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REUNION INDUSTRIES INC
Form 10-Q
August 14, 2003

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549-1004

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2003

OR

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

For the transition period from _____ to _____

Commission File Number 33-64325

REUNION INDUSTRIES, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE

06-1439715

(State of Incorporation)

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

11 STANWIX STREET, SUITE 1400
PITTSBURGH, PENNSYLVANIA 15222

(Address of principal executive offices, including zip code)

(412) 281-2111

(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

At July 31, 2003, 16,278,579 shares of common stock, par value \$.01 per
share, were outstanding.

Page 1 of 40 pages.
Exhibit index is on page 34.

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FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISKS

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act which are intended to be covered by the safe harbors created thereby. The forward-looking statements contained in this report are enclosed in brackets [] for ease of identification. All forward-looking statements involve risks and uncertainties which could cause the future results and shareholder values to differ materially from those expressed in the forward-looking statements. Although the Company believes that the assumptions underlying the forward-looking statements contained in this report are reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurances that the forward-looking statements included or incorporated by reference in this report will prove to be accurate. Factors that could cause actual results to differ materially from those described in the forward-looking statements include, without limitation, the strengths/weaknesses of the Company's primary markets, the Company's ability to negotiate trade terms with its vendors, the continued forbearance of the Company's creditors with respect to indebtedness in default and the Company's ability to restructure and renegotiate the terms of the Company's indebtedness. In light of the significant uncertainties inherent in the forward-looking statements included or incorporated by reference herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the Company's objectives and plans will be achieved. In addition, the Company does not intend to, and is not obligated to, update these forward-looking statements after filing and distribution of this report, even if new information, future events or other circumstances have made them incorrect or misleading as of any future date.

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REUNION INDUSTRIES, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

REUNION INDUSTRIES, INC. CONDENSED CONSOLIDATED BALANCE SHEET AT JUNE 30, 2003 AND DECEMBER 31, 2002 (in thousands)

	At June 30, 2003 ----- (unaudited)	At December 31, 2002 -----
ASSETS:		
Cash and cash equivalents	\$ 909	\$ 807
Receivables (net of allowance of \$328 and \$300, respectively)	11,318	12,269
Advances to employees	113	113
Inventories, net	9,154	7,895
Other current assets	1,960	1,913
	-----	-----
Total current assets	23,454	22,997
Property, plant and equipment, net	15,524	16,716
Due from related parties	1,520	1,496
Goodwill, net	11,007	11,007
Other assets, net	3,035	3,102
	-----	-----
Total assets	\$ 54,540 =====	\$ 55,318 =====
LIABILITIES AND STOCKHOLDERS' DEFICIT:		
Debt in default	\$ 39,512	\$ 40,049
Current maturities of debt	75	89
Trade payables	12,204	10,961
Accrued interest	8,534	6,748
Due to related parties	2,847	2,422
Other current liabilities	9,019	11,251
Notes payable	4,161	4,661
Notes payable - related parties	5,115	4,615
	-----	-----
Total current liabilities	81,467	80,796
Long-term debt	27	61
Other liabilities	5,301	5,301

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Total liabilities	86,795	86,158
Commitments and contingent liabilities	-	-
Stockholders' deficit	(32,255)	(30,840)
Total liabilities and stockholders' deficit	\$ 54,540	\$ 55,318
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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REUNION INDUSTRIES, INC. CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2003 AND 2002 (in thousands, except per share information) (unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
Sales	\$ 18,076	\$ 21,457	\$ 39,339	\$ 36,301
Cost of sales	14,858	18,107	31,930	32,249
Gross profit	3,218	3,350	7,409	4,052
Selling, general & administrative	2,663	3,373	5,464	7,042
Other expense (income), net	(33)	(20)	(61)	(781)
Operating profit (loss)	588	(3)	2,006	(2,209)
Interest expense, net	1,912	1,824	3,421	3,902
Loss from continuing operations before income taxes	(1,324)	(1,827)	(1,415)	(6,111)
Provision for income taxes	-	-	-	-
Loss from continuing operations	(1,324)	(1,827)	(1,415)	(6,111)
Loss from discontinued operations, net of tax of \$-0-	-	(2,272)	-	(2,272)
Net and comprehensive loss	\$ (1,324)	\$ (4,099)	\$ (1,415)	\$ (8,383)
Loss applicable to common stockholders	\$ (1,324)	\$ (4,099)	\$ (1,415)	\$ (8,383)
Basic and diluted loss per common share:				
Continuing operations	\$ (0.08)	\$ (0.12)	\$ (0.09)	\$ (0.39)
Discontinued operations	-	(0.14)	-	(0.14)
Loss per common share - basic and diluted	\$ (0.08)	\$ (0.26)	\$ (0.09)	\$ (0.53)
Weighted average shares outstanding - basic	16,279	15,691	16,279	15,691
Weighted average shares outstanding - diluted	16,279	15,691	16,279	15,691

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See accompanying notes to condensed consolidated financial statements.

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REUNION INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002
(in thousands)
(unaudited)

	Six Months Ended June 30, 2003	June 30, 2002
Cash provided by operating activities	\$ 850	\$ 995
Cash flow from investing activities:		
Proceeds from sale of assets of discontinued bridges and cranes operations	-	3,058
Proceeds from sale of property	-	375
Capital expenditures	(165)	(286)
Cash (used in) provided by investing activities	(165)	3,147
Cash flow from financing activities:		
Net change in revolving credit facility	1,199	(48)
Repayments of debt	(1,782)	(4,743)
Cash used in financing activities	(583)	(4,791)
Net increase (decrease) in cash and cash equivalents	102	(649)
Net change in cash of discontinued operations	-	348
Cash and cash equivalents, beginning of year	807	686
Cash and cash equivalents, end of period	\$ 909	\$ 385
Interest paid	\$ 712	\$ 1,203

See accompanying notes to condensed consolidated financial statements.

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REUNION INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 1: CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all normal recurring adjustments considered necessary for a fair statement of the results of operations have been included. The results of operations for the three and six month periods ended June 30, 2003 are not necessarily indicative of the results of operations for the full year. When reading the financial information contained in this Quarterly Report, reference should be made to

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the financial statements, schedule and notes contained in Reunion's Annual Report on Form 10-K for the year ended December 31, 2002, as amended by Form 10-K/A as filed on April 30, 2003.

Going Concern

These condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company's negative working capital position of \$58.0 million at June 30, 2003 and defaults on the Bank of America (BOA) Financing and Security Agreement and the 13% senior notes raise substantial doubt about its ability to continue as a going concern. The Company's viability as a going concern is dependent upon its ability to achieve profitable operations through increased sales and its ability to obtain additional financing. These condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement requires recognition of a liability for any legal obligations associated with the retirement of a tangible long-lived asset. Any such liability will be recorded at fair value when incurred and generally results in an increase to the carrying amount of the related long-lived asset. The Company adopted SFAS No. 143 in the first quarter of 2003. In doing so, the Company evaluated its operating leases for property and equipment and environmental review reports for owned property and concluded that the Company has no legal obligations for retirement of tangible long-lived assets. Therefore, no amount has been accrued in the financial statements at and for the period ended June 30, 2003 related to the adoption of SFAS No. 143.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This statement eliminates the automatic classification of gain or loss on extinguishment of debt as an extraordinary item of income and requires that such gain or loss be evaluated for extraordinary classification under the criteria of Accounting Principles Board No. 30 "Reporting Results of Operations." This statement also requires sales-leaseback accounting for certain lease modifications that have economic effects that are similar to sales-leaseback transactions, and makes various other technical corrections to existing pronouncements. This statement will be effective for us for the year ending December 31, 2003. If we attempted to and were successful in buying back the senior notes at a discount, the

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adoption of this statement could have a material effect on our results of operations.

In November 2002, the FASB issued FASB Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 requires that a liability be recorded in the guarantor's balance sheet upon issuance of a guarantee. In addition, FIN 45 requires disclosures about the guarantees that an entity has issued, including a rollforward of the entity's product warranty liabilities. Our financing agreements prohibit us from guaranteeing, either directly or otherwise, the indebtedness of others. We complied with the warranty rollforward provisions of FIN 45.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-

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Based Compensation, Transition and Disclosure." SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also requires that disclosures of the pro forma effect of using the fair value method of accounting for stock-based employee compensation be displayed more prominently and in tabular format. Additionally, SFAS No. 148 requires disclosure of the pro forma effect in interim financial statements. The transition and annual disclosure requirements are effective for our 2003 fiscal year. The interim disclosure requirements are now effective. We do not expect the adoption of SFAS No. 148 to have an effect on our results of operations or financial position.

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities." This Interpretation clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 applies to variable interest entities created after January 31, 2003, and is effective as of July 31, 2003 for variable interest entities created prior to February 1, 2003. Reunion does not expect the adoption of FIN 46 to have a material effect on its financial position, results of operations or cash flows.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," for implementation issues related to the definition of a derivative and other FASB projects related to financial instruments. SFAS No. 149 requires that contracts with comparable characteristics be accounted for in a similar fashion. SFAS No. 149 applies prospectively to contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. Reunion does not expect the adoption of SFAS No. 149 to have a material effect on its financial position, results of operations or cash flows.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 requires that financial instruments within the scope of SFAS No. 150 be classified as a liability or an asset. SFAS No. 150 is effective for all financial instruments entered into after May 31, 2003 and otherwise, the beginning of the first interim period after June 15, 2003. Reunion does not expect the adoption of SFAS No. 150 to have a material effect on its financial position, results of operations or cash flows.

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Stock-Based Compensation

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for stock options and awards. Accordingly, no compensation costs for stock options is included in operating results since all awards were made at exercise prices at or above their fair value on the dates of grants.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, amending FASB Statement No. 123, Accounting for Stock Based Compensation." This statement amends SFAS No. 123 to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-

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based employee compensation. It also amends the disclosure provisions of SFAS No. 123 to require prominent disclosure about the effects on operating results of an entity's accounting policy decisions with respect to stock-based employee compensation. SFAS No. 148 also amends APB 28, "Interim Financial Reporting" to require disclosure about those effects in interim financial information. We adopted the disclosure provisions for the year ended December 31, 2002. The following table illustrates the effect on results of operations if the Company had applied the fair value recognition provisions of SFAS No. 123 for the three and six month periods ended June 30, 2003 and 2002 (in thousands, except for per share amount)(unaudited):

	3-Mos. Ended		6-Mos. Ended	
	2003	2002	2003	2002
Net loss as reported	\$ (1,324)	\$ (4,099)	\$ (1,415)	\$ (8,383)
Deduct: Total stock-based employee compensation determined under fair value method for stock options, net of tax	-	(62)	-	(125)
Pro forma loss applicable to common stockholders	\$ (1,324)	\$ (4,161)	\$ (1,415)	\$ (8,508)
Basic loss per share, as reported	\$ (0.08)	\$ (0.26)	\$ (0.09)	\$ (0.53)
Basic loss per share, pro forma	\$ (0.08)	\$ (0.27)	\$ (0.09)	\$ (0.54)
Diluted loss per share, as reported	\$ (0.08)	\$ (0.26)	\$ (0.09)	\$ (0.53)
Diluted loss per share, pro forma	\$ (0.08)	\$ (0.27)	\$ (0.09)	\$ (0.54)

NOTE 2: RECENT DEVELOPMENTS

Senior Subordinated Secured Promissory Note

On August 11, 2003, Reunion and a private investment fund executed a senior subordinated secured promissory note payable in the amount of and with cash proceeds of \$2.5 million. The note bears interest at 10% per annum, such interest being payable on the last day of every month in arrears commencing on August 31, 2003. The principal amount of \$2.5 million is due on August 11, 2005 with voluntary prepayments permitted. The note is secured by the assets of Reunion, provided that such security interest is subordinate to the security interest of BOA. In addition to its subordinated security interest, the Fund received a warrant to purchase 625,000 shares of the Company's common stock and registration rights with respect to the warrant and shares issuable thereto at a price of \$0.01 per share.

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13% Senior Notes and Semi-Annual Interest Payments

We have a total of \$24.855 million of 13% senior notes outstanding, of which a sinking fund payment of \$12.5 million was due on May 1, 2002 and the remainder was due on May 1, 2003. The senior notes require semi-annual interest payments every November 1st and May 1st. We were unable to make the semi-annual interest payments of \$1.616 million on each of November 1, 2001 and 2002 and May 1, 2002 and 2003. We were also unable to make the sinking fund payments due May 1, 2002 and 2003. This inability to fund our obligations under the 13% senior notes is due to a lack of liquidity and

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availability under our revolving credit facility with BOA.

An event of default as defined in the indenture governing the senior notes has existed since December 1, 2001 as we were not able to make the November 1, 2001 semi-annual interest payment within the 30-day cure period provided for in the indenture. Although they have not moved to do so, the senior notes holders can demand payment of all amounts outstanding, including accrued and unpaid interest of \$7.4 million, totaling \$32.3 million at June 30, 2003. Interest accrues at approximately \$0.3 million per month.

Bank of America Revolving and Term Loan Credit Facilities

We have a total of \$14.7 million of senior secured revolving and term loan credit facilities outstanding at June 30, 2003 with BOA. We have been in default under these facilities since September 30, 2001 due to our inability to achieve our financial ratio covenants contained in the financing and security agreement with BOA. During the third quarter of 2001 we were also unable to maintain the \$1.5 million minimum availability under the revolving credit facility as required by a December 2000 amendment.

During the late first quarter and early second quarter of 2003, we attempted to refinance all of our BOA credit facilities with another lender. During this time period, Reunion and BOA executed various forbearance agreements wherein BOA agreed to standstill. However, we were not successful in our attempt to refinance with the chosen lender. After discussions with BOA, on July 14, 2003, Reunion and BOA agreed to and executed a Waiver and Amendment No. 6 to the Amended and Restated Financing Agreement dated March 16, 2000. The Waiver and Amendment No. 6 dated July 14, 2003 provides that, among other things, BOA and the other bank participants agree to waive the existing defaults under the BOA credit facilities subject to certain conditions including, but not limited to, no acceleration, action or proceeding by the holders of Reunion's 13% senior notes. Reunion has also agreed to (i) maintain a monthly minimum EBITDA, as defined, beginning in July 2003 and continuing through June 2004, (ii) attempt to sell certain real estate, (iii) pursue credit facilities with lenders acceptable to BOA and (iv) if unsuccessful in obtaining an acceptable commitment letter by September 30, 2003, engage an investment banker to sell assets necessary to fully repay the BOA facilities.

NOTE 3: DEBT IN DEFAULT AND LONG-TERM DEBT

Debt in default consists of the following (in thousands):

	At June 30, 2003	At December 31, 2002
	----- (unaudited)	-----
13% senior notes	\$ 24,855	\$ 24,855
BOA revolving credit facility	12,986	11,787
BOA term loan A due March 16, 2007	1,671	3,407
	-----	-----
Total debt in default	\$ 39,512	\$ 40,049
	=====	=====

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NOTE 4: INVENTORIES

Inventories are comprised of the following (in thousands):

At June 30, 2003	At December 31, 2002
---------------------	-------------------------

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	(unaudited)	
Raw material	\$ 2,910	\$ 2,820
Work-in-process	2,820	2,301
Finished goods	3,451	2,801
	-----	-----
Gross inventories	9,181	7,922
Less: LIFO reserves	(27)	(27)
	-----	-----
Inventories	\$ 9,154	\$ 7,895
	=====	=====

NOTE 5: STOCKHOLDERS' DEFICIT AND EARNINGS PER SHARE

The following represents a reconciliation of the change in stockholders' deficit for the six month period ended June 30, 2003 (in thousands):

	Par Value of Common Stock	Capital in Excess of Par Value	Accum- ulated Deficit	Accum- ulated Other Compre- hensive Loss	Total
At January 1, 2003	\$163	\$25,195	\$ (54,188)	\$ (2,010)	\$ (30,840)
Activity (unaudited):					
Net loss	-	-	(1,415)	-	(1,415)
	----	-----	-----	-----	-----
At June 30, 2003	\$163	\$25,195	\$ (55,603)	\$ (2,010)	\$ (32,255)
	=====	=====	=====	=====	=====

The computations of basic and diluted loss per common share [LPS] for the three and six month periods ended June 30, 2003 and 2002 are as follows (in thousands, except per share amounts) (unaudited):

	Net Loss	Shares	LPS
	-----	-----	-----
Three months ended June 30, 2003:			
Loss applicable to common stockholders, weighted average shares outstanding and basic and diluted LPS	\$ (1,324)	16,279	\$ (0.08)
	=====	=====	=====
Three months ended June 30, 2002:			
Loss applicable to common stockholders, weighted average shares outstanding and basic and diluted LPS	\$ (4,099)	15,691	\$ (0.26)
	=====	=====	=====
Six months ended June 30, 2003:			
Loss applicable to common stockholders, weighted average shares outstanding and basic and diluted LPS	\$ (1,415)	16,279	\$ (0.09)
	=====	=====	=====
Six months ended June 30, 2002:			
Loss applicable to common stockholders, weighted average shares outstanding and basic and diluted LPS	\$ (8,383)	15,691	\$ (0.53)
	=====	=====	=====

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At June 30, 2003, the Company's stock options outstanding totaled 44,000, none of which were at exercise prices below the average market

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price of the underlying security during the first half of 2003. At June 30, 2002, the Company's stock options outstanding totaled 1,089,000, none of which were at exercise prices below the average market price of the underlying security during the first half of 2002. Therefore, basic and diluted LPS are equal in both periods.

At its meeting held June 26, 2003, the Company's board of directors approved the issuance of 170,000 options to purchase the Company's common stock to two members of the Company's board of directors and one non-board member of the Company's executive management. The effective date of the issuance is July 1, 2003.

NOTE 6: COMMITMENTS AND CONTINGENT LIABILITIES

Legal Proceedings

The Company and its subsidiaries are defendants in a number of lawsuits and administrative proceedings, which have arisen in the ordinary course of business of the Company and its subsidiaries. The Company believes that any material liability which can result from any of such lawsuits or proceedings has been properly reserved for in the Company's consolidated financial statements or is covered by indemnification in favor of the Company or its subsidiaries, and therefore the outcome of these lawsuits or proceedings will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

In June 1993, the U.S. Customs Service (Customs) made a demand on Chatwins Group's former industrial rubber distribution division for \$612,948 in marking duties pursuant to 19 U.S.C. Sec. 1592. The duties are claimed on importations of "unmarked" hose products from 1982 to 1986. Following Chatwins Group's initial response raising various arguments in defense, including expired statute of limitations, Customs responded in January 1997 by reducing its demand to \$370,968 and reiterating that demand in October 1997. Chatwins Group restated its position and continues to decline payment of the claim. Should the claim not be resolved, Customs threatens suit in the International Courts of Claims. The Company continues to believe, based on consultation with counsel, that there are facts which raise a number of procedural and substantive defenses to this claim, which will be vigorously defended. There is no applicable insurance coverage.

In December 1999, a stockholder of Reunion filed a purported class-action lawsuit in Delaware Chancery Court alleging, among other things, that Reunion's public stockholders would be unfairly diluted in the merger with Chatwins Group. The lawsuit sought to prevent completion of the merger and, the merger having been completed, seeks rescission of the merger or awarding of damages. The lawsuit remains in the initial stages of discovery. Reunion intends to vigorously contest the suit.

The Company has been named as a defendant in fifteen consolidated lawsuits filed in December 2000 or early 2001 in the Superior Court for Los Angeles County, California, three of which are purported class actions asserted on behalf of approximately 200 payees. The plaintiffs in these suits, except one, are structured settlement payees to whom Stanwich Financial Services Corp. (SFSC) is indebted. The Company and SFSC are related parties.

In addition to the Company, there are numerous defendants in these suits, including SFSC, Mr. Charles E. Bradley, Sr., Chairman of the Board, Chief Executive Officer and a director of the Company (Mr. Bradley), the sole shareholder of SFSC's parent, several major financial institutions and certain others. All of these suits arise out of the inability of SFSC to make

structured settlement payments when due. Pursuant to the court's order, plaintiffs in the purported class actions and plaintiffs in the individual cases actions filed a model complaint. Except for the class allegations, the two model complaints are identical. The plaintiffs seek compensatory and punitive damages, restoration of certain alleged trust assets, restitution and attorneys' fees and costs.

The plaintiffs in one of the suits are former owners of a predecessor of SFSC and current operators of a competing structured settlement business. These plaintiffs claim that their business and reputations have been damaged by SFSC's structured settlement defaults, seek damages for unfair competition and purport to sue on behalf of the payees.

The plaintiffs allege that the Company borrowed funds from SFSC and has not repaid these loans. The plaintiffs' theories of liability against the Company are that it is the alter ego of SFSC and Mr. Bradley and that the Company received fraudulent transfers of SFSC's assets. The plaintiffs also assert direct claims against the Company for inducing breach of contract and aiding and abetting an alleged breach of fiduciary duty by SFSC.

On May 25, 2001, SFSC filed a Chapter 11 Bankruptcy Petition in the U.S. Bankruptcy Court for the District of Connecticut. SFSC filed an adversary proceeding in the bankruptcy case against the plaintiffs seeking a declaration that the structured settlement trust assets are the property of the bankruptcy estate. On July 16, 2001, the bankruptcy court granted a temporary restraining order enjoining the plaintiffs from prosecuting their claims against the Company, SFSC, Mr. Bradley and others. As a result of this restraining order of the bankruptcy court, the Company entered a standstill agreement with the plaintiffs on August 22, 2001. Pursuant to the standstill agreement, and the stipulation of the parties to the SFSC bankruptcy case, the plaintiffs agreed to take no further action to prosecute any claim in the litigation against the Company, Mr. Bradley and others to recover any structured settlement trust assets or any derivative claims or claims based on allegations of alter ego, fraudulent transfer or conversion. The plaintiffs did not agree to waive or release their direct personal claims against the Company for damages, but the plaintiffs agreed to cease and desist the prosecution of those claims until no earlier than sixty days following service of written notice to the Company stating that they have elected to unilaterally terminate the standstill.

Plaintiffs filed second amended model complaints in the class actions and individual cases on August 24, 2001. The court granted plaintiffs' motion for class certification on February 13, 2002 and certified a class consisting of unpaid structured settlement payees. Both model complaints allege causes of action against the Company for interference with contract and aiding and abetting breach of fiduciary duty. However, pursuant to the standstill agreement, the plaintiffs are taking no action to prosecute these claims against the Company at this time.

Certain of the financial institution defendants have asserted cross-complaints against the Company for implied and express indemnity and contribution and negligence. The Company denies the allegations of the plaintiffs and the cross-complainant financial institutions and intends to vigorously defend against these actions and cross-actions.

The Company has been named in approximately 1,250 separate asbestos suits filed since January 1, 2001 by three plaintiffs' law firms in Wayne County, Michigan. The claims allege that cranes from the Company's crane manufacturing location in Alliance, OH were present in various parts of McLouth and Great Lakes Steel Mills in Wayne County, Michigan and that those

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cranes contained asbestos to which plaintiffs were exposed over a 40 year span. Counsel for the Company has filed an answer to each complaint denying liability by the Company and asserting all alternative defenses permitted

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under the Court's Case Management Order. Counsel for the Company has successfully resolved 401 cases with little or no cost to the Company. The Company denies that it manufactured any products containing asbestos or otherwise knew or should have known that any component part manufacturers provided products containing asbestos. The Company intends to vigorously defend against these lawsuits.

Since July 10, 2001, various legal actions, some involving multiple plaintiffs, alleging personal injury/wrongful death from asbestos exposure have been filed in multiple states, including California, Oregon, Washington, New York and Mississippi, against a large number of defendants, including Oneida Rostone Corporation (ORC), pre-merger Reunion's Plastics subsidiary and the Company's Plastics segment. In October 2001, Allen-Bradley Company, a former owner of the Rostone business of ORC, accepted Reunion Industries' tender of its defense and indemnification in the first such lawsuit filed pursuant to a contractual obligation to do so. Subsequent to the acceptance of the tender of defense and indemnification in the first lawsuit, Allen-Bradley Company has accepted the Company's tender of defense and indemnification in a total of 101 separate actions, all of which are being defended by Allen-Bradley Company.

In the 2002 fourth quarter, in the Court of Common Pleas of Stark County, Ohio, Putman Properties, Inc. filed a complaint against the Company asserting breach of an exclusive listing contract in connection with the sale of certain property ancillary to the divestiture of the Company's Alliance Machine division in Alliance, Ohio. The plaintiff is a broker who claims entitlement to a commission in the amount of \$230,000. The Company has answered the complaint, denies any liability and intends to vigorously defend against this lawsuit. Discovery is ongoing with a trial date of September 22, 2003. No amount has been accrued for this matter in the Company's financial statements.

In the 2002 fourth quarter, the Company filed suit in the District Court for New Jersey against Paquet, a general contractor doing business in the state of New Jersey. The Company contends that it is owed approximately \$1.5 million in overdue payments and backcharges related to the supply of structural steel for the construction of a bridge in New Jersey. The defendant has asserted a counterclaim against the Company in the amount of \$2.5 million. Discovery is in process. The parties have agreed to submit these disputes to non-binding mediation in an attempt to reach a resolution. Mediation is tentatively set for August 19, 2003. Absent a resolution through non-binding mediation, the Company intends to vigorously pursue its suit against the defendant and defend against its counterclaim. No amount has been accrued for this matter in the Company's financial statements.

In the 2002 fourth quarter, Wheeling-Pittsburgh Steel Corporation (debtor) filed suit against the Company in U.S. Bankruptcy Court for the Northern District of Ohio, seeking to compel the return of certain preferential transfers pursuant to 11 U.S.C 547. The debtor seeks a judgment in the amount of \$2,705,541. The Company filed an answer alleging that such payments are not avoidable because (a) the transfers were made by the Debtor in the ordinary course of business and (b) the Company extended new value to the Debtor after the transfers were made in an amount exceeding the original payments. A status conference was held before the court on April 21, 2003. The parties agreed to stay discovery pending settlement discussions. No trial dates have been established. Absent a resolution of this matter through settlement discussions, the Company intends to vigorously defend against this

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lawsuit. No amount has been accrued for this matter in the Company's financial statements.

In connection with the Chapter 11 bankruptcies of LTV Steel Company, Inc. (LTV), et al, pending in the United States Bankruptcy Court for the Northern District of Ohio, Youngstown Division, LTV has filed a complaint for avoidance and recovery of preferential transfers against Alliance Machine Division, a

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former division of the Company. Pursuant to an adversary proceeding filed in the LTV Case on December 17, 2002, LTV seeks recovery of \$385,000 in alleged preferential transfers, together with costs and attorney's fees. Prosecution of preference actions has been stayed through September 30, 2003 by order of the bankruptcy court. The Company believes it has adequate defenses and intends to vigorously defend against this complaint. No amount has been accrued for this matter in the Company's financial statements.

In the 2002 fourth quarter, Dick Corporation (Dick) filed an action against the Company in the Court of Common Pleas of Allegheny County, PA. Dick alleges that the Company breached a contract to supply it with structural steel for use in a construction project for the PA Department of Transportation. Dick seeks damages of approximately \$351,000, representing the extra costs allegedly incurred by Dick for Dick to secure structural steel from another vendor. The Company has filed an answer to Dick's complaint in which it denies any liability. Pleading are closed and discovery has begun. The Company believes it has meritorious defenses against Dick's suit and intends to vigorously defend against it. No amount has been accrued for this matter in the Company's financial statements.

Environmental Compliance

Various U.S. federal, state and local laws and regulations including, without limitation, laws and regulations concerning the containment and disposal of hazardous waste, oil field waste and other waste materials, the use of storage tanks, the use of insecticides and fungicides and the use of underground injection wells directly or indirectly affect the Company's operations. In addition, environmental laws and regulations typically impose "strict liability" upon the Company for certain environmental damages. Accordingly, in some situations, the Company could be liable for clean up costs even if the situation resulted from previous conduct of the Company that was lawful at the time or from improper conduct of, or conditions caused by, previous property owners, lessees or other persons not associated with the Company or events outside the control of the Company. Such clean up costs or costs associated with changes in environmental laws and regulations could be substantial and could have a materially adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Except as described in the following paragraphs, the Company believes it is currently in material compliance with existing environmental protection laws and regulations and is not involved in any significant remediation activities or administrative or judicial proceedings arising under federal, state or local environmental protection laws and regulations. In addition to management personnel who are responsible for monitoring environmental compliance and arranging for remedial actions that may be required, the Company has also employed outside consultants from time to time to advise and assist the Company's environmental compliance efforts. Except as described in the following paragraphs, the Company has not recorded any accruals for environmental costs.

In February 1996, Reunion was informed by a contracted environmental services consulting firm that soil and ground water contamination exists at

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its Lafayette, Indiana site. Since then, the Company has expended \$419,275 of remediation costs. The Company estimates completion of this remediation effort to be \$15,000.

In connection with the sale of its former oil and gas operations, pre-merger Reunion retained certain oil and gas properties in Louisiana because of litigation concerning environmental matters. The Company is in the process of environmental remediation under a plan approved by the Louisiana Department of Natural Resources Office of Conservation (LDNROC). The Company has recorded an accrual for its proportionate share of the remaining estimated costs to

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remediate the site based on plans and estimates developed by the environmental consultants hired by the Company. During 1999, the Company conducted remediation work on the property. The Company paid \$172,000 of the total cost of \$300,000. Regulatory hearings were held in January 2000 and 2001 to consider the adequacy of the remediation conducted to date. In August 2001, LDNROC issued its order for the Company to complete the soil remediation under the plan approved in 1999 and to perform additional testing to determine to what extent groundwater contamination might exist. No remediation was performed in 2000, 2001 or 2002 pending the decision. However, the Company has paid \$434,000 for its share of consulting services in connection with the hearings. Most recently, the Company's environmental consultants filed with the LDNROC updated amendments to the prior approved plan for sampling and remediation. If approved, the plan will be implemented. At June 30, 2003, after accruing an additional \$40,000 in December 2002, the balance accrued for these remediation costs is approximately \$912,000. The Company believes that future remediation costs will not exceed the amount accrued.

Litigation on this matter had been stayed pending the determination by the LDNROC as to the extent of remediation that would be required. Such stay was lifted and the District Court had established a jury trial for September 22, 2003 to determine the necessity for any further remediation and the extent of damages, if any, suffered by the plaintiff owners of the property. However, a tentative agreement to settle the litigation by the plaintiff owners of the property has been reached in principle between the involved parties, the details of which are currently being finalized. Following implementation of this potential settlement agreement, LDNROC will revisit the extent of the remaining remediation necessary. No accrual has been made for costs of any potential alternative clean-up methodology that might be imposed as a result of the outcome of the litigation.

On March 15, 2002, the Company received a Request for Information from the United States Environmental Protection Agency (USEPA) regarding the Gambonini Mine Site (Site) outside Petaluma, Marin County, California. The Company gathered and forwarded the information the USEPA requested. On May 16, 2002, the Company, as the successor to Buttes Gas & Oil Company (BGO), received from the USEPA a notice of potential liability and demand for payment of \$3,909,614.37 for reimbursement of costs related to the USEPA's removal and environmental restoration efforts at the Site initiated in 1998 pursuant to the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA).

BGO, predecessor by merger to the Company, leased the site for mining purposes and operated a mercury mine there from 1965 to 1970. BGO's mining operations were terminated in 1970. Subsequently, under the supervision of the environmental and planning representatives of Marin County, BGO completed closure and environmental restoration activities at the site, including stabilization and re-vegetation of the site. BGO then quitclaimed the mining lease to the Site owners, the Gambonini's, in 1973. Because of apparent overgrazing at the Site subsequent to BGO's restoration efforts, a storm in

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1982 caused severe flooding, which resulted in the failure of a dam built to retain mining materials. Runoff from the flood released mining materials into the creek below and, ultimately, into the Tomales Bay, a local recreation and fishing area.

In 1985, BGO, headquartered in Houston, Texas, filed Chapter 11 proceedings in bankruptcy court in the Southern District of Texas in Houston. In December 1988, BGO confirmed its plan of reorganization which provided for, among other things, a discharge of all claims that arose prior to the date of confirmation of the plan. The reorganization plan became effective in February 1989.

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In response to the USEPA's May 2002 demand for payment, the Company filed an adversary proceeding in bankruptcy court in the Southern District of Texas in Houston seeking an order to enjoin the USEPA from pursuing any claims related to the Site. The USEPA responded by filing a motion to dismiss based on several jurisdictional and substantive grounds. In an order issued on August 26, 2002, the court ruled that it lacked jurisdiction in the adversary proceeding and ordered it dismissed. The Company and the USEPA subsequently entered into a tolling agreement through December 31, 2002, which has been extended through November 30, 2003.

In March 2003, the Company and the USEPA reached an agreement in principle to settle the USEPA's demand for payment for \$100,000 plus interest at the Superfund rate of 1.47%, payable in three installments over a two-year period. This amount has been accrued as of December 31, 2002. This settlement agreement will resolve the USEPA's claims for reimbursement of environmental response costs under CERCLA, but does not resolve all possible claims the United States may have with respect to the Gambonini mine site which could include, but not be limited to, claims for natural resource damages. The United States has given no indication as to whether or not it will pursue such claims. The Company has agreed to toll the statute of limitations with respect to any natural resource damages claims, if any, from August 30, 2002 to April 1, 2008.

Product Warranties

The Company provides for warranty claims at its cylinders segment. Amounts accrued are estimates of future claims based on historical claims experience or a management estimate related to a specifically identified issue. The Company reevaluates its product warranty reserve quarterly and adjusts it based on changes in historical experience and identification of new or resolution of prior specifically identified issues. A tabular reconciliation of the product warranty reserve follows (in 000's):

Description	General Reserve	Specific Accrual	Total
Balance at December 31, 2002	\$ 175	\$ 204	\$ 379
Add: Provision for estimated future claims	45	-	45
Deduct: Cost of claims	(64)	(152)	(216)
Balance at June 30, 2003	\$ 156	\$ 52	\$ 208

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NOTE 7: OPERATING SEGMENT DISCLOSURES

The following represents segment financial data (in thousands) (unaudited):

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	Net Sales	EBITDA(1)	Capital Spending	Total Assets(2)
	-----	-----	-----	-----
Three months ended and at June 30, 2003:				

Metals:				
Pressure vessels and springs	\$ 6,250	\$ 1,360	\$ -	\$ 15,236
Cylinders	4,718	68	5	8,647
	-----	-----	-----	-----
Subtotal Metals	10,968	1,428	5	23,883
Plastics	7,108	646	27	15,536
Corporate and other	-	(813)	-	15,121
	-----	-----	-----	-----
Totals	\$ 18,076	1,261	\$ 32	\$ 54,540
	=====		=====	=====
Depreciation and amortization(3)		(673)		
Interest expense		(1,912)		

Loss from continuing operations before income taxes		\$ (1,324)		
		=====		
Three months ended June 30, 2002 and at December 31, 2002:				

Metals:				
Pressure vessels and springs	\$ 8,119	\$ 1,230	\$ 5	\$ 13,725
Cylinders	4,677	(84)	-	9,700
	-----	-----	-----	-----
Subtotal Metals	12,796	1,146	5	23,425
Plastics	8,661	540	-	16,536
Corporate and other	-	(927)	-	15,357
Discontinued operations	-	-	21	-
	-----	-----	-----	-----
Totals	\$ 21,457	759	\$ 26	\$ 55,318
	=====		=====	=====
Depreciation and amortization(3)		(762)		
Interest expense		(1,824)		

Loss from continuing operations before income taxes		\$ (1,827)		
		=====		
Six months ended and at June, 2003:				

Metals:				
Pressure vessels and springs	\$ 13,780	\$ 3,123	\$ -	
Cylinders	10,308	597	62	
	-----	-----	-----	
Subtotal Metals	24,088	3,720	62	
Plastics	15,251	1,297	102	
Corporate and other	-	(1,653)	1	
	-----	-----	-----	
Totals	\$ 39,339	3,364	\$ 165	
	=====		=====	
Depreciation and amortization(3)		(1,358)		
Interest expense		(3,421)		

Loss from continuing operations before income taxes		\$ (1,415)		
		=====		

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	Net Sales	EBITDA(1)	Capital Spending
	-----	-----	-----
Six months ended June 30, 2002:			

Metals:			
Pressure vessels and springs	\$ 10,600	\$ 359	\$ 46
Cylinders	9,118	(171)	25
	-----	-----	-----
Subtotal Metals	19,718	188	71
Plastics	16,583	712	113
Corporate and other(4)	-	(1,637)	-
Discontinued operations	-	-	102
	-----	-----	-----
Totals	\$ 36,301	(737)	\$ 286
	=====		=====
Depreciation and amortization(3)		(1,472)	
Interest expense		(3,902)	

Loss from continuing operations before income taxes		\$ (6,111)	
		=====	

- (1) EBITDA is presented as it is the primary measurement used by management in assessing segment performance and not as an alternative measure of operating results or cash flow from operations as determined by accounting principles generally accepted in the United States, but because it is a widely accepted financial indicator of a company's ability to incur and service debt.
- (2) Headquarters total assets at June 30, 2003 and December 31, 2002 includes \$8.0 million of goodwill. This goodwill relates to the Company's pressure vessel and springs segment. For evaluation purposes under SFAS No. 142, this goodwill is included in the carrying value of the pressure vessels and springs segment.
- (3) Excludes amortization of debt issuance expenses and fees of \$11,000 and \$192,000 for the three month periods ended June 30, 2003 and 2002, respectively, and \$71,000 and \$324,000 for the six month periods ended June 30, 2003 and 2002, respectively, which is included in interest expense.
- (4) Includes a \$375,000 gain on sale of property in January 2002.

NOTE 8: DISCONTINUED OPERATIONS

Discontinued operations includes the discontinued bridges and cranes and material handling systems businesses. Summarized results of discontinued operations for the three and six month periods ended June 30, 2002 follows (in thousands):

Three months ended June 30, 2002	

Net sales	\$ 12,934
Loss before taxes	(2,272)
Six months ended June 30, 2002	

Net sales	\$ 26,182

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Loss before taxes (2,272)

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The above results of discontinued operations includes actual and allocated interest expense for the three and six month periods ended June 30, 2002 totaling \$1,193,000 and \$1,820,000, respectively.

PART I. FINANCIAL INFORMATION

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

The following discussion and analysis is provided to assist readers in understanding financial performance during the periods presented and significant trends which may impact future performance. It should be read in conjunction with the consolidated financial statements and accompanying notes included elsewhere in this Form 10-Q and in conjunction with our annual report on Form 10-K for the year ended December 31, 2002, as amended by Form 10-K/A as filed on April 30, 2003.

GENERAL

The Company owns and operates industrial manufacturing operations that design and manufacture engineered, high-quality products for specific customer requirements, such as large-diameter seamless pressure vessels, hydraulic and pneumatic cylinders, leaf springs and precision plastic components.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2003 Compared to
Three Months Ended June 30, 2002

Continuing Operations

Sales, gross margins and EBITDA percentages for the three months ended June 30, 2003 and 2002 are as follows:

	Net Sales		Gross Margin		EBITDA	
	2003	2002	2003	2002	2003	2002
Pressure vessels and springs	\$ 6,250	\$ 8,119	26.5%	21.3%	21.8%	15.1%
Cylinders	4,718	4,677	12.8%	10.0%	1.4%	(0.2%)
Plastics	7,108	8,661	13.5%	13.3%	9.1%	6.2%
Totals	\$ 18,076	\$ 21,457	17.8%	15.6%	11.5%	7.9%

Pressure vessels and springs sales decreased in the second quarter of 2003 compared to the same period in 2002. This decrease is due to reduced foreign shipments, primarily in China and, management believes, is largely the result of the overall adverse impact on the Asian economy caused by SARS. Although the SARS crisis in Asia has eased, uncertainty exists as to when or by how much the foreign shipments of this segment will rebound.

Sales of cylinders in the second quarter of 2003 was even with the second quarter of 2002 as the improvement in order levels during the 2003 first

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quarter has leveled-off. This segment continues to be affected by a softness in its markets, [a trend which the Company believes will remain the same or lessen during 2003.]

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The decrease in Plastics revenues is the result of several reasons including the planned shutdown of one Plastic's facility to coincide with a customer shutdown which happened late in the second quarter of 2003 compared to early in the third quarter of 2002 and a lag in certain customers' decisions on newly quoted programs which are intended to replace finished programs. [Management continues to seek to expand Plastics' product offerings in the business machines, consumer products and medical products industries.]

Despite a decrease in sales in the second quarter of 2003 compared to the second quarter of 2002 at pressure vessels and springs, gross margin as a percentage of sales increased. This increase in gross margin as a percentage of sales is primarily due to the fact that the second quarter of 2002 included approximately \$2.2 million in sales related to product which shipped in the second quarter of 2002 but for which the production activity occurred primarily in March 2002. Production activity for the second quarter 2002 in the pressure vessels and springs segment was below normal levels resulting in underabsorption of overheads and a lower gross margin as a percentage of sales than would normally be expected. The increase in gross margin as a percentage of sales at both cylinders and plastics is primarily the result of actions to reduce costs through workforce reductions taken in the 2002 third quarter to better match production resources with volume levels.

Management evaluates the Company's segments based on EBITDA, a measure of cash generation, which is presented, not as an alternative measure of operating results or cash flow from operations as determined by accounting principles generally accepted in the United States, but because it is a widely accepted financial indicator of a company's ability to incur and service debt and due to the close relationship it bears to Reunion's financial covenants in its borrowing agreements. EBITDA and EBITDA as a percentage of sales increased during the second quarter of 2003 compared to the 2002 second quarter primarily due to the same factors affecting gross profit margin discussed above and our continued focus on reducing selling, general and administrative costs in Plastics. A reconciliation of EBITDA to operating income (loss) in the second quarters of 2003 and 2002 by segment and corporate and other is as follows (000's):

	Operating Income (Loss)	Deprec- iation	Amortiz- ation	EBITDA
	-----	-----	-----	-----
2003:				

Pressure vessels and springs	\$ 1,186	\$ 174	\$ -	\$ 1,360
Cylinders	(5)	73	-	68
Plastics	237	409	-	646
Corporate and other	(830)	17	-	(813)
	-----	-----	-----	-----
Totals	\$ 588	\$ 673	\$ -	\$ 1,261
	=====	=====	=====	=====
2002:				

Pressure vessels and springs	\$ 1,043	\$ 184	\$ 3	\$ 1,230
Cylinders	(180)	96	-	(84)
Plastics	79	461	-	540
Corporate and other	(945)	18	-	(927)
	-----	-----	-----	-----

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Totals	\$ (3)	\$ 759	\$ 3	\$ 759
	=====	=====	=====	=====

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Selling, General and Administrative

Selling, general and administrative (SGA) expenses for the second quarter of 2003 were \$2.7 million, compared to \$3.4 million for the second quarter of 2002. This decrease in SGA is due to the 2002 second quarter including approximately \$250,000 of incremental legal, audit and consultant costs related to the default on our bank financing that did not recur in the second half of 2003. The remaining decrease is related to cost cutting measures taken during 2002, including trimming the executive payroll and reductions in administrative positions, the benefits of which are materializing. SGA as a percentage of sales decreased to 14.7% for the 2003 second quarter compared to 15.7% in the 2002 second quarter. SGA as a percentage of sales was lower in 2003 second quarter compared to the second quarter of 2002 due to lower incremental bank-induced costs and previously described cost-cutting measures.

Other Income

Other income for the second quarter of 2003 was \$33,000, compared to other income of \$20,000 for the second quarter of 2002. There were no significant offsetting items netted into other income in either of the three month periods ended June 30, 2003 and 2002.

Interest Expense

Interest expense, net, for the second quarter of 2003 was \$1.9 million compared to \$1.8 million for the second quarter of 2002. For the second quarter of 2002, a total of \$1.2 million of interest expense has been allocated to or actually incurred in discontinued operations. On a combined basis interest expense was \$3.0 million in the second quarter of 2002. Debt has decreased significantly from second quarter 2002 levels due to pay-downs with proceeds from asset sales in June 2002 and September 2002. Also, in the second quarter of 2002 compared to the 2003 second quarter, the Company was paying a higher default rate on the BOA revolving credit and term loan facilities and we accrued \$500,000 in amendment and overadvance fees to BOA in the second quarter of 2002. These decreases from the second quarter 2002 were partially offset by approximately \$400,000 in fees and costs charged to interest expense incurred during our attempted refinancing during the second quarter 2003 with another lender.

Income Taxes

There was no tax provision from continuing operations in the second quarters of 2003 or 2002. The Company has net operating loss carryforwards for Federal tax return reporting purposes totaling \$119.9 million at December 31, 2002, \$57.2 million of which expire by the end of 2004. [The Company may be able to utilize its loss carryforwards against possible increased future profitability.] However, management has determined to fully reserve for the total amount of net deferred tax assets as of December 31, 2002 [and to continue to do so during 2003 until management can conclude that it is more likely than not that some or all of our loss carryforwards can be utilized.]

Discontinued Operations

There was a loss from discontinued operations for the second quarter of 2002 of \$2.3 million. The loss from discontinued operations of \$2.3 million in the second quarter of 2002 relates to adjustments of the carrying value to net realizable value, primarily machinery and equipment and receivables, of

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assets retained from the sale of the discontinued bridges and cranes operations. For the second quarter of 2002, discontinued operations includes a total of \$1.2 million of interest expense.

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Six Months Ended June 30, 2003 Compared to
Six Months Ended June 30, 2002

Continuing Operations

Sales, gross margins and EBITDA percentages for the six months ended June 30, 2003 and 2002 are as follows:

	Net Sales		Gross Margin		EBITDA	
	2003	2002	2003	2002	2003	2002
Pressure vessels and springs	\$ 13,780	\$ 10,600	27.5%	12.5%	22.7%	3.4%
Cylinders	10,308	9,118	16.0%	9.1%	5.8%	(1.9%)
Plastics	15,251	16,583	12.9%	11.5%	8.5%	4.3%
Totals	\$ 39,339	\$ 36,301	18.8%	11.2%	12.8%	2.5%

Pressure vessels and springs sales were up in the first half of 2003 compared to the same period in 2002. This increase is due to this segment's return to almost normal production and shipment levels compared to management's decision to shut-down our pressure vessels facility for the first two months of 2002 with a limited production schedule. We made this decision in 2002 to reduce spending due to our liquidity problems and to lessen the strain on this segment's raw material vendors.

Sales of cylinders was up for the first half of 2003 compared to 2002 due to an improvement in order levels during the 2003 first quarter. However, this segment continues to be affected by a softness in its markets, [a trend which the Company believes will remain the same or lessen during 2003.]

The decrease in Plastics revenues occurred in the second quarter of 2003 and is the result of several reasons including the planned shutdown of one Plastic's facility to coincide with a customer shutdown which happened late in the second quarter of 2003 compared to early in the third quarter of 2002 and a lag in certain customers' decisions on newly quoted programs which are intended to replace finished programs. [Management continues to seek to expand Plastics' product offerings in the business machines, consumer products and medical products industries.]

In conjunction with a 30% increase in sales in the second quarter of 2003 compared to the second quarter of 2002 at pressure vessels and springs, gross margin as a percentage of sales increased 120%. This increase in gross margin as a percentage of sales is primarily due to management's decision to shut-down our pressure vessels facility for the first two months of 2002 as discussed above and the resulting reduction in production activity for the second quarter 2002 resulting in underabsorption of overheads and a lower gross margin as a percentage of sales than would normally be expected. The increase in gross margin as a percentage of sales at both cylinders and plastics is the result of actions to reduce costs through workforce reductions taken in the 2002 third quarter to better match production resources with volume levels.

Management evaluates the Company's segments based on EBITDA, a measure of

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cash generation, which is presented, not as an alternative measure of operating results or cash flow from operations as determined by accounting principles generally accepted in the United States, but because it is a widely accepted financial indicator of a company's ability to incur and service debt and due to the close relationship it bears to Reunion's financial covenants in

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its borrowing agreements. EBITDA and EBITDA as a percentage of sales increased significantly during the first half of 2003 compared to the 2002 first half primarily due to the same factors affecting gross profit margin discussed above and our continued focus on reducing selling, general and administrative costs in Plastics. A reconciliation of EBITDA to operating income (loss) in the first six months of 2003 and 2002 by segment and corporate and other is as follows (000's):

	Operating Income (Loss)	Deprec- iation	Amortiz- ation	EBITDA
	-----	-----	-----	-----
2003:				

Pressure vessels and springs	\$ 2,770	\$ 353	\$ -	\$ 3,123
Cylinders	453	144	-	597
Plastics	471	826	-	1,297
Corporate and other	(1,688)	35	-	(1,653)
	-----	-----	-----	-----
Totals	\$ 2,006	\$ 1,358	\$ -	\$ 3,364
	=====	=====	=====	=====
2002:				

Pressure vessels and springs	\$ (20)	\$ 373	\$ 6	\$ 359
Cylinders	(370)	199	-	(171)
Plastics	(146)	858	-	712
Corporate and other(1)	(1,673)	36	-	(1,637)
	-----	-----	-----	-----
Totals	\$ (2,209)	\$ 1,466	\$ 6	\$ (737)
	=====	=====	=====	=====

(1) - Operating results for corporate and other for the six-months ended June 30, 2002 includes a \$375,000 gain on sale of property.

Selling, General and Administrative

Selling, general and administrative (SGA) expenses for the first half of 2003 were \$5.5 million, compared to almost \$7.1 million for the first half of 2002. This decrease in SGA is due to the 2002 first half including approximately \$650,000 of incremental legal, audit and consultant costs related to the default on our bank financing that did not recur in the first half of 2003. The remaining decrease is related to cost cutting measures taken during 2002, including trimming the executive payroll and reductions in administrative positions, the benefits of which are materializing. SGA as a percentage of sales decreased to 13.9% for the 2003 first half compared to 19.4% in the 2002 first half. SGA as a percentage of sales was lower in 2003 first half compared to the first half of 2002 due to increased sales volumes, lower incremental bank-induced costs and previously described cost-cutting measures.

Other Income

Other income for the first half of 2003 was \$61,000, compared to other income of \$0.8 million for the first half of 2002. The components are as

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follows:

	2003	2002	Change
	-----	-----	-----
Gain on sale of equipment with zero book value	\$ -	\$ (375)	\$ 375
Other (income) expense, net	(61)	(406)	345
	-----	-----	-----
Total other income, net	\$ (61)	\$ (781)	\$ 720
	=====	=====	=====

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In January 2002, we sold equipment that had no book value. The decrease in the remaining other income is primarily due to higher levels of sales of scrap and miscellaneous parts in 2002 due to cleaning out idled facilities.

Interest Expense

Interest expense, net, for the first half of 2003 was \$3.4 million compared to \$3.9 million for the first half of 2002. For the first half of 2002, a total of \$1.8 million of interest expense has been allocated to or actually incurred in discontinued operations. On a combined basis interest expense was \$5.7 million in the first half of 2002. Debt has decreased significantly from second quarter 2002 levels due to pay-downs with proceeds from asset sales in June 2002 and September 2002. Also, in the first half of 2002 compared to the 2003 first half, the Company was paying a higher default rate on the BOA revolving credit and term loan facilities and we paid and/or accrued \$1,125,000 in amendment and overadvance fees to BOA in the first half of 2002. These decreases from the second quarter 2002 were partially offset by approximately \$400,000 in fees and costs charged to interest expense incurred during our attempted refinancing during the second quarter 2003 with another lender.

Income Taxes

There was no tax provision from continuing operations in the first six months of 2003 or 2002. The Company has net operating loss carryforwards for Federal tax return reporting purposes totaling \$119.9 million at December 31, 2002, \$57.2 million of which expire by the end of 2004. [The Company may be able to utilize its loss carryforwards against possible increased future profitability.] However, management has determined to fully reserve for the total amount of net deferred tax assets as of December 31, 2002 [and to continue to do so during 2003 until management can conclude that it is more likely than not that some or all of our loss carryforwards can be utilized.]

Discontinued Operations

There was a loss from discontinued operations for the first half of 2002 of \$2.3 million. The loss from discontinued operations of \$2.3 million in the first half of 2002 relates to adjustments of the carrying value to net realizable value, primarily machinery and equipment and receivables, of assets retained from the sale of the discontinued bridges and cranes operations. For the second quarter of 2002, discontinued operations includes a total of \$1.9 million of interest expense.

LIQUIDITY AND CAPITAL RESOURCES

General

The Company manages its liquidity as a consolidated enterprise. The operating groups of the Company carry minimal cash balances. Cash generated from group operating activities generally is used to repay borrowings under

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revolving credit arrangements, as well as other uses (e.g. corporate headquarters expenses, debt service, capital expenditures, etc.). Conversely, cash required for group operating activities generally is provided from funds available under the same revolving credit arrangements.

Senior Subordinated Secured Promissory Note

On August 11, 2003, Reunion and a private investment fund executed a senior subordinated secured promissory note payable in the amount of and with cash proceeds of \$2.5 million. The note bears interest at 10% per annum, such

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interest being payable on the last day of every month in arrears commencing on August 31, 2003. The principal amount of \$2.5 million is due on August 11, 2005 with voluntary prepayments permitted. The note is secured by the assets of Reunion, provided that such security interest is subordinate to the security interest of BOA. In addition to its subordinated security interest, the Fund received a warrant to purchase 625,000 shares of the Company's common stock and registration rights with respect to the warrant and shares issuable thereto at a price of \$0.01 per share. [The cash proceeds are anticipated to be used for working capital and other general corporate purposes.]

13% Senior Notes and Semi-Annual Interest Payments

We have a total of \$24.855 million of 13% senior notes outstanding, of which a sinking fund payment of \$12.5 million was due on May 1, 2002 and the remainder was due on May 1, 2003. The senior notes require semi-annual interest payments every November 1st and May 1st. We were unable to make the semi-annual interest payments of \$1.616 million on each of November 1, 2001 and 2002 and May 1, 2002 and 2003. We were also unable to make the sinking fund payments due May 1, 2002 and 2003. This inability to fund our obligations under the 13% senior notes is due to a lack of liquidity and availability under our revolving credit facility with BOA.

An event of default as defined in the indenture governing the 13% senior notes has existed since December 1, 2001 as we were not able to make the November 1, 2001 semi-annual interest payment within the 30-day cure period provided for in the indenture. Although they have not moved to do so, the senior notes holders can demand payment of all amounts outstanding, including accrued and unpaid interest of \$7.4 million, totaling \$32.3 million at June 30, 2003. We are currently discussing with holders of a majority of principal amount of senior notes scenarios that would involve suspending their currently existing right to demand payment for some period of time. [Although possible, no assurances exist that we will be successful in this pursuit.]

Bank of America Revolving and Term Loan Credit Facilities

We have a total of \$14.7 million of senior secured revolving and term loan credit facilities outstanding at June 30, 2003 with BOA. We have been in default under these facilities since September 30, 2001 due to our inability to achieve our financial ratio covenants contained in the financing and security agreement with BOA. During the third quarter of 2001 we were also unable to maintain the \$1.5 million minimum availability under the revolving credit facility as required by a December 2000 amendment.

During the late first quarter and early second quarter of 2003, we attempted to refinance all of our BOA credit facilities with another lender. During this time period, Reunion and BOA executed various forbearance agreements wherein BOA agreed to standstill. However, we were not successful in our attempt to refinance with the chosen lender. After discussions with BOA, on July 14, 2003, Reunion and BOA agreed to and executed a Waiver and

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Amendment No. 6 to the Amended and Restated Financing Agreement dated March 16, 2000. The Waiver and Amendment No. 6 dated July 14, 2003 provides that, among other things, BOA and the other bank participants agree to waive the existing defaults under the BOA credit facilities subject to certain conditions including, but not limited to, no acceleration, action or proceeding by the holders of Reunion's 13% senior notes. Reunion has also agreed to (i) maintain a monthly minimum EBITDA, as defined, beginning in July 2003 and continuing through June 2004, (ii) attempt to sell certain real estate, (iii) pursue credit facilities with lenders acceptable to BOA and (iv) if unsuccessful in obtaining an acceptable commitment letter by September 30, 2003, engage an investment banker to sell assets necessary to fully repay the BOA facilities. [Although possible, no assurances exist that we will be able

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to maintain the monthly minimum EBITDA contained in or be successful in the pursuits as required by the Waiver and Amendment No. 6.]

[Since we could not repay our senior noteholders or bank lenders if the senior noteholders exercised their existing rights to demand payment of what we owe them or if we were not able to maintain the covenants or were not successful in the requirements of the Waiver and Amendment No. 6, each or both parties could pursue all remedies available to creditors in the normal course of business, including filing of involuntary bankruptcy petitions.]

SUMMARY OF 2003 ACTIVITIES

Cash and cash equivalents totaled \$0.9 million at June 30, 2003, compared with \$0.8 million at December 31, 2002. This resulted from \$0.9 million of cash provided by operations being offset by \$0.2 million of cash used in investing activities and \$0.6 million used in financing activities. Cash and cash equivalents at the end of a period generally represents lockbox receipts from customers to be applied to our BOA revolving credit facility the following business day.

Operating Activities

Cash provided by operating activities of \$0.9 million in the first half of 2003 was the result of a decrease in net working capital as the higher level of receivables created in the first quarter of 2003 due to the higher volume levels were collected.

Investing Activities

Capital expenditures were \$0.2 million.

Financing Activities

The Company made scheduled repayments of term loan A totaling \$1.5 million and paid an additional \$200,000 on term loan A in connection with a forbearance agreement from BOA for the month of February 2003. Revolving credit facility borrowings increased \$1.2 million during the first half of 2003. Other debt repayments totaling \$46,000 represent payments on capital lease obligations and other debt.

Lease Termination Reserves

In the fourth quarter of 2001, we developed and adopted a restructure plan for our continuing businesses and certain other businesses were identified for disposal. By the end of 2002, this plan was substantially completed except for continuing commitments under leases for two idle

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facilities and certain equipment. The Company recorded restructuring costs, including lease termination costs, related to the plan. The following represents a summary of 2003 cash activity of the remaining lease termination reserves (in thousands):

Description	At 12/31/02	2003 Activity	At 06/30/03
-----	-----	-----	-----
Lease termination costs	\$ 861	\$ (182)	\$ 679
	=====	=====	=====

The remaining lease termination costs relate to idle manufacturing facilities in Milwaukee, Wisconsin and Clearfield, Utah.

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FACTORS THAT COULD AFFECT FUTURE RESULTS

Reunion is a Going Concern

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company's negative working capital position of \$58.0 million at June 30, 2003 and defaults on the BOA Financing and Security Agreement and the 13% senior notes raise substantial doubt about its ability to continue as a going concern. The Company's viability as a going concern is dependent upon its ability to achieve profitable operations through increased sales and its ability to obtain additional financing. These condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Reunion's vendors may restrict credit terms

We have corrected many vendor-related problems with liquidity generated from asset sales. However, another period of tight liquidity could result in key vendors restricting or eliminating the extension of credit terms to us. If this would happen, our ability to obtain raw materials would be strained significantly and our ability to manufacture products would be reduced.

Reunion may not be able to maintain the required monthly minimum EBITDA, as defined, required by the Waiver and Amendment No. 6

We executed a Waiver and Amendment No. 6 with BOA which requires us to maintain a monthly minimum EBITDA, as defined therein, beginning in July 2003. If we are unable to met the minimum monthly required EBITDA in any month, they may move to take advantage of all remedies available to them including, but not limited to, acceleration of all amounts currently due and a liquidation of their collateral.

Reunion's senior noteholders may demand payment

Although our senior note obligations are in default, the senior noteholders have stood still as we continue to work through the refinancing of our BOA credit facilities. However, it is not a certainty that they will continue to stand still and they may move to take advantage of all remedies available to them including, but not limited to, demanding payment of all amount currently due.

Reunion's current bank lender may require us to pay exorbitant fees and cause us to incur significant incremental costs again

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Since entering into the BOA facilities, we have incurred significant incremental costs related to our bank financing. Through the end of 2002, these costs total \$4.3 million, including \$2.6 million paid to BOA relating to amendment and overadvance fees and approximately \$0.6 million in default interest. The additional incremental costs included legal fees, audit and consultant fees and reappraisal costs. These costs have negatively affected our liquidity. If we do not refinance our BOA credit facilities, they could continue to strain our liquidity with incremental fees and costs.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes in the market risk factors which affect the Company since the end of the preceding fiscal year.

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Item 4. Controls and Procedures

As of March 31, 2003, an evaluation was performed under the supervision of and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the Company's principal executive officer and principal financial officer, concluded that Reunion's disclosure controls and procedures were effective as of March 31, 2003. There were no significant changes in Reunion's internal controls or in other factors that could significantly affect these controls subsequent to March 31, 2003.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various legal proceedings and environmental matters. See "Item 1. Financial Statements, Note 6: Commitments and Contingent Liabilities."

Item 3. Defaults Upon Senior Securities

Debt in default consists of the following (in thousands):

	At June 30, 2003 ----- (unaudited)	At December 31, 2002 -----
13% senior notes	\$ 24,855	\$ 24,855
BOA revolving credit facility	12,986	11,787
BOA term loan A due March 16, 2007	1,671	3,407
	-----	-----
Total debt in default	\$ 39,512 =====	\$ 40,049 =====

13% Senior Notes and Semi-Annual Interest Payments

We have a total of \$24.855 million of 13% senior notes outstanding, of which a sinking fund payment of \$12.5 million was due on May 1, 2002 and the remainder was due on May 1, 2003. The senior notes require semi-annual interest payments every November 1st and May 1st. We were unable to make the semi-annual interest payments of \$1.616 million on each of November 1, 2001 and 2002 and May 1, 2002 and 2003. We were also unable to make the sinking fund payments due May 1, 2002 and 2003. This inability to fund our

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obligations under the 13% senior notes is due to a lack of liquidity and availability under our revolving credit facility with BOA.

An event of default as defined in the indenture governing the senior notes has existed since December 1, 2001 as we were not able to make the November 1, 2001 semi-annual interest payment within the 30-day cure period provided for in the indenture. Although they have not moved to do so, the senior notes holders can demand payment of all amounts outstanding, including accrued and unpaid interest of \$7.4 million, totaling \$32.3 million at June 30, 2003. Interest accrues at approximately \$0.3 million per month.

Bank of America Revolving and Term Loan Credit Facilities

We have a total of \$14.7 million of senior secured revolving and term loan credit facilities outstanding at June 30, 2003 with BOA. We have been in default under these facilities since September 30, 2001 due to our inability

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to achieve our financial ratio covenants contained in the financing and security agreement with BOA. During the third quarter of 2001 we were also unable to maintain the \$1.5 million minimum availability under the revolving credit facility as required by a December 2000 amendment.

During the late first quarter and early second quarter of 2003, we attempted to refinance all of our BOA credit facilities with another lender. During this time period, Reunion and BOA executed various forbearance agreements wherein BOA agreed to standstill. However, we were not successful in our attempt to refinance with the chosen lender. After discussions with BOA, on July 14, 2003, Reunion and BOA agreed to and executed a Waiver and Amendment No. 6 to the Amended and Restated Financing Agreement dated March 16, 2000. The Waiver and Amendment No. 6 dated July 14, 2003 provides that, among other things, BOA and the other bank participants agree to waive the existing defaults under the BOA credit facilities subject to certain conditions including, but not limited to, no acceleration, action or proceeding by the holders of Reunion's 13% senior notes. Reunion has also agreed to (i) maintain a monthly minimum EBITDA, as defined, beginning in July 2003 and continuing through June 2004, (ii) attempt to sell certain real estate, (iii) pursue credit facilities with lenders acceptable to BOA and (iv) if unsuccessful in obtaining an acceptable commitment letter by September 30, 2003, engage an investment banker to sell assets necessary to fully repay the BOA facilities.

Item 4. Submission of Matters to a Vote of Security Holders

At the Company's annual meeting of its stockholders held on June 26, 2003 for the record date of May 15, 2003, the following persons were elected as directors by the votes indicated opposite respective their names:

Name	Number of Shares	
	Voted For	Withheld
Thomas N. Amonett	9,954,785	184,747
Charles E. Bradley, Sr.	9,955,170	184,362
Kimball J. Bradley	9,955,290	184,242
Thomas L. Cassidy	9,959,464	180,068
David E. Jackson	9,959,419	180,113
Joseph C. Lawyer	9,955,395	184,137
John G. Poole	9,959,494	180,038

There were no abstentions or broker non-votes.

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Item 6. Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K

The Company filed a Current Report on Form 8-K dated July 21, 2003 on July 22, 2003 under Items 4 and 7 to announce a change in certifying accountants and to file the predecessor auditor's letter to the United States Securities and Exchange Commission pursuant to Item 304(a)(3) of Regulation S-K as an exhibit.

The Company filed a Current Report on Form 8-K/A dated July 21, 2003 on July 31, 2003 under Items 4 and 7 to provide additional information regarding Registrant's change in certifying accountants at the request of the United States Securities and Exchange Commission and to file the predecessor auditor's letter pursuant to Item 304(a)(3) of Regulation S-K as an exhibit.

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(c) Exhibits

Exhibit No.	Exhibit Description
-----	-----
10.46	Waiver and Amendment No. 6 by dated July 14, 2003 between Reunion Industries, Inc. and Bank of America, National Association, Congress Financial Corporation and Citizens Business Credit Company.
99.1	Certification of Chief Executive Officer and Principal Financial Officer Pursuant to Section 13a-14(b) of the Securities Exchange Act of 1934 and U.S.C. 18 Section 1350

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, thereto duly authorized.

Date: August 14, 2003

REUNION INDUSTRIES, INC.
(Registrant)

By: /s/ Charles E. Bradley, Sr.

Charles E. Bradley, Sr.
Chairman and Chief
Executive Officer

By: /s/ John M. Froehlich

John M. Froehlich

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Executive Vice President, Finance
and Chief Financial Officer
(chief financial and accounting officer)

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CERTIFICATION

I, Charles E. Bradley, Sr., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2003 of Reunion Industries, Inc.;

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

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

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

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

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

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

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

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

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

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

By /s/ Charles E. Bradley, Sr.

Charles E. Bradley, Sr., C.E.O.

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CERTIFICATION

I, John M. Froehlich, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2003 of Reunion Industries, Inc.;

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

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

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

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

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

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

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

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

a) all significant deficiencies and internal weaknesses in the design or

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operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

By /s/ John M. Froehlich

John M. Froehlich, C.F.O.

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EXHIBIT INDEX

Exhibit No. -----	Exhibit Description -----	Page No. -----
10.46	Waiver and Amendment No. 6 by dated July 14, 2003 between Reunion Industries, Inc. and Bank of America, National Association, Congress Financial Corporation and Citizens Business Credit Company.	35
99.1	Certification of Chief Executive Officer and Principal Financial Officer Pursuant to Section 13a-14(b) of the Securities Exchange Act of 1934 and U.S.C. 18 Section 1350	40

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EXHIBIT 10.46

WAIVER AND AMENDMENT NO. 6

July 14, 2003

Reunion Industries, Inc.
300 Weyman Plaza
Suite 340
Pittsburgh, Pennsylvania 15236

Re: Amended and Restated Financing Agreement, dated as of March 16, 2000, by and between REUNION INDUSTRIES, INC., a Delaware corporation (the "Borrower"), BANK OF AMERICA, NATIONAL ASSOCIATION, a national banking association, and each other financial institution that is a party thereto (collectively, the "Lenders" and individually, a "Lender"), and BANK OF AMERICA, NATIONAL ASSOCIATION a national banking association, in its capacity as both collateral and administrative agent (the "Agent") for each of the Lenders, as such agreement has been amended by that certain Amendment No. 1 to Amended and Restated Financing and Security Agreement, dated as of June 26, 2000, by that certain Amendment No. 2 to Amended and Restated Financing and Security Agreement, dated as of July 31, 2000, by that certain Amendment No. 3 to Amended and Restated Financing and Security Agreement, dated as of December 12, 2000, by that certain Amendment No. 4 to Amended and Restated Financing

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and Security Agreement, dated as of January 19, 2001, by that certain letter agreement dated February 1, 2002 between the Borrower and the Agent, by that certain letter agreement dated March 1, 2002 between the Borrower and the Agent, by that certain letter agreement dated April 1, 2002 between the Borrower and Agent, and by that certain letter agreement dated April 19, 2002, by that certain Consent and Amendment No. 5 dated September __, 2002 and by that certain letter agreement between the Borrower and Agent dated as of May 30, 2003 (the "Financing Agreement")

Ladies and Gentlemen:

Reference is hereby made to the Financing Agreement. Capitalized terms used in this letter have the meanings ascribed thereto in the Financing Agreement.

The Events of Defaults set forth on Exhibit A hereto have occurred and are continuing under the Financing Agreement (the "Existing Defaults"). The Borrower has requested that Agent and Lenders waive the Existing Defaults and Agent and Lenders have agreed to do so on the terms and conditions contained herein. In addition, the Borrower, Agent and Lenders have agreed to amend the Financing Agreement as set forth herein.

1. Waiver. Lenders hereby waive the Existing Defaults; provided, that if the obligations under the Senior Notes are accelerated or any action or proceeding is commenced to enforce the obligations under the Indenture or the Senior Notes, an Event of Default shall exist under Section 7.1.10 of the Financing Agreement. The foregoing waiver shall not constitute a waiver of any other Event of Default that may exist, or a waiver of any other future Event of Default that may occur (including as a result of any future "Event of Default" that may occur under the Indenture).

2. Amendments to Financing Agreement. Upon the satisfaction of the conditions set forth in paragraph 3 below, the Financing Agreement is amended as follows:

(a) The definition of "Applicable Margin" in Section 1.1 of the Financing Agreement is amended and restated in its entirety to read as follows:

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"Applicable Margin" means a rate equal to 2.75% per annum.

(b) The definition of "Post-Default Rate" in Section 1.1 of the Financing Agreement is amended and restate in its entirety to read as follows:

"Post-Default Rate" means, with respect to all Obligations, the Base Rate plus 200 basis points per annum.

(c) The definition of "Revolving Credit Expiration Date" in Section 1.1 of the Financing Agreement is amended and restated in its entirety to read as follows:

"Revolving Credit Expiration Date" means June 30, 2004.

(d) The definition of "Term Loan A Installment Payment Amount" in Section 1.1 of the Financing Agreement is amended and restated in its entirety to read as follows:

"Term Loan A Installment Payment Amount" means \$100,000.

(e) The definition of "Term Loan A Maturity Date" in Section 1.1 of the

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Financing Agreement is amended and restated in its entirety to read as follows:

"Term Loan A Maturity Date" means the earlier of December 31, 2003 or the Revolving Commitment Termination Date.

(f) Clause (c) of the definition of "Borrowing Base" in Section 2.1.3 of the Financing Agreement is amended and restated in its entirety to read as follows:

(c) the lesser of (i) One Million Seven Hundred Fifty Thousand Dollars (\$1,750,000) or (ii) one hundred percent (100%) of the cash surrender value of the Pledged Policies, as determined by the Agent, in its Good Faith discretion, plus

(g) Section 2.1.12(a) of the Financing Agreement is deleted.

(h) Section 2.6.1 of the Financing Agreement is amended and restated in its entirety to read as follows:

2.6.1 Applicable Interest Rates.

(a) Each Loan shall bear interest until repaid at the Base Rate, or as otherwise determined in accordance with the provisions of this Section 2.6. Notwithstanding any other provision of this Agreement, no Loan shall bear interest at the LIBOR Rate.

(b) Following the occurrence and during the continuance of an Event of Default, at the option of Agent, all Loans and all other Obligations shall bear interest at the Post-Default Rate.

(i) Section 2.7.10(b) of the Financing Agreement is amended and restated to read as follows:

(b) Subsection to Section 7.2.5, Net Proceeds of Permitted Asset Dispositions shall be applied as follows:

(i) if any portion of such Net Proceeds are attributable to dispositions of Equipment or real property owned by the Borrower, Net Proceeds shall be applied to payments of the Term Loan A, in the inverse order of maturity, for the ratable benefit of the Formula Lenders, in the amount of

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such proceeds, and

(ii) with respect to any portion of Net Proceeds not applied in accordance with clause (b)(i), one hundred percent (100%) thereof shall be applied to the outstanding principal of the Revolving Loans for the ratable benefit of the Formula Lenders with the aggregate Revolving Credit Commitment Amounts being reduced by fifty percent (50%) of the amount of such Net Proceeds (such reduction to be applied to the Revolving Credit Commitment Amount of each Formula Lender in accordance with its Pro Rata Share).

(j) Section 6.1.14 of the Financing Agreement is amended and restated in its entirety to read as follows:

6.1.14 Financial Covenants

The Borrower will have EBITDA for each month set forth below of at least the amount set forth below opposite such month:

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Month	Minimum EBITDA
July 2003	\$179,000
August 2003	\$305,000
September 2003	\$399,000
October 2003	\$512,000
November 2003	\$364,000
December 2003	\$281,000
Each month thereafter	\$300,000

(k) Section 6.1.26 of the Financing Agreement is amended and restated to read as follows:

6.1.26 Asset Dispositions; Refinancing.

(a) The Borrower will market and attempt to sell its real estate located in Wisconsin and North Carolina. In the event any such real estate has not been sold by December 31, 2003, the Borrower will retain a real estate broker acceptable to Agent to attempt to facilitate such sale.

(b) The Borrower will pursue two separate credit facilities with Wells Fargo Foothill, Inc. and another financial institution acceptable to Agent, each of which would be sufficient to refinance the Obligations.

(c) If by September 30, 2003, the Borrower has not received a commitment letter in form and substance satisfactory to Agent to refinance the Obligations from a financial institution acceptable to Lender, the Borrower will promptly retain an investment banker to sell such divisions of the Borrower as are necessary to repay in full all Obligations and the Borrower will use its best efforts to consummate such sale(s) on terms acceptable to Agent.

(l) Section 6.2.3 of the Financing Agreement is amended by inserting the following clause (d) at the end of such Section:

(c) The Borrower may restructure the Senior Notes by providing the holders thereof equity in the Borrower in exchange for such holders (i) forgiving 15% of the outstanding principal balance of the Senior Notes and forgiving all past due interest, and (ii) agreeing to forego cash interest payments for 12 months, provided that the final terms of such transaction are consented to by Majority Lenders.

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(m) Schedule 6.2.8 (Permitted Dispositions) of the Financing Agreement is amended and restated to read as set forth on Schedule 6.2.8 attached to this Waiver and Amendment No. 6.

3. Conditions Precedent. The waiver and amendments set forth herein shall be effective upon Agent's receipt of the following:

(a) a counterpart of this Waiver and Amendment No. 6 executed by the Borrower and each Lender; and

(b) the receipt of a \$100,000 payment of Term Loan A.

4. Release.

(a) In consideration of the agreements of Agent and Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Borrower, on behalf of itself

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and its successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Agent and each Lender, and their respective successors and assigns, and the respective present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives (Agent, Lenders and all such other Persons being hereinafter referred to collectively as the "Releasees" and individually as a "Releasee"), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of set-off, demands and liabilities whatsoever (individually, a "Claim" and collectively, "Claims") of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, which the Borrower or any of its successors, assigns, or other legal representatives may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever which arises at any time on or prior to the day and date of this Agreement, including, without limitation, for or on account of, or in relation to, or in any way in connection with any of the Financing Agreement or any of the other Financing Documents or transactions thereunder or related thereto.

(b) The Borrower understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(c) The Borrower agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute and unconditional nature of the release set forth above.

5. **Covenant Not to Sue.** The Borrower, on behalf of itself and its successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably, covenants and agrees with and in favor of each Releasee that it will not sue (at law, in equity, in any regulatory proceeding or otherwise) any Releasee on the basis of any Claim released, remised and discharged by the Borrower pursuant to Section 4 above. If the Borrower or any of its successors, assigns or other legal representations violates the foregoing covenant, the Borrower, for itself and its successors, assigns and legal representatives, agrees to pay, in addition to such other damages as any Releasee may sustain as a result of such violation, all attorneys' fees and costs incurred by any Releasee as a result of such violation.

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6. **Fees.** In consideration of the foregoing and in addition to all other fees provided for in the Financing Documents, (a) on the date of this Waiver and Amendment No. 6 and on the last day of each calendar quarter commencing on September 30, 2003, the Borrower shall pay to Agent for the account of the Formula Lenders in accordance with their Pro Rata Shares a \$25,000 fee, which fee shall be non-refundable and fully earned on each such date, and (b) on January 2, 2004, the Borrower shall pay to Agent for the account of the Formula Lenders in accordance with their Pro Rata Shares a \$100,000 fee which fee has been fully earned and is non-refundable; provided, that such \$100,000 fee shall be forgiven if the Borrower has repaid the Obligations in full and terminated the Formula Loan Commitments prior to January 1, 2004.

7. **Kimball Bradley Guaranty.** By August 1, 2003 the Borrower will

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cause Kimball Bradley to deliver a guaranty of the Obligations in form and substance satisfactory to Agent.

8. Capital Expenditures Line Commitments. The Borrower and Lenders acknowledge and agree that the Capital Expenditure Line Commitments are not in effect.

9. Failure to Repay term Loan. If an Event of Default occurs under the Financing Agreement as the result of the failure to repay Term Loan A in full on the Term Loan A Maturity Date, in addition to all other rights that Agent and Lenders would then have (including, the right to terminate the Revolving Credit Commitments and accelerate the Obligations), each of the advance rates set forth in clauses (a) and (b) of the definition of Borrowing Base shall be reduced by one-half of a percentage point on the date of such failure and an additional one-half percentage point reduction occurring on each weekly anniversary of such date, with all such reductions being cumulative.

Very truly yours,

BANK OF AMERICA, N.A., individually and as Agent

By
Its

CONGRESS FINANCIAL CORPORATION

By
Its

CITIZENS BUSINESS CREDIT COMPANY

By
Its

AGREED:

REUNION INDUSTRIES, INC.

By
Its

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EXHIBIT 99.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Reunion Industries, Inc. (the Company) on Form 10-Q for the second quarter ended June 30, 2003 as filed with the Securities and Exchange Commission on the date therein specified (the Report), the undersigned, Charles E. Bradley, Sr., Chairman and Chief Executive Officer of the Company, and John M. Froehlich, Chief Financial Officer and principal financial officer of the Company, each certify pursuant

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to 18 U.S.C. Section 1350, that to the best of our knowledge:

- (1) The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934, and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Reunion Industries, Inc.

Date: August 14, 2003

By /s/ Charles E. Bradley, Sr.

Charles E. Bradley, Sr.
Chairman and Chief Executive
Officer (principal executive officer)

Date: August 14, 2003

By /s/ John M. Froehlich

John M. Froehlich
Chief Financial Officer
(principal financial officer)

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