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REUNION INDUSTRIES INC
Form 10-Q
May 15, 2006

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 March 31, 2006

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 01-15739

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

Indicate by check mark whether the Registrant is a
Large accelerated filer Accelerated filer Non-accelerated filer X
--- --- ---

Indicate by check mark whether the Registrant is a shell company Yes No X
--- ---

At May 10, 2006, 17,419,019 shares of common stock, par value \$.01 per
share, were outstanding.

=====

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 that 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. Note that all forward-looking statements involve risks and uncertainties. Factors which could cause the future results and shareholder values to differ materially from those expressed in the forward-looking statements include, but are not limited to, the strengths of the markets which the Company serves, the Company's ability to generate liquidity and the Company's ability to service its debts and meet financial covenants. 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. 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. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
AT MARCH 31, 2006 AND DECEMBER 31, 2005
(in thousands)

	At March 31, 2006 ----- (unaudited)	At December 31, 2005 -----
ASSETS:		
Cash and cash equivalents	\$ 1,872	\$ 1,923
Receivables (net of allowance of \$202 and \$173, respectively)	9,076	7,386
Inventories, net	9,182	8,606
Other current assets	2,188	1,306
Current assets of discontinued operations	100	6,237
	-----	-----
Total current assets	22,418	25,458
Property, plant and equipment, net	4,471	4,594
Property, plant and equipment, held for sale	3,324	6,050
Due from related parties	874	891
Goodwill, net	10,994	10,994
Other assets, net	3,064	3,273
	-----	-----
Total assets	\$ 45,145 =====	\$ 51,260 =====
LIABILITIES AND STOCKHOLDERS' DEFICIT:		
Notes payable	\$ 9,573	\$ 8,240
Debt in default	21,941	43,236

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Revolving credit facilities	9,719	-
Trade payables	5,624	6,129
Accrued interest	8,743	8,052
Due to related parties	200	140
Other current liabilities	7,308	5,264
Notes payable - related parties	500	500
Current liabilities of discontinued operations	237	2,641
	-----	-----
Total current liabilities	63,845	74,202
Long-term debt	-	-
Other liabilities	3,535	3,465
Non-current liabilities of discontinued Operations	781	781
	-----	-----
Total liabilities	68,161	78,448
Minority interests	62	329
Commitments and contingent liabilities	-	-
Stockholders' deficit	(23,078)	(27,517)
	-----	-----
Total liabilities and stockholders' deficit	\$ 45,145	\$ 51,260
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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REUNION INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)
FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(in thousands, except per share information) (unaudited)

	Three Months Ended	
	March 31,	
	2006	2005
	-----	-----
Sales	\$ 13,641	\$ 12,365
Cost of sales	10,646	10,388
	-----	-----
Gross profit	2,995	1,977
Selling, general & administrative	1,733	1,793
Gain on debt extinguishment	(925)	-
Other income, net	(7)	(9)
	-----	-----
Operating profit	2,194	193
Interest expense, net	2,162	2,119
	-----	-----
Income (loss) from continuing operations before income taxes and minority interests	32	(1,926)
Provision for income taxes	14	-
	-----	-----
Income (loss) from continuing operations before minority		

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interests	18	(1,926)
Less: Minority interests	59	73
	-----	-----
Loss from continuing operations	(41)	(1,999)
Gain on disposal of discontinued operations, net of tax of \$-0-	4,319	370
Income from discontinued operations, Net of tax of \$-0-	161	255
	-----	-----
Net and comprehensive income (loss)	\$ 4,439	\$ (1,374)
	=====	=====
Earnings (loss) applicable to common stockholders	\$ 4,439	\$ (1,374)
	=====	=====
Basic earnings (loss) per share:		
Continuing operations	\$ (0.00)	\$ (0.12)
Discontinued operations	0.27	0.04
	-----	-----
Income (loss) per share - basic	\$ 0.27	\$ (0.08)
	=====	=====
Weighted average shares outstanding - basic	16,657	16,279
	=====	=====
Diluted income (loss) per share:		
Continuing operations	\$ (0.00)	\$ (0.12)
Discontinued operations	0.27	0.04
	-----	-----
Income (loss) per share - diluted	\$ 0.27	\$ (0.08)
	=====	=====
Weighted average shares outstanding - diluted	16,657	16,279
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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REUNION INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2006	2005
	-----	-----
Cash used in operating activities	\$ (1,679)	\$ (457)
	-----	-----
Cash flow from investing activities:		
Capital expenditures	(94)	(137)
Proceeds from asset sales	11,273	3,680
	-----	-----
Cash provided by investing activities	11,179	3,543
	-----	-----
Cash flow from financing activities:		
Net change in revolving credit facility	(6,064)	(2,069)
Repayments of debt	(3,487)	(1,164)
	-----	-----
Cash provided by financing activities	(9,551)	(3,233)
	-----	-----

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Net increase in cash and cash equivalents	(51)	(147)
Less: Change in cash of discontinued operations	-	31
Cash and cash equivalents, beginning of period	1,923	1,146
	-----	-----
Cash and cash equivalents, end of period	\$ 1,872	\$ 1,030
	=====	=====
Interest paid	\$ 803	\$ 699
	=====	=====
Non-cash financing activities:		
Debt extinguishment, including accrued interest	\$ 925	\$ -
	=====	=====
Distribution declared to minority interest	\$ 326	\$ 212
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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REUNION INDUSTRIES, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 MARCH 31, 2006

NOTE 1: CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States 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 accounting principles generally accepted in the United States 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 months ended March 31, 2006 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 the financial statements, schedule and notes contained in Reunion's Annual Report on Form 10-K for the year ended December 31, 2005.

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. At March 31, 2006, the Company had a deficiency in working capital of \$41.4 million, negative cash flow from operations for the first quarter of 2006 of \$1.7 million and a deficiency in assets of \$23.0 million. These conditions raise substantial doubt about the Company's ability to continue as a going concern. These condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Over the past several years, the Company has taken steps to improve its liquidity and defer the principal maturities of a significant portion of its debt. During 2005, the Company sold its leaf spring business and all operating assets of its Rostone business. During the first quarter of 2006,

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the Company sold its Oneida business, the remaining portion of its plastics segment. (See Note 2: RECENT DEVELOPMENTS - Sale of Oneida.) Additionally, during the first quarter of 2006, the Company effected a settlement with the holder of a \$1.017 million note payable from the Company wherein the Company recognized a gain from this debt settlement of \$925,000. (See Note 2: RECENT DEVELOPMENTS - Note Payable Settlements.) The Company is investigating other recapitalization scenarios in an effort to provide additional liquidity and extinguishments or deferrals of debt obligations. Although the Company believes that it can accomplish these plans, no assurances exist that it will. Failure to accomplish these plans could have an adverse impact on the Company's liquidity, financial position and future operations.

NOTE 2: RECENT DEVELOPMENTS

Sale of Oneida

During the 2005 year, the Company decided to exit the plastics business. In early 2006, the Company signed an Asset Purchase Agreement to sell substantially all of the assets of its Oneida business to an unrelated entity. On March 2, 2006, effective March 1, 2006, the Company completed the sale for a purchase price of \$11,573,000 subject to a post-closing adjustment based on a closing balance sheet. Of the net sale proceeds, after deducting \$374,621 in related expenses, \$300,000 was put into a one-year escrow as security for

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any claims by the buyer that may arise after the closing and is included in current assets at March 31, 2006, \$2,000,000 was used to pay down a note payable to a private capital fund that is secured by the real estate of the Company, \$980,974 was used to completely pay off the existing Wachovia term loan and the remaining \$7,917,405 was used to pay down the revolving credit facility. As a result, during the first quarter of 2006, the Company recognized a gain on sale of \$4.3 million, net of related expenses of sale and estimated liabilities for future costs of \$1.3 million.

Default Waivers

In connection with the sale of Oneida, the Company and Wachovia entered into an amendment to the loan and security agreement wherein Wachovia waived the October 2005 and November 2005 defaults for failure to meet the minimum monthly EBITDA amount, waived the then existing defaults arising from the Company's failure to make interest payments to the holders of the 13% Senior Notes prior to March 1, 2006 and lowered the monthly minimum EBITDA covenant requirement from \$300,000 to \$250,000 beginning in March 2006. A private capital fund, holder of a \$3.5 million note from the Company, also waived such cross defaults. As a result, as of March 31, 2006, the Company was not in default on its Wachovia or private capital fund debt. (See NOTE 3: SUBSEQUENT EVENT.)

Change in Officers

Effective March 2, 2006, Charles E. Bradley, Sr. resigned his officership as Chairman of the Board of Directors and Chief Executive Officer of the Company. However, he will continue to serve as a director. Effective March 2, 2006, the Board of Directors elected Mr. Kimball J. Bradley Chairman of the Board of Directors and Chief Executive Officer.

Note Payable Settlements

On March 2, 2006, the Company entered into a settlement agreement with the holder of a \$1.017 million note payable from the Company wherein the

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Company agreed to pay the holder a total of \$400,000 for such note and all accrued interest. Such settlement was effected on March 3, 2006 and the Company recognized a gain from this debt settlement of \$925,000 in the first quarter of year 2006.

On March 21, 2006, the Company entered into a settlement agreement with the Stanwich Financial Services Corp. Liquidating Agent ("SFSC") wherein the Company agreed to pay SFSC \$1.125 million in settlement of its existing \$4.290 million judgment and all accrued interest. In connection with such agreement, the Company made a \$150,000 payment to SFSC during the first quarter of 2006. As provided in the settlement agreement, payment of the remaining amount is awaiting bankruptcy court approval in SFSC's Chapter 11 proceeding and will be paid promptly upon such approval.

NOTE 3: SUBSEQUENT EVENT

In addition to its prior payment defaults, the Company failed to make a \$0.7 million interest payment on the Senior Notes that was due on April 1, 2006. As a result, another event of default has occurred under the Indenture ("Indenture Default") under which the Senior Notes were issued. With an Indenture Default, holders of more than 25% of the principal amount of the Senior Notes may, by written notice to the Company and to the Trustee, declare the principal of and accrued but unpaid interest on all the Senior Notes to be immediately due and payable (an "acceleration"). However, under an Intercreditor and Subordination Agreement entered into in December 2003 among Wachovia, the holders of the Senior Notes and certain other lenders, the Senior Note holders can not commence any action to enforce their liens on any collateral for a 180 day period beginning after the date of receipt by Wachovia, the senior secured lender, of a written notice from the Senior Note

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holders informing Wachovia of such Indenture Default and demanding acceleration. At this date, neither the Company nor Wachovia has received written notice of any acceleration. This April 1, 2006 default also constitutes cross defaults under the Wachovia loan agreement and under the documents securing the \$3.5 million loan from a private capital fund. The Senior Notes are shown as debt in default at March 31, 2006 and December 31, 2005.

NOTE 4: DEBT

Long-term debt consists of the following (in thousands):

	At March 31, 2006	December 31, 2005
	-----	-----
	(unaudited)	
Wachovia revolving credit facility	\$ 3,724	\$ 9,788
Junior participation to revolving credit Facility (net of warrant value of \$105 and \$139, respectively)	5,995	5,961
Wachovia term loan	-	1,087
Note payable due December 1, 2006	1,950	3,950
Note payable due December 5, 2006 (net of warrant value of \$17 and \$31, respectively)	3,483	3,469
13% senior notes (net of warrant value of \$72 and \$99, respectively)	21,941	21,914
Notes payable	4,140	5,307
Note payable - related party	500	500
	-----	-----

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Total long-term debt	41,733	51,976
Classified as current	(19,792)	(8,740)
Classified as in Default	(21,941)	(43,236)
	-----	-----
Long-term debt	\$ -	\$ -
	=====	=====

Pursuant to EITF 95-22, "Balance Sheet Classification of Borrowings Outstanding under Revolving Credit Agreements that Include both a Subjective Acceleration Clause and a Lock-Box Arrangement are Deemed to be Current", the Company has classified its Wachovia revolving credit obligations, including the junior participation, within current liabilities as the Wachovia agreement contains language that implies that Wachovia has a subjective acceleration clause that it could invoke at any time to accelerate the debt and includes a required lock-box arrangement.

NOTE 5: INVENTORIES

Inventories are comprised of the following (in thousands):

	At March 31, 2006	At December 31, 2005
	-----	-----
	(unaudited)	
Raw material	\$ 2,705	\$ 2,732
Work-in-process	3,235	2,997
Finished goods	3,242	2,877
	-----	-----
Inventories	\$ 9,182	\$ 8,606
	=====	=====

Inventories are valued at the lower of cost or market, cost being determined on the first-in, first-out method. The above amounts are net of inventory reserves of \$333 and \$328 at March 31, 2006 and December 31, 2005, respectively.

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NOTE 6: STOCKHOLDERS' DEFICIT AND EARNINGS PER SHARE

The following represents a reconciliation of the change in stockholders' deficit for the three month period ended March 31, 2006 (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, 2006	\$167	\$28,325	\$(54,130)	\$ (1,879)	\$(27,517)
Activity (unaudited):					
Net income	-	-	4,439	-	4,439
	-----	-----	-----	-----	-----
At March 31, 2006	\$167	\$28,325	\$(49,691)	\$ (1,879)	\$(23,078)
	=====	=====	=====	=====	=====

The computations of basic and diluted earnings (loss) per common share, EPS (LPS), for the three month periods ended March 31, 2006 and 2005 are as follows (in thousands, except per share amounts) (unaudited):

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	Net Income (Loss)	Shares	EPS (LPS)
	-----	-----	-----
Three months ended March 31, 2006:			
Income applicable to common stockholders, weighted average shares outstanding and basic LPS	\$ 4,439	16,657	\$ 0.27
Dilutive effect of stock options and warrants		-	-
	-----	-----	-----
Income applicable to common stockholders, shares outstanding and diluted LPS	\$ 4,439	16,657	\$ 0.27
	=====	=====	=====
Three months ended March 31, 2005:			
Loss applicable to common stockholders, weighted average shares outstanding and basic EPS	\$ (1,374)	16,279	\$ (0.08)
Dilutive effect of stock options and warrants		-	
	-----	-----	
Loss applicable to common stockholders, shares outstanding and diluted LPS	\$ (1,374)	16,279	\$ (0.08)
	=====	=====	=====

At March 31, 2006 and 2005, the Company's stock options outstanding totaled 1,370,00 and 614,000, respectively. At March 31, 2006 and 2005, outstanding warrants to purchase the Company's common stock totaled 4,935,989 and 3,929,286, respectively. Because the Company had a loss from operations for the three month periods ended March 31, 2006 and 2005, inclusion of options and warrants has an anti-dilutive effect on LPS.

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NOTE 7: STOCK BASED COMPENSATION ARRANGEMENTS

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123R, "Share-Based Payment". SFAS No. 123R established standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award.

SFAS No.123R is effective for all awards granted on or after January 1, 2006 and for awards modified, repurchased, or cancelled after that date. SFAS No.123R requires that compensation cost be recognized on or after the effective date for the unvested portions of outstanding awards, as of the effective date, based on the grant-date fair value of those awards calculated

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under SFAS No.123, "Accounting for Stock-Based Compensation". Share-based compensation expenses include the impact of expensing the fair value of the stock options as well as expenses associated with non-vested share awards. The Company adopted the provisions of SFAS No.123R effective January 1, 2006, using the modified prospective transition method.

Prior to 2006, the Company applied the intrinsic-value based method of accounting prescribed by Accounting Principles Board (APB) Opinion No.25, "Accounting for Stock Issued to Employees", and related interpretations, including FASB Interpretation No.44, "Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB Opinion No. 25". Under this methodology, the Company adopted the disclosure requirements of SFAS No.123, and recognized compensation expense only if, on the date of grant, the market price of the underlying stock exceeded the exercise price.

At March 31, 2006, the Company had two stock option plans, stockholder approved, that permits the grants of share options and shares to its key employees, directors and consultants. As of March 31, 2006, 354,600 options remain available for grant under these plans, 1,370,000 options have been granted and 679,999 of the granted options are unvested. The Company believes that such awards better align the interests of its key employees, directors and consultants with those of its stockholders. Option awards are generally granted with an exercise price equal to the market value of the Company's stock on the date of grant, generally vest over a three year period and have exercise terms ranging from five to ten years.

No new options were granted during the first quarter of 2006. As to the granted options, the fair value of such option grants was estimated on the date of grant using the Black-Scholes option pricing model. The Company is using the modified prospective application method to transition to the FASB issued SFAS 123R, "Share Based Payment". Accordingly, based on the requirements of SFAS 123R, compensation cost will be recognized for all share based awards beginning in 2006 as well as for all unvested previously issued awards. Under SFAS 123R, no share based compensation expense was recognized in the first quarter of 2006. There was no compensation cost for the Company's stock option plans determined based on the provisions of SFAS 123R for the three months ended March 31, 2005, therefore pro forma income and loss per share amounts would be the same.

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A summary of the status of the Company's stock options and warrants as of March 31, 2006 and changes during the year is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Fixed Options	-----	-----	-----	-----
Outstanding at January 1, and March 31, 2006	1,370,000	\$0.25	5.3 yrs	-
	=====			
Options exercisable				

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at March 31, 2006 679,999 \$0.27 4.9 yrs -
 =====

A summary of the status of the Company's non-vested shares as of March 31, 2006 and changes during the quarter ended March 31, 2006 is presented below:

Nonvested Shares	Shares	Weighted Average Grant Date Fair Value
-----	-----	-----
Nonvested at January 1 and March 1, 2006	690,001	\$0.23
	=====	=====

As of March 31, 2006, there was \$20,030 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plans. That cost is expected to be recognized over a period of two years.

The Company expects to issue shares upon exercise of the options from its authorized but not issued common stock shares.

The following table summarizes information about stock options and warrants outstanding at March 31, 2006:

Exercise Price	Remaining Contractual Life	Number Outstanding at 3/31/06	Number Exercisable at 3/31/06
-----	-----	-----	-----
\$0.1800	9.25 years	400,000	166,666
\$0.2000	4.25 years	400,000	133,333
\$0.2500	7.25 years	70,000	46,666
\$0.2750	2.00 years	100,000	66,667
\$0.3520	2.75 years	400,000	266,667
		-----	-----
		1,370,000	679,999
		=====	=====

NOTE 8: COMMITMENTS AND CONTINGENT LIABILITIES

The Company is and has been involved in a number of lawsuits and administrative proceedings, which have arisen in the ordinary course of business of the Company and its subsidiaries. There has been no major changes in such lawsuits since the Company's Annual Report filing on Form 10-K.

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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 for the three-month periods

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ended March 31, 2006 and 2005 follows (in 000's):

Description	March 31,	
	2006	2005
Beginning balance	\$ 133	\$ 100
Add: Provision for estimated future claims	30	39
Deduct: Cost of claims	(30)	(34)
Ending balance	\$ 133	\$ 105
	=====	=====

NOTE 9: OPERATING SEGMENT DISCLOSURES

The following represents the disaggregation of financial data (in thousands) (unaudited):

	Net Sales	EBITDA(1)	Capital Spending	Total Assets(2)
Three months ended and at March 31, 2006:				At 3/31
-----				-----
Metals:				
Pressure vessels	\$ 7,771	\$ 1,447	\$ 10	\$ 16,832
Cylinders	4,675	426	26	8,652
Grating	1,195	188	19	3,819
Subtotal	13,641	2,061	55	29,303
Corporate and other	-	(613)	1	13,686
Discontinued operations	-	-	38	2,156
Totals	\$ 13,641	1,448	\$ 94	\$ 45,145
Gain on extinguishment of debt		925		
Depreciation		(179)		
Interest expense, net		(2,162)		
Income from continuing operations before income taxes and minority interests		\$ 32		

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	Net Sales	EBITDA(1)	Capital Spending	Total Assets(2)
Three months ended March 31, 2005				

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and at December 31, 2005:

	At 12/31			
Metals:				
Pressure vessels	\$ 5,252	\$ 389	\$ 105	\$ 14,114
Cylinders	5,262	414	11	7,082
Grating	1,851	212	1	4,158
	-----	-----	-----	-----
Subtotal Metals	12,365	1,015	117	25,354
Corporate and other	-	(639)	-	13,619
Discontinued operations	-	-	20	12,287
	-----	-----	-----	-----
Totals	\$ 12,365	376	\$ 137	\$ 51,260
	=====		=====	=====
Depreciation		(183)		
Interest expense, net		(2,119)		

Loss from continuing operations before income taxes and minority interests		\$ (1,926)		
		=====		

(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) Corporate and other assets at March 31, 2006 and at December 31, 2005 includes \$8.0 million of goodwill that relates to the Company's pressure vessels segment. For evaluation purposes under SFAS No. 142, this goodwill is included in the carrying value of the pressure vessels segment. At March 31, 2006 and December 31, 2005, goodwill of \$1.5 million is recorded at each of pressure vessels and cylinders.

NOTE 10: DISCONTINUED OPERATIONS

At March 31, 2006, the assets and liabilities of discontinued operations are comprised of the remaining assets and liabilities of the Rostone business and the Company's land and building in Milwaukee, WI that are held for sale. Such assets and liabilities are as follows (in thousands):

CURRENT ASSETS:	
Other current assets	\$ 100
	=====
CURRENT LIABILITIES:	
Trade payables	\$ 237
	=====
OTHER ASSETS:	
Property, plant and equipment, held for sale	\$ 3,324
	=====
OTHER LIABILITIES:	
Other liabilities	\$ 781
	=====

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Results of discontinued operations for the first quarter of 2006 relate solely to Oneida while the results of discontinued operations for the first quarter of 2005 include both Oneida and Rostone. A summarization of such results is as follows (in thousands):

3-months ended March 31, 2006		3-months ended March 31, 2005	
Net sales	\$ 3,163	Net sales	\$ 6,769
Income before taxes	161	Income before taxes	255

NOTE 11: COMPONENTS OF BENEFIT COSTS

The following tables present the components of net periodic benefit costs for Metals pension and Metals and Corporate Executive Payroll other postretirement plans for the three month periods ended March 31, 2006 and 2005 (000's) (unaudited):

	Pension		Postretirement	
	3-months ended		3-months ended	
	March 31,		March 31,	
	2006	2005	2006	2005
Benefits earned during year	\$ 53	\$ 53	\$ 28	\$ 27
Interest cost	60	57	29	28
Amortization of:				
Prior service cost	4	4	-	-
Unrecognized net loss (gain)	8	16	18	18
Unrecognized net obligation	-	-	12	12
Expected return on plan assets	(72)	(55)	-	-
	-----	-----	-----	-----
Defined benefit pension and total other postretirement benefits costs	\$ 53	\$ 75	\$ 87	\$ 85
	=====	=====	=====	=====

The Company expects to contribute \$446,000 to the Metals pension plan in May 2006.

The following tables present the components of net periodic benefit costs for the discontinued plastics operation pension and other postretirement plans for the three month periods ended March 31, 2006 and 2005 (000's) (unaudited):

	Pension		Postretirement	
	3-months ended		3-months ended	
	March 31,		March 31,	
	2006	2005	2006	2005
Benefits earned during year	\$ -	\$ -	\$ -	\$ -
Interest cost	55	56	8	12
Amortization of:				
Unrecognized net loss (gain)	17	15	-	-
Expected return on plan assets	(65)	(71)	-	-
	-----	-----	-----	-----
Defined benefit pension and total other postretirement benefits costs	\$ 7	\$ -	\$ 8	\$ 12
	=====	=====	=====	=====

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The Company expects that it will not be required to contribute to the discontinued plastics operation pension plan in 2006.

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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, 2005.

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 and grating.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2006 Compared to
Three Months Ended March 31, 2005

Net sales, gross margins and EBITDA percentages for the three months ended 2006 and 2005 are as follows. The percentages of EBITDA to net sales excludes corporate and other EBITDA. Including corporate and other EBITDA, the percentages of consolidated EBITDA to net sales for the three month periods ended March 31, 2006 and 2005 are 10.6% and 3.0%, respectively (\$ in thousands):

	Net Sales		Gross Margin		EBITDA	
	2006	2005	2006	2005	2006	2005
Pressure vessels	\$ 7,771	\$ 5,252	21.9%	12.9%	18.6%	7.4%
Cylinders	4,675	5,262	20.0%	15.8%	9.1%	7.9%
Grating	1,195	1,851	30.3%	25.3%	15.7%	11.5%
Totals	\$ 13,641	\$ 12,365	22.0%	16.0%	15.1%	8.2%

Net sales for the first quarter of 2006 were up 10.3% from the first quarter of 2005, reflecting a 48% sales increase in pressure vessels sales offset by decreased sales in cylinders and grating. The increase in pressure vessels sales is attributable to two main factors. One factor is that the first quarter of 2005 was negatively impacted by a plant accident in January 2005 that crippled the plant's heat treating operation and prevented the completion and shipment of product for a period in excess of five weeks. The other factor is that pressure vessels backlog at the end of 2005 was more than \$5.5 million higher than the backlog at the end of 2004 thereby resulting in an increase in sales during the first quarter of 2006 when compared to the first quarter of 2005. The decrease in cylinder sales for the first quarter of 2006 compared to 2005 is primarily in the mobile cylinder product line and is attributable to both requested customer delays for shipment of product and the loss of a customer in late 2005. The decrease in grating sales primarily

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reflects the annual Chinese new year shut-down in the first quarter combined with the end of the Chinese five-year planning cycle, which limited demand for new product late in that cycle.

Gross margin as a percentage of sales increased by 6.0 percentage points in the first quarter of 2006 compared to the first quarter of 2005, reflecting increased gross profit margins in all of the businesses. Pressure vessel

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gross margin as a percentage of sales increased 9.0 percentage points, from 12.9% in 2005 to 21.9% in 2006, due primarily to the negative effect of the plant accident in 2005 as noted above. As a percentage of sales, cylinder gross margins increased 4.2 percentage points and grating gross margin increased 9.1 percentage points in 2006 over 2005. The increases in both cylinder gross margin and grating gross margin is primarily attributable to price increases instituted over the past year and reductions in manufacturing overhead costs.

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 was higher in the first quarter of 2006 compared to 2005 primarily due to the same factors affecting gross profit margin discussed above. A reconciliation of EBITDA to operating income for the three months ended March 31, 2006 and 2005 by segment and corporate and other is as follows (000's) (unaudited):

	Operating Profit	Deprec- iation	EBITDA
	-----	-----	-----
2006:			

Pressure vessels	\$ 1,312	\$ 135	\$ 1,447
Cylinders	395	31	426
Grating	185	3	188
Corporate and other	(623)	10	(613)
	-----	-----	-----
Totals	1,269	\$ 179	\$ 1,448
		=====	=====
Gain on debt extinguishment	925		

Operating profit	\$ 2,194		
	=====		
2005:			

Pressure vessels	\$ 254	\$ 135	\$ 389
Cylinders	380	34	414
Grating	209	3	212
Corporate and other	(650)	11	(639)
	-----	-----	-----
Totals	\$ 193	\$ 183	\$ 376
	=====	=====	=====

Selling, General and Administrative

Selling, general and administrative (SGA) expenses for the first quarter

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of 2006 were \$1.7 million, down \$60,000 from the expenses for the first quarter of 2005. This decrease in expense is net of an increase in marketing expenses in the cylinder segment, mainly additional employees, being more than offset by decreased expenses in all other businesses. Such expense reductions were partially related to reductions in staff and partially related to other expense reductions. As a percentage of sales, SGA expenses decreased to 12.7% for the first quarter of 2006 compared to 14.5% for the first quarter of 2005. [The Company continues to look for ways to cut costs in all areas.]

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Other Income

Other income for the first quarter of 2006 was \$7,000, compared to other income of \$9,000 for the first quarter of 2005. There were no significant offsetting items of other income and expense in either period.

Minority Interests

Minority interests for the first quarter in 2006 and 2005 was \$59,000 and \$73,000, respectively. These amounts represent the income during the quarter allocated to the minority ownerships of the Company's consolidated foreign grating joint venture. Minority interests are calculated based on the percentage of minority ownership. From a balance sheet perspective, minority interest was reduced by the minority ownership's share of the 2006 declared dividend.

Interest Expense

Interest expense for the first quarter of 2006 was \$2.2 million compared to \$2.1 million for the first quarter of 2005. This increase basically reflects an increase in Senior Note interest expense as a result of accruing interest on missed interest payments. Additionally, there were offsetting items in 2006 and 2005. A reduction in interest expense in 2006 related to the NapTech judgment that was settled in July 2005 was offset by an increase in interest expense in 2006 related to the \$3.1 million increase in the amount of the junior participation in the Wachovia loan facility in connection with the settlement of the NapTech judgment.

Income Taxes

The tax provision in 2006 relates solely to the Company's China joint venture while there was no tax provision in 2005 due to a tax holiday. The Company has net operating loss carryforwards for federal tax return reporting purposes totaling \$66.5 million at December 31, 2005. The years in which such net operating losses expire are as follows (000's):

Year ending December 31:	

2007	\$ 6,067
2008	611
2009	3,235
2010	2,520
After 2010	54,067

[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 March

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31, 2006 [and to continue to do so during 2006 until management can conclude that it is more likely than not that some or all of our loss carryforwards can be utilized.]

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 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.

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Recent Events

Sale of Oneida

During the 2005 year, the Company decided to exit the plastics business. In early 2006, the Company signed an Asset Purchase Agreement to sell substantially all of the assets of its Oneida business to an unrelated entity. On March 2, 2006, effective March 1, 2006, the Company completed the sale for a purchase price of \$11,573,000 subject to a post-closing adjustment based on a closing balance sheet. Of the net sale proceeds, after deducting \$374,621 in related expenses, \$300,000 was put into a one-year escrow as security for any claims by the buyer that may arise after the closing and is included in current assets at March 31, 2006, \$2,000,000 was used to pay down a note payable to a private capital fund that is secured by the real estate of the Company, \$980,974 was used to completely pay off the existing Wachovia term loan and the remaining \$7,917,405 was used to pay down the revolving credit facility. As a result, during the first quarter of 2006, the Company recognized a gain on sale of \$4.3 million, net of related expenses of sale and estimated liabilities for future costs of \$1.3 million.

Default Waivers

In connection with the sale of Oneida, the Company and Wachovia entered into an amendment to the loan and security agreement wherein Wachovia waived the October 2005 and November 2005 defaults for failure to meet the minimum monthly EBITDA amount, waived the then existing defaults arising from the Company's failure to make interest payments to the holders of the 13% Senior Notes prior to March 1, 2006 and lowered the monthly minimum EBITDA covenant requirement from \$300,000 to \$250,000 beginning in March 2006. A private capital fund, holder of a \$3.5 million note from the Company, also waived such cross defaults. As a result, as of March 31, 2006, the Company was not in default on its Wachovia or private capital fund debt as of March 31, 2006. (See NOTE 3: SUBSEQUENT EVENTS above.)

Change in Officers

Effective March 2, 2006, Charles E. Bradley, Sr. resigned his officership as Chairman of the Board of Directors and Chief Executive Officer of the Company. However, he will continue to serve as a director. Effective March 2, 2006, the Board of Directors elected Mr. Kimball J. Bradley Chairman

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of the Board of Directors and Chief Executive Officer.

Note Payable Settlements

On March 2, the Company entered into a settlement agreement with the holder of a \$1.017 million note payable from the Company wherein the Company agreed to pay the holder a total of \$400,000 for such note and all accrued interest. Such settlement was effected on March 3, 2006 and the Company recognized a gain from this debt settlement of \$925,000 in the first quarter of year 2006.

On March 21, 2006, the Company entered into a settlement agreement with the Stanwich Financial Services Corp. Liquidating Agent ("SFSC") wherein the Company agreed to pay SFSC \$1.125 million in settlement of its existing \$4.290 million judgment and all accrued interest. In connection with such agreement, the Company made a \$150,000 payment to SFSC during the first quarter of 2006. As provided in the settlement agreement, payment of the remaining amount is awaiting bankruptcy court approval in SFSC's Chapter 11 proceeding and will be paid promptly upon such approval.

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SUBSEQUENT EVENT

In addition to its prior payment defaults, the Company failed to make a \$0.7 million interest payment on the Senior Notes that was due on April 1, 2006. As a result, another event of default has occurred under the Indenture ("Indenture Default") under which the Senior Notes were issued. With an Indenture Default, holders of more than 25% of the principal amount of the Senior Notes may, by written notice to the Company and to the Trustee, declare the principal of and accrued but unpaid interest on all the Senior Notes to be immediately due and payable (an "acceleration"). However, under an Intercreditor and Subordination Agreement entered into in December 2003 among Wachovia, the holders of the Senior Notes and certain other lenders, the Senior Note holders can not commence any action to enforce their liens on any collateral for a 180 day period beginning after the date of receipt by Wachovia, the senior secured lender, of a written notice from the Senior Note holders informing Wachovia of such Indenture Default and demanding acceleration. At this date, neither the Company nor Wachovia has received written notice of any acceleration. This April 1, 2006 default also constitutes cross defaults under the Wachovia loan agreement and under the documents securing the \$3.5 million loan from a private capital fund.

SUMMARY OF 2006 ACTIVITIES

Cash and cash equivalents totaled \$1.9 million at March 31, 2006, down \$51,000 from the comparable amount at December 31, 2005. This resulted from the \$11.2 million of net cash provided by investing activities being more than offset by the \$1.7 million of net cash used in operating activities and the \$9.6 million of cash used to pay down debt. Cash and cash equivalents at the end of a period generally represents lockbox receipts from customers to be applied to our Congress revolving credit facility in the following one to two business days.

Operating Activities

Operating activities used \$1.7 million in cash in the first three months of 2006 resulting primarily from a growth of \$2.3 in receivables and

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inventories.

Investing Activities

Investing activities provided \$11.1 million in cash as proceeds from the sale of Oneida, as described above, were offset by capital expenditures of \$0.1 million.

Financing Activities

The Company made scheduled repayments of the Wachovia term loan totaling \$106,000. In connection with the sale of Oneida, as described above, the Company paid an additional \$1.0 million to Wachovia, in full satisfaction of the remaining term loan, and paid \$2.0 million on a note to a private capital fund, which note is secured by liens of the Company's real estate. Additionally, as described above in "Note Payable Settlements", the Company paid a total of \$525,000 on two other notes. The revolving credit facility borrowings decreased \$6.0 million during the first quarter of 2006, primarily the result of the sale of Oneida described above.

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FACTORS THAT COULD AFFECT FUTURE RESULTS

Reunion's vendors may restrict credit terms

We have corrected many vendor-related problems with liquidity generated from the refinancing of debt and 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's bank financing is subject to financial covenants

As of March 31, 2006, we are currently not in default on our bank financing. However, our bank financing is subject to monthly financial and other covenants, and we have failed to meet such covenants on several occasions, for which we were able to obtain default waivers. If our operations begin to falter during 2006, we may fail to meet one or more financial or other covenants. If this would happen, we would be in default on our bank obligations and, subject to the terms of the loan and security agreement, all of our bank loans would be due and payable. Although it may be possible to negotiate additional waivers of defaults, no assurances can be given that we would be able to do so.

Reunion's past performance could impact future prospects

Because of losses suffered by the Company over the past several years, potential or current customers may decide not to do business with us. If this were to happen, our sales may not increase or may decline. If sales do not increase, or we experience a decline in sales, our ability to cover costs would be further reduced, which could negatively impact our financial position and results of operations.

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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. At March 31, 2006, the Company has a deficiency in working capital of \$41.4 million and a deficiency in assets of \$23.0 million. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of this uncertainty.

The Company successfully refinanced its bank debt in 2003, extinguished a significant portion of its obligations under the senior notes in 2003 and 2004 and removed all previously existing defaults on debt at that time. These steps were taken to improve liquidity and defer the principal maturities on a significant portion of our debt. During 2005, the Company sold its leaf spring business and all of the operating assets of its Rostone business. Additionally, as described above, in March of 2006 the Company sold its Oneida business, the remaining portion of its plastics segment. The Company is investigating other recapitalization scenarios in an effort to provide additional liquidity and extinguishments or deferrals of debt obligations. Although the Company believes that it can accomplish these plans, no assurances exist that it will. Failure to accomplish these plans could have an adverse impact on the Company's liquidity, financial position and future operations.

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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.

Item 4. Controls and Procedures

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended, Reunion's management, including its Chief Executive Officer and Chief Financial Officer, conducted an evaluation as of the end of the period covered by this report, of the effectiveness of Reunion's disclosure controls and procedures as defined in Rule 13a-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Reunion's disclosure controls and procedures were effective as of the end of the period covered by this report. As required by Rule 13a-15(d), Reunion's management, including its Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of Reunion's internal control over financial reporting to determine whether any changes occurred during the quarter that have materially affected, or are reasonably likely to materially affect, Reunion's internal control over financial reporting. The deterioration of controls at the Plastics division, noted in the fourth quarter of 2005, has been rectified with the sale of that division. No other deterioration or changes were noted.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood

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of future events.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various legal proceedings and environmental matters. There have been no significant changes in such matters since the end of the preceding fiscal year.

Item 3. Defaults Upon Senior Securities

In addition to its prior payment defaults, the Company failed to make a \$0.7 million interest payment on the Senior Notes that was due on April 1, 2006. As a result, another event of default has occurred under the Indenture ("Indenture Default") under which the Senior Notes were issued. The total interest in default on the \$22.0 million of Senior Notes is now \$7.9 million. With an Indenture Default, holders of more than 25% of the principal amount of the Senior Notes may, by written notice to the Company and to the Trustee, declare the principal of and accrued but unpaid interest on all the Senior Notes to be immediately due and payable (an "acceleration"). However, under an Intercreditor and Subordination Agreement entered into in December 2003 among Wachovia, the holders of the Senior Notes and certain other lenders, the Senior Note holders can not commence any action to enforce their liens on any collateral for a 180 day period beginning after the date of receipt by Wachovia, the senior secured lender, of a written notice from the Senior Note holders informing Wachovia of such Indenture Default and demanding acceleration. At this date, neither the Company nor Wachovia has received written notice of any acceleration. This April 1, 2006 default also constitutes cross defaults under the Wachovia loan agreement and under the documents securing the \$3.5 million loan from a private capital fund.

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Item 6. Exhibits and Reports on Form 8-K

(c) Exhibits

Exhibit No.	Exhibit Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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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: May 15, 2006

REUNION INDUSTRIES, INC.
(Registrant)

By: /s/ Kimball J. Bradley

Kimball J. Bradley
Chairman and Chief
Executive Officer

By: /s/ John M. Froehlich

John M. Froehlich
Executive Vice President, Finance
and Chief Financial Officer
(chief financial and accounting officer)

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EXHIBIT 31.1

CERTIFICATION

I, Kimball J. Bradley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Reunion Industries, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer 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)) 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

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others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this 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

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer 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 the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control 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.

Date: May 15, 2006

/s/ Kimball J. Bradley

Chief Executive Officer

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EXHIBIT 31.2

CERTIFICATION

I, John M. Froehlich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Reunion Industries, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer 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)) 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 report is being prepared;

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(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this 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
(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer 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 the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control 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.

Date: May 15, 2006

/s/ John M. Froehlich

Chief Financial Officer

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EXHIBIT 32.1

REUNION INDUSTRIES, INC.
SARBANES-OXLEY ACT SECTION 906 CERTIFICATION

In connection with this quarterly report on Form 10-Q of Reunion Industries, Inc. for the quarter ended March 31, 2006, I, Kimball J. Bradley, Chief Executive Officer of Reunion Industries, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 Of the Sarbanes-Oxley Act of 2002, that:

1. this Form 10-Q for the quarter ended March 31, 2006 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in this Form 10-Q for the quarter ended March 31, 2006 fairly presents, in all material respects, the financial condition and results of operations of Reunion Industries, Inc. for the periods presented therein.

Date: May 15, 2006

/s/ Kimball J. Bradley

Chief Executive Officer

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REUNION INDUSTRIES, INC.
SARBANES-OXLEY ACT SECTION 906 CERTIFICATION

In connection with this quarterly report on Form 10-Q of Reunion Industries, Inc. for the quarter ended March 31, 2006, I, John M. Froehlich, Chief Financial Officer of Reunion Industries, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 Of the Sarbanes-Oxley Act of 2002, that:

1. this Form 10-Q for the quarter ended March 31, 2006 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in this Form 10-Q for the quarter ended March 31, 2006 fairly presents, in all material respects, the financial condition and results of operations of Reunion Industries, Inc. for the periods presented therein.

Date: May 15, 2006

/s/ John M. Froehlich

Chief Financial Officer