 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities | | |
| Accounts payable | \$ 15,816,901 | \$ 10,674,077 |
| Accrued expenses | 5,627,711 | 3,306,291 |
| Current portion of environmental reserves | 307,990 | 293,456 |
| Accrued income taxes | 85,369 | - |
| Total current liabilities | 21,837,971 | 14,273,824 |
| Long-term debt | 4,091,439 | 219,275 |
| Environmental reserves | 643,000 | 643,000 |
| Deferred compensation | 307,685 | 302,159 |
| Deferred income taxes | 2,062,000 | 2,062,000 |
| 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 | 1,005,562 | 942,707 |

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| | | |
|--|---------------|---------------|
| Retained earnings | 74,190,757 | 69,981,395 |
| Less cost of common stock in treasury: | | |
| 1,675,156 and 1,710,591 shares | (14,741,939) | (15,049,001) |
| Total shareholders' equity | 68,454,380 | 63,875,101 |
| Total liabilities and shareholders' equity | \$ 97,396,475 | \$ 81,375,359 |

Note: The balance sheet at January 1, 2011 has been derived from the audited consolidated financial statements at that date.

See accompanying notes to condensed consolidated financial statements.

Synalloy Corporation
Condensed Consolidated Statements of Operations
(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|---------------|------------------|---------------|
| | Jul 2, 2011 | Jul 3, 2010 | Jul 2, 2011 | Jul 3, 2010 |
| Net sales | \$ 41,398,684 | \$ 36,348,685 | \$ 84,141,104 | \$ 71,549,289 |
| Cost of goods sold | 35,819,756 | 32,138,412 | 71,463,995 | 64,589,355 |
| Gross profit | 5,578,928 | 4,210,273 | 12,677,109 | 6,959,934 |
| Selling and administrative expense | 2,908,697 | 2,502,910 | 6,043,386 | 5,130,629 |
| Operating income | 2,670,231 | 1,707,363 | 6,633,723 | 1,829,305 |
| Other (income) and expense | | | | |
| Interest expense | 27,220 | 12,740 | 56,391 | 14,247 |
| Other, net | (16) | (1,298) | (30) | (10,310) |
| Income before income tax | 2,643,027 | 1,695,921 | 6,577,362 | 1,825,368 |
| Provision for income taxes | 934,000 | 618,000 | 2,368,000 | 665,000 |
| Net income | \$ 1,709,027 | \$ 1,077,921 | \$ 4,209,362 | \$ 1,160,368 |
| Net income per common share | | | | |
| Basic | \$ 0.27 | \$ 0.17 | \$ 0.67 | \$ 0.18 |
| Diluted | \$ 0.27 | \$ 0.17 | \$ 0.66 | \$ 0.18 |
| Weighted average shares outstanding | | | | |
| Basic | 6,310,819 | 6,283,011 | 6,303,420 | 6,277,399 |
| Dilutive effect from stock options and grants | 46,121 | 30,124 | 44,464 | 22,859 |
| Diluted | 6,356,940 | 6,313,135 | 6,347,884 | 6,300,258 |

See accompanying notes to condensed consolidated financial statements.

Synalloy Corporation
Condensed Consolidated Statements of Cash Flows
(Unaudited)

| | Six Months Ended | |
|---|------------------|--------------|
| | Jul 2, 2011 | Jul 3, 2010 |
| Operating activities | | |
| Net income | \$ 4,209,362 | \$ 1,160,368 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation expense | 1,536,482 | 1,316,675 |
| Amortization of deferred charges | 14,412 | - |
| Deferred income taxes | 62,072 | (130,545) |
| Provision for losses on accounts receivable | 75,300 | 149,519 |
| Provision for losses on inventory | (127,000) | 7,375 |
| Gain on sale of property, plant and equipment | (33,835) | (19,991) |
| Cash value of life insurance | (36,000) | (52,163) |
| Environmental reserves | 14,534 | (137,815) |
| Issuance of treasury stock for director fees | 74,950 | 74,981 |
| Employee stock option and stock grant compensation | 123,180 | 89,341 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (4,507,128) | (6,000,068) |
| Inventories | (12,091,330) | (10,193,025) |
| Other assets and liabilities | 80,113 | 295,671 |
| Accounts payable | 5,142,824 | 296,615 |
| Accrued expenses | 2,321,420 | 3,936,037 |
| Income taxes payable | 398,113 | (1,696,841) |
| Net cash used in operating activities | (2,742,531) | (10,903,866) |
| Investing activities | | |
| Purchases of property, plant and equipment | (1,330,469) | (3,872,808) |
| Proceeds from sale of property, plant and equipment | 45,450 | 30,600 |
| Net cash used in investing activities | (1,285,019) | (3,842,208) |
| Financing activities | | |
| Net borrowings from long-term debt | 3,872,164 | 2,312,810 |
| Dividends paid | - | (1,581,084) |
| Proceeds from exercised stock options | 161,902 | 16,746 |
| Net cash provided by financing activities | 4,034,066 | 748,472 |
| Increase (decrease) in cash and cash equivalents | 6,516 | (13,997,602) |
| Cash and cash equivalents at beginning of period | 108,902 | 14,096,557 |
| Cash and cash equivalents at end of period | \$ 115,418 | \$ 98,955 |

See accompanying notes to condensed consolidated financial statements.

Synalloy Corporation

Notes To Condensed Consolidated Financial Statements
(Unaudited)

July 2, 2011

NOTE 1-- BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six-month period ended July 2, 2011, are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the period ended January 1, 2011.

NOTE 2--INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market.

NOTE 3--STOCK OPTIONS AND EMPLOYEE STOCK GRANTS

During the first six months of 2011, options for 19,200 shares were exercised by directors for an aggregate exercise price of \$175,842 with the proceeds generated from the repurchase of 1,045 shares from directors totaling \$13,940 and cash received of \$161,902. There were 4,000 stock options cancelled during the first half of 2011.

On January 21, 2011, the Board of Directors of the Company adopted the 2011 Long-Term Incentive Stock Option Plan (the "2011 Plan") which was approved by the Shareholders at the April 28, 2011 Annual Meeting. The 2011 Plan authorizes the issuance of incentive options for up to 350,000 shares of the Company's common stock. On January 24, 2011, subject to plan approval, the Company granted options to purchase 100,000 shares of its common stock at an exercise price of \$11.55 to its CEO, which may be exercised beginning one year after the date of grant at a rate of 20 percent annually on a cumulative basis, and unexercised options expire ten years from the grant date.

On January 24, 2011, 13,420 shares were granted under the Company's 2005 Stock Awards Plan to the CEO and on February 9, 2011, 13,300 shares were granted to certain management employees of the Company. The stock awards vest in 20 percent increments annually on a cumulative basis, beginning one year after the date of grant. In order for the awards to vest, the employee must be in the continuous employment of the Company since the date of the award. Any portion of an award that has not vested will be forfeited upon termination of employment. The Company may terminate any portion of the award that has not vested upon an employee's failure to comply with all conditions of the award or the Plan. Shares representing awards that have not yet vested will be held in escrow by the Company. An employee is not entitled to any voting rights with respect to any shares not yet vested, and the shares are not

transferable.

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Synalloy Corporation

Notes To Condensed Consolidated Financial Statements
(Unaudited)

July 2, 2011

NOTE 4--INCOME TAXES

The Company did not have any unrecognized tax benefits accrued at July 2, 2011 and January 1, 2011. The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The Company has concluded all U.S. federal income tax matters for years through 2007 and substantially all material state and local income tax matters for years through 2005. The Company's continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense.

NOTE 5--PAYMENT OF DIVIDENDS

During 2010, the Company declared and paid a \$0.25 per share dividend on March 22, 2010 and another \$0.25 per share dividend on December 8, 2010. Total outlay of the dividends during 2010 amounted to \$3,166,000. The Board presently plans to review at the end of each fiscal year the financial performance and capital needed to support future growth to determine the amount of cash dividend, if any, which is appropriate.

NOTE 6--SEGMENT INFORMATION

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|-----------------------------|--------------------|---------------|------------------|---------------|
| | Jul 2, 2011 | Jul 3, 2010 | Jul 2, 2011 | Jul 3, 2010 |
| Net sales | | | | |
| Metals Segment | \$ 30,519,000 | \$ 25,137,000 | \$ 61,937,000 | \$ 50,099,000 |
| Specialty Chemicals Segment | 10,879,000 | 11,212,000 | 22,204,000 | 21,450,000 |
| | \$ 41,398,000 | \$ 36,349,000 | \$ 84,141,000 | \$ 71,549,000 |
| Operating income | | | | |
| Metals Segment | \$ 2,523,000 | \$ 963,000 | \$ 6,478,000 | \$ 561,000 |
| Specialty Chemicals Segment | 859,000 | 1,241,000 | 1,633,000 | 2,327,000 |
| | 3,382,000 | 2,204,000 | 8,111,000 | 2,888,000 |
| Unallocated expenses | | | | |
| Corporate | 712,000 | 496,000 | 1,478,000 | 1,059,000 |
| Interest expense | 27,000 | 13,000 | 56,000 | 14,000 |
| Other income | - | (1,000) | - | (10,000) |
| Income before income taxes | \$ 2,643,000 | \$ 1,696,000 | \$ 6,577,000 | \$ 1,825,000 |

NOTE 7--FAIR VALUE DISCLOSURES

The carrying amounts reported in the condensed consolidated balance sheets for cash and cash equivalents, trade accounts receivable, cash value of life insurance, accounts payable and long-term debt approximate their fair value.

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Notes to Condensed Consolidated Financial Statements
(Unaudited)

July 2, 2011

NOTE 8 – LEGAL CONTINGENCIES

The Company is from time-to-time subject to various claims, other possible legal actions for product liability and other damages, and other matters arising out of the normal conduct of the Company's business. Other than environmental contingencies, management is not currently aware of any other asserted or unasserted matters which could have a significant effect on the financial condition or results of operations of the Company.

NOTE 9--SUBSEQUENT EVENTS

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

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

The following is management's discussion of certain significant factors that affected the Company during the three and six month periods ended July 2, 2011.

Consolidated sales for the second quarter of 2011 increased 21 percent to \$41,398,000 compared to \$36,349,000 for the same period one year ago. The Company showed net earnings of \$1,709,000 or \$0.27 per share for the second quarter of 2011 compared to net earnings of \$1,078,000 or \$0.17 per share for the second quarter of 2010. For the six months ended July 2, 2011, sales were \$84,141,000, up 18 percent from sales of \$71,549,000 for the same period of 2010. Net earnings for the first six months of 2011 increased 263 percent to \$4,209,000 or \$0.66 per share compared to \$1,160,000 or \$0.18 per share for the comparable period last year.

Sales for the Metals Segment increased 21 percent to \$30,519,000 and operating income increased 162 percent to \$2,523,000 in the second quarter of 2011 when compared to the same period a year earlier. The sales increase resulted from a 20 percent increase in average selling prices combined with a one percent increase in unit volumes. The segment experienced a favorable product mix for the second quarter with higher priced non-commodity unit volume increasing 38 percent for the quarter while commodity unit volume decreased 13 percent. Special alloy product shipments were higher in 2011 as a result of increased projects and distributor restocking. International sales are continuing to show year over year sales growth. The increase in operating income resulted from the favorable product mix experienced during the quarter in addition to management's focus on controlling costs at the various manufacturing facilities. The segment experienced margin improvement despite falling nickel prices during the second quarter of 2011.

For the first six months of 2011, sales and operating income for the Metals Segment increased 24 percent to \$61,937,000, and 1,055 percent to \$6,478,000, respectively, compared to the same period of 2010. The sales increase was comprised of a 21 percent increase in average selling prices combined with a two percent increase in unit volumes. The unit volume increase reflects a nine percent increase in non-commodity pipe from the same factors as outlined above for the second quarter, combined with a one percent decrease from commodity pipe sales. Both pipe manufacturing and fabricated piping systems showed operating margin improvement over the prior year.

The Specialty Chemicals Segment's revenues decreased for the second quarter of 2011 by three percent compared to the second quarter of 2010. Sales for the first six months of 2011 increased four percent over the same period of 2010. Pounds sold during the second quarter and first six months of 2011 were 14 percent and eight percent lower, respectively, than the same periods last year. The second quarter sales decrease resulted from several key accounts experiencing market weakness with their products. Operating income decreased 31 percent and 30 percent for the second quarter and first six months of 2011, respectively, when compared to the same periods of 2010. Raw material price increases continue to put pressure on gross margins and management will continue to focus on increasing selling prices wherever possible for the remainder of the year.

Consolidated selling and administrative expenses increased \$216,000 and \$419,000 for the second quarter and first six months of 2011, respectively, compared to the same periods a year ago mainly due to higher projected performance based incentive bonuses for corporate personnel. Higher salaries and wages and the elimination of outsourcing revenue also contributed to the increase in consolidated selling and administrative expense.

The Company's cash balance was relatively unchanged during the first six months of 2011, increasing from \$109,000 at the end of 2010 to \$115,000 as of July 2, 2011. As a result of the higher sales activity during the second quarter of

2011, compared to the fourth quarter of 2010, accounts receivable increased at July 2, 2011 by \$4,507,000. Inventory levels increased \$12,091,000 during the first six months of 2011 in support of higher

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

metals segment activity, especially in higher priced special alloys. These amounts were partially offset by an increase in accounts payable at the end of the second quarter of 2011 of \$5,143,000 when compared to the 2010 year-end balance. The Company borrowed \$3,872,000 during the first six months of 2011 and had \$4,091,000 of bank debt outstanding as of July 2, 2011. The Company was in compliance with all debt covenants as of July 2, 2011.

The Metals Segment's business is highly dependent on its customers' capital expenditures which have begun to show some improvement. Excess capacity in the pipe manufacturing industry continues to present a difficult operating environment. Stainless steel surcharges, which affect our costs of raw materials and selling prices, increased through April and declined in May and June of 2011. We expect surcharges to decrease further during the third quarter with prices leveling off by the end of the quarter. 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. Our market position remains strong in the commodity pipe market and we are experiencing a significant upswing in project and special alloy demand. We also continue to be optimistic about the piping systems business over the long term. There has been an increase in inquiries for stainless and carbon steel piping systems and fabrication opportunities remain strong in the paper and wastewater treatment areas as well as increased activity in power generation projects. Approximately 80 percent of the piping systems backlog comes from paper and wastewater treatment projects. Piping systems' backlog was \$23,654,000 at July 2, 2011, \$25,306,000 at January 1, 2011 and \$33,046,000 at July 3, 2010. We estimate that approximately 80 percent of the backlog should be completed over the next twelve months.

The Specialty Chemicals Segment faces a tough 2011 market. A major account is experiencing transitional challenges under new ownership resulting in the Segment losing sales volume. Management plans to replace pounds lost in the first six months with two major projects based on its defoamer and sulfating technologies. We expect the defoamer project to start-up and sulfating product samples to begin shipping in the fourth quarter of 2011.

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

This Form 10-Q 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; 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 the current 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 Form 10-Q.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Information about the Company's exposure to market risk was disclosed in its Annual Report on Form 10-K for the year ended January 1, 2011, which was filed with the Securities and Exchange Commission on March 25, 2011. There have been no material quantitative or qualitative changes in market risk exposure since the date of that filing.

Item 4. Controls and Procedures.

Based on the evaluation required by 17 C.F.R. Section 240.13a-15(b) or 240.15d-15(b) of the Company's disclosure controls and procedures (as defined in 17 C.F.R. Sections 240.13a-15(e) and 240.15d-15(e)), the Company's chief executive officer and chief financial officer concluded that such controls and procedures, as of the end of the period covered by this quarterly report, were effective.

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

Synalloy Corporation

PART II: OTHER INFORMATION

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

During the second quarter ended July 2, 2011, the Registrant issued shares of common stock to the following class of persons upon the issuance of shares in lieu of cash for services rendered. 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 | Consideration |
|-------------|---------------------------|-------------------------|-------------------|
| 4/28/2011 | Non-Employee Directors(1) | 4,990 | Director Services |

(1) Each non-employee director was given the opportunity and has elected to receive \$15,000 of the retainer in restricted stock for 2011-12 year which equals 998 shares per director for a total of 4,990 shares. The number of restricted shares issued is determined by the average of the high and low stock priced on the day prior to the Annual Meeting of Shareholders. 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 number of shares in the above chart represents the aggregate number of shares directors are entitled to receive at the end of the Company's second quarter and is prorated based on the number of regular quarterly board meetings attended during each director's elected term.

Also, during the second quarter ended July 2, 2011, 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 |
|-------------|------------------------|-------------------------|--------------------------|
| 5/26/11 | Non-Employee Directors | 8,800 | \$87,648 |
| 6/27/11 | Non-Employee Directors | 7,400 | \$73,704 |

Synalloy Corporation

Item Exhibits
6.

The following exhibits are included herein:

- 31.1 Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer
- 31.2 Rule 13a-14(a)/15d-14(a) Certifications of Chief Financial Officer and Principal Accounting Officer
- 32 Certifications Pursuant to 18 U.S.C. Section 1350

Synalloy Corporation

SIGNATURES

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

SYNALLOY CORPORATION
(Registrant)

Date:

August 12, 2011

By:

/s/ Craig C. Bram

Craig C. Bram
President and Chief Executive
Officer

Date: August 12, 2011

By:

/s/ Richard D.
Sieradzki
Richard D. Sieradzki
Chief Financial Officer and
Principal Accounting Officer

