



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

FORM 10-Q

(Mark One)

- Quarterly Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934
For the quarterly period ended April 3, 2016
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: 0-24020

SYPRIS SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

101 Bullitt Lane, Suite 450
Louisville, Kentucky 40222
(Address of principal executive
offices) (Zip code)

61-1321992
(I.R.S. Employer
Identification No.)

(502) 329-2000
(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such reports). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

As of May 9, 2016, the Registrant had 21,310,044 shares of common stock outstanding.

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Part I. Financial Information

Item 1. Financial Statements

Sypris Solutions, Inc.
Consolidated Statements of Operations
(in thousands, except for per share data)

	Three Months Ended	
	April 3, 2016	April 5, 2015
	(Unaudited)	
Net revenue:		
Outsourced services	\$ 19,757	\$ 31,872
Products	7,181	5,137
Total net revenue	26,938	37,009
Cost of sales:		
Outsourced services	20,977	35,786
Products	5,234	4,380
Total cost of sales	26,211	40,166
Gross profit (loss)	727	(3,157)
Selling, general and administrative	6,503	9,118
Research and development	124	333
Severance	484	285
Operating loss	(6,384)	(12,893)
Interest expense, net	876	334
Other (income), net	(2,162)	(179)
Loss before taxes	(5,098)	(13,048)
Income tax expense (benefit), net	1	(15)
Net loss	\$ (5,099)	\$ (13,033)
Loss per share:		
Basic	\$ (0.26)	\$ (0.66)
Diluted	\$ (0.26)	\$ (0.66)
Weighted average shares outstanding:		
Basic	19,702	19,650
Diluted	19,702	19,650
Dividends declared per common share	\$ 0.00	\$ 0.00

The accompanying notes are an integral part of the consolidated financial statements.

Sypris Solutions, Inc.
Consolidated Statements of Comprehensive (Loss) Income
(in thousands)

	Three Months Ended	
	April 3, 2016	April 5, 2015
	(Unaudited)	
Net loss	\$ (5,099)	\$ (13,033)
Other comprehensive income:		
Foreign currency translation adjustments, net of tax	(30)	(658)
Comprehensive loss	<u>\$ (5,129)</u>	<u>\$ (13,691)</u>

The accompanying notes are an integral part of the consolidated financial statements.

Sypris Solutions, Inc.
Consolidated Balance Sheets
(in thousands, except for share data)

	<u>April 3, 2016</u>	<u>December 31, 2015</u>
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,306	\$ 1,349
Restricted cash – current	6,000	0
Accounts receivable, net	13,470	12,394
Inventory, net	20,795	20,192
Other current assets	3,410	4,459
Assets held for sale	0	3,230
Total current assets	45,981	41,624
Property, plant and equipment, net	24,158	22,178
Other assets	3,242	3,090
Total assets	\$ 73,381	\$ 66,892
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 10,276	\$ 11,311
Accrued liabilities	14,750	11,661
Revolving credit facility	2,581	2,132
Current portion of long-term debt and capital lease obligations	1,906	1,714
Total current liabilities	29,513	26,818
Long-term debt and capital lease obligations	11,208	8,780
Note payable – related party	6,500	5,500
Other liabilities	11,214	6,082
Total liabilities	58,435	47,180
Stockholders' equity:		
Preferred stock, par value \$0.01 per share, 975,150 shares authorized; no shares issued	0	0
Series A preferred stock, par value \$0.01 per share, 24,850 shares authorized; no shares issued	0	0
Common stock, non-voting, par value \$0.01 per share, 10,000,000 shares authorized; no shares issued	0	0
Common stock, par value \$0.01 per share, 30,000,000 shares authorized; 21,311,736 shares issued and 21,265,044 outstanding in 2016 and 20,826,236 shares issued and 20,776,544 outstanding in 2015	213	208
Additional paid-in capital	152,435	152,077
Retained deficit	(111,911)	(106,812)
Accumulated other comprehensive loss	(25,790)	(25,760)
Treasury stock, 46,692 and 49,692 shares in 2016 and 2015, respectively	(1)	(1)
Total stockholders' equity	14,946	19,712
Total liabilities and stockholders' equity	\$ 73,381	\$ 66,892

The accompanying notes are an integral part of the consolidated financial statements.

Sypris Solutions, Inc.
Consolidated Cash Flow Statements

(in thousands)

	Three Months Ended	
	April 3, 2016	April 5, 2015
	(Unaudited)	
Cash flows from operating activities:		
Net loss	\$ (5,099)	\$ (13,033)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,953	2,180
Stock-based compensation expense	363	206
Deferred revenue recognized	0	(2,170)
Deferred loan costs recognized	205	77
Gain on the sale of assets	(2,370)	0
Provision for excess and obsolete inventory	25	82
Other noncash items	137	(183)
Contributions to pension plans	0	(77)
Changes in operating assets and liabilities:		
Accounts receivable	(1,066)	17,303
Inventory	(630)	(1,047)
Other current assets	423	(691)
Accounts payable	(1,048)	(7,046)
Accrued and other liabilities	2,397	(916)
Net cash used in operating activities	(4,710)	(5,315)
Cash flows from investing activities:		
Capital expenditures, net	(40)	(295)
Proceeds from sale of assets	11,066	0
Change in restricted cash	(6,000)	0
Net cash provided by (used in) investing activities	5,026	(295)
Cash flows from financing activities:		
Principal payments on Term Loan	(429)	0
Proceeds from related party note payable	1,000	4,000
Net change in debt under New Revolving Credit Agreement	449	0
Net change in debt under Credit Facility	0	(1,051)
Debt issuance and modification costs	(379)	(440)
Indirect repurchase of shares of minimum statutory tax withholdings	0	(77)
Cash dividends paid	0	(410)
Net cash provided by financing activities	641	2,022
Net increase (decrease) in cash and cash equivalents	957	(3,588)
Cash and cash equivalents at beginning of period	1,349	7,003
Cash and cash equivalents at end of period	\$ 2,306	\$ 3,415

The accompanying notes are an integral part of the consolidated financial statements.

Sypris Solutions, Inc.

Notes to Consolidated Financial Statements

(1) Nature of Business

All references to “Sypris,” the “Company,” “we” or “our” include Sypris Solutions, Inc. and its wholly-owned subsidiaries. Sypris is a diversified provider of outsourced services and specialty products. The Company performs a wide range of manufacturing, engineering, design, and other technical services, often under multi-year, sole-source contracts with corporations and government agencies in the markets for truck components and assemblies and aerospace and defense electronics. The Company provides such services through its two segments, Sypris Technologies, Inc. (Sypris Technologies) and Sypris Electronics, LLC (Sypris Electronics). See Note 11, “Segment Data,” to the consolidated financial statements.

(2) Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of Sypris Solutions, Inc. and its wholly-owned subsidiaries, and have been prepared by the Company in accordance with the rules and regulations of the Securities and Exchange Commission. The Company’s operations are domiciled in the United States (U.S.), Mexico and the United Kingdom (U.K.) and serve a wide variety of domestic and international customers. All intercompany transactions and accounts have been eliminated. These unaudited consolidated financial statements reflect, in the opinion of management, all material adjustments (which include only normal recurring adjustments) necessary to fairly state the results of operations, financial position and cash flows for the periods presented, and the disclosures herein are adequate to make the information presented not misleading. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Actual results for the three months ended April 3, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements, and notes thereto, for the year ended December 31, 2015 as presented in the Company’s Annual Report on Form 10-K.

Certain prior period amounts have been reclassified to conform to the current period presentation.

(3) Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers.” This ASU supersedes the revenue recognition requirements in “Accounting Standard Codification 605 - Revenue Recognition” and most industry-specific guidance. The standard requires that entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. The new guidance will also require new disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 was originally effective for us on January 1, 2017; however, in July 2015 the FASB decided to defer the effective date by one year. Early application is not permitted, but reporting entities may choose to adopt the standard as of the original effective date. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is currently assessing the impact of the adoption of ASU 2014-09 on its results of operations, financial position and cash flows. The Company does not intend to early adopt this standard.

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The amendments in this ASU 2015-03 require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU 2015-03. In August 2015 the FASB issued ASU No. 2015-15, Interest - Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements - Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting. ASU 2015-15 was issued to address presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements that were not found in ASU 2015-03. Given the absence of authoritative guidance within ASU 2015-03 for debt issuance costs related to line-of-credit arrangements, the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. These standards are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, and should be applied retrospectively. Early adoption is permitted. The Company adopted this guidance January 1, 2016. As a result of adoption, debt issuance costs of \$1,220,000 were reclassified from assets to reduce long-term-debt as of December 31, 2015.

In July 2015, the FASB issued ASU No. 2015-11, which simplifies the subsequent measurement of inventory. It replaces the current lower of cost or market test with a lower of cost or net realizable value test. The standard is effective for public entities for annual reporting periods beginning after December 15, 2016, and interim periods therein. Early adoption is permitted. The new guidance must be applied prospectively. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new standard was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This standard affects any entity that enters into a lease, with some specified scope exemptions. The guidance in this update supersedes FASB ASC 840, Leases. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently assessing the impact of adopting this ASU on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting (ASU 2016-09) requiring an entity to record all excess tax benefits and tax deficiencies as an income tax benefit or expense in the income statement. ASU 2016-09 will also require an entity to elect an accounting policy to either estimate the number of forfeitures or account for forfeitures when they occur. ASU 2016-09 becomes effective for the Company during the first quarter 2017. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

(4) Management's Recovery Plans

Given the Company's loss of market share in commercial vehicle manufacturing in early 2015 due to the nonrenewal of a supply agreement with Dana Holding Corporation ("Dana"), and the recent unfavorable growth trends and softness in commercial vehicle manufacturing and the oil and gas markets served by the Company, management has developed various profit recovery and protection plans and is evaluating strategic alternatives to optimize asset values in each of the Company's segments. Management has engaged advisors during various periods to provide recommendations for cost reductions and other actions that can be taken to improve profitability. Management prepared a revised forecast during March 2016 with plans to further reduce costs, optimize cash flow and remain in compliance with its debt covenant requirements throughout 2016. The Company completed a number of its profit recovery and protection actions during 2015 and the first quarter of 2016, including: (i) the sale of certain assets used in the Company's manufacturing facility in Morganton, North Carolina within the Sypris Technologies segment, (ii) reductions in workforce at all locations, and (iii) other reductions in employment costs through reduced work schedules, senior management pay reductions, deferral of merit increases and certain benefit payments. The Company restructured its debt and has received the benefit of cash infusions from Gill Family Capital Management, Inc. ("GFCM") in the form of subordinated promissory note obligations totaling \$6,500,000 in principal through the first quarter of 2016.

Demand in the commercial vehicle industry has softened beginning in the fourth quarter of 2015 along with other durable and non-durable goods sectors in the North America economy. Management has identified additional cost reduction actions in the Sypris Technologies segment. Reductions in selling, general and administrative expense and labor expense were implemented during the first quarter of 2016, and additional cost reductions are planned during the second and third quarters. Although the expected benefits of the cost reductions will be partially offset by the impact of minor investments and severance required to enable the cost reductions, the actions are expected to contribute to improved liquidity during 2016.

Management has identified a number of new customer opportunities that are expected to provide higher gross margin opportunities, even at lower volumes. Management is implementing operational efficiencies that are expected to enable reductions in the machinery set-up time for new commercial vehicle orders which should enable the Company to quote on customer requirements that are higher margin but with somewhat shorter run lengths. These new business activities are anticipated to enable the Company to diversify its revenue sources over a larger and more profitable customer base.

One of the additional actions implemented by management during the first quarter of 2016 was to consummate the sale and partial lease back of its facility located in Toluca Mexico, which generated gross proceeds of approximately \$12,182,000. Of these proceeds, \$6,000,000 was deposited into a cash collateral account, to be held for up to one year as additional collateral for the Term Loan (see Note 10 "Debt"). Management will continue to operate in Toluca, but given the reduction in Sypris Technologies' revenues in 2015 and the overall downturn in the commercial vehicle markets beginning in the fourth quarter of 2015, management determined that the underutilized Toluca real estate value could be better optimized with a sale and lease back arrangement where some but not all of the facility would continue to be occupied and managed by Sypris Technologies.

The oil and gas industry has experienced significant price erosion, and as a result the Company's customers are delaying capital expenditures that support their growth and maintenance projects. The Company has identified some capacity reallocation opportunities between plants in the United States and Mexico. The Company has initiated the process of qualifying production for certain components in Mexico that are currently produced in the United States and completed the qualification for the first group of these components. The Company expects this capacity reallocation will accelerate during 2016 as the capital necessary to fund the reallocation becomes available and the qualification process for the production is complete.

Sypris Electronics has continued to invest in a number of product development projects. The Company was awarded a significant engineering services contract in the defense sector in March 2016. Nevertheless, the Company has identified certain cost reduction and cash flow enhancements in the Sypris Electronics segment that are targeted to be implemented during the second and third quarters of 2016, which are not expected to adversely impact the future growth in the Sypris Electronics segment.

Sypris Electronics has filed a number of patent applications for technology related to its new SiOMetrics™ hardware authentication solutions, which may enable the Company to address commercial markets for infrastructure and the Internet of Things (IoT). New commercial opportunities in automotive, industrial controls, communications, infrastructure, utilities, automation, aviation, retail, and personal communication devices could benefit from the technology that Sypris Electronics has patented or for which it has patents pending. Sypris Electronics now provides a platform of layered security protocols that will enable customers in a number of industries to tailor the security solutions to their individual requirements. Management has taken steps to diversify its product and service offerings in the Sypris Electronics segment. The Company intends to be less dependent upon the Defense markets and better positioned to take advantage of the rapidly growing commercial security and encryption markets going forward.

Management has identified certain cost reductions at the corporate headquarters that are expected to improve profitability and cash flow throughout 2016. Salary reductions and other SG&A cost reductions were implemented during the first quarter of 2016 that management believes will continue to benefit the Company throughout future periods. Additional cost reductions have been identified in the area of professional services, administration and lease expenses.

(5) Morganton Sale

On July 9, 2015, the Company entered into an asset purchase agreement (the "Agreement") to sell certain assets used in the Company's manufacturing facility in Morganton, North Carolina, to its largest customer, Meritor, Inc. ("Meritor"). The Company retained the Morganton plant's axle shaft manufacturing lines and certain related assets, intellectual property and inventories, which were transitioned to the Company's Louisville, Kentucky plant in October 2015. All other Morganton equipment, related assets and intellectual property were sold to Meritor (the "Morganton Sale") for \$10,500,000 in cash paid at the closing and other consideration. Meritor purchased related inventories and accounts receivable and assumed or released certain accounts payable and other accrued liabilities, for \$2,000,000 (subject to customary post-closing adjustments to actual). Meritor also purchased the Morganton building and real estate for \$3,200,000. The total proceeds received of \$15,700,000, primarily in consideration for the Morganton sale, were used to pay down the Company's prior senior secured debt. As a result of the Morganton sale, the Company recognized a gain of \$7,744,000.

At closing, the parties also entered into an amendment to a secured promissory note with Meritor in an original principal amount of \$3,047,000 (the "Meritor Note") to increase the principal balance by \$412,000, effective July 9, 2015. The parties also agreed to increase the Meritor Note by an additional \$321,000 in September 2015 to reflect certain roof repairs required at the Morganton facility. The Company repaid the Meritor Note on October 30, 2015.

(6) Toluca Sale-Leaseback

On October 30, 2015, the Company entered into a non-binding letter of intent to sell and lease-back its property and buildings in Toluca, Mexico, which is part of the Sypris Technologies Group. As such, the Company concluded that the assets qualified for Assets Held for Sale accounting in accordance with ASC 205 as of December 31, 2015. The assets had a net book value of \$3,230,000 as of December 31, 2015.

On March 9, 2016, Sypris Technologies Mexico, S. de R.L. de C.V. (“Seller”), a subsidiary of the Company, concluded its sale of the 24-acre Toluca property pursuant to an agreement with Promotora y Desarrolladora Pulso Inmobiliario, S.C. (together with its affiliates and assignees, “Buyer”) for 215,000,000 Mexican Pesos, or approximately \$12,182,000 in U.S. currency. Simultaneously, the Seller and the Buyer entered a long-term lease of the 9 acres and buildings currently occupied by Seller and needed for its ongoing business in Toluca (collectively, the “Toluca Sale-Leaseback”). The Company incurred transaction related expenses of \$1,116,000. The Company deposited \$6,000,000 of the proceeds from the sale-leaseback into a Cash Collateral Account, to be held for up to one year as additional collateral for the Term Loan (see Note 10 “Debt” for further discussion on the Term Loan). This amount has been classified as restricted cash on the consolidated balance sheets as of April 3, 2016.

As a result of the Toluca Sale-Leaseback, the Company initially recorded a capital lease of \$3,315,000, which is included in property plant and equipment. The Company recorded a gain on the sale of \$2,370,000 during the three months ended April 3, 2016, which is included in other income, net in the consolidated income statement, and recorded a deferred gain of \$5,537,000, which will be recognized over the ten year lease term. The Company’s base rent, which is denominated in U.S. currency, is \$936,000 annually, adjusted based on U.S. CPI with certain cap conditions.

The following assets have been segregated and included in assets held for sale in the consolidated balance sheet as of December 31, 2015 (in thousands):

	December 31, 2015
Land and land improvements	\$ 1,568
Buildings and building improvements	3,658
Accumulated depreciation	<u>(1,996)</u>
Property, plant and equipment, net	<u>\$ 3,230</u>

(7) Loss Per Common Share

The Company computes earnings per share using the two-class method, which is an earnings allocation formula that determines earnings per share for common stock and participating securities. Restricted stock granted by the Company is considered a participating security since it contains a non-forfeitable right to dividends.

Our potentially dilutive securities include potential common shares related to our stock options and restricted stock. Diluted earnings per share considers the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares would have an anti-dilutive effect. Diluted earnings per share excludes the impact of common shares related to our stock options in periods in which the option exercise price is greater than the average market price of our common stock for the period. For the three months ended April 3, 2016 and April 5, 2015, diluted weighted average common shares do not include the impact of any outstanding stock options and unvested compensation-related shares because the effect of these items on diluted net loss would be anti-dilutive.

A reconciliation of the weighted average shares outstanding used in the calculation of basic and diluted loss per common share is as follows (in thousands):

	Three Months Ended	
	April 3, 2016	April 5, 2015
	(Unaudited)	
Loss attributable to stockholders:		
Net loss as reported	\$ (5,099)	\$ (13,033)
Less distributed and undistributed earnings allocable to restricted awarded holders	0	0
Less dividends declared attributed to restricted awarded holders	0	0
Net loss allocable to common stockholders	\$ (5,099)	\$ (13,033)
Loss per common share attributable to stockholders:		
Basic	\$ (0.26)	\$ (0.66)
Diluted	\$ (0.26)	\$ (0.66)
Weighted average shares outstanding – basic	19,702	19,650
Weighted average additional shares assuming conversion of potential common shares	0	0
Weighted average shares outstanding – diluted	19,702	19,650

(8) Inventory

Inventory consists of the following (in thousands):

	April 3, 2016	December 31, 2015
	(Unaudited)	
Raw materials	\$ 12,638	\$ 12,388
Work in process	10,718	10,366
Finished goods	3,060	3,167
Reserve for excess and obsolete inventory	(5,621)	(5,729)
	\$ 20,795	\$ 20,192

(9) Property, Plant and Equipment

Property, plant and equipment consists of the following (in thousands):

	April 3, 2016	December 31, 2015
	(Unaudited)	
Land and land improvements	\$ 219	\$ 219
Buildings and building improvements	18,305	18,305
Machinery, equipment, furniture and fixtures	127,135	123,935
Construction in progress	717	759
	146,376	143,218
Accumulated depreciation	(122,218)	(121,040)
	\$ 24,158	\$ 22,178

(10) Debt

Debt outstanding consists of the following (in thousands):

	April 3, 2016 (Unaudited)	December 31, 2015
Current:		
Revolving Credit facility	\$ 2,581	\$ 2,132
Current portion of long term debt	1,714	1,714
Current portion of capital lease obligation	192	0
Current debt	<u>\$ 4,487</u>	<u>\$ 3,846</u>
Long Term:		
Term loan	\$ 9,571	\$ 10,000
Note payable – related party	6,500	5,500
Capital lease obligation	3,123	0
Less unamortized debt issuance and modification costs	(1,486)	(1,220)
Long term debt net of unamortized debt costs	<u>\$ 17,708</u>	<u>\$ 14,280</u>

The Company adopted new accounting guidance effective January 1, 2016 which requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct reduction of the carrying amount of the related debt. Upon adoption, the Company reclassified \$1,220,000 from other assets to long-term debt to reflect this guidance in the comparable balance as of December 31, 2015.

Note Payable – Related Party

During 2015, the Company received the proceeds of subordinated indebtedness from GFCM in an amount of \$5,500,000. On February 26, 2016, the Company further amended the GFCM note to increase the amount by \$1,000,000 to \$6,500,000. GFCM is an entity controlled by the Company's president and chief executive officer, Jeffrey T. Gill and one of our directors, R. Scott Gill. GFCM, Jeffrey T. Gill and R. Scott Gill are significant beneficial stockholders of the Company. The promissory note bears interest at a rate of 8.00% per year. All principal and interest on the promissory note, as amended, will be due and payable on January 30, 2019.

Revolving Credit Facility and Term Loan

On October 30, 2015, the Company secured debt financing consisting of a \$12,000,000 term loan ("Term Loan") and a \$15,000,000 revolving credit facility ("Revolving Credit Facility"). Proceeds from the two new financing arrangements (collectively the "Loan Agreements") were used in part to repay the senior secured debt with a prior lender and the Meritor Note. Borrowing availability under the Revolving Credit Facility is determined by a weekly borrowing base collateral calculation that includes specified percentages of the value of eligible accounts receivable and inventory, less certain reserves and subject to certain other adjustments. Borrowing availability under the Term Loan is also evaluated using a separate borrowing base collateral calculation that includes designated percentages of real estate, machinery and equipment appraisals, in each case less certain reserves and subject to certain other adjustments. If the appraised value of such collateral causes the Term Loan borrowing base to fall below the then current Term Loan balance, the Company is required to make a partial prepayment of such difference and related fees.

On February 25, 2016, the Company entered into an amendment (the "Term Loan Amendment") to the Term Loan and an amendment (the "Revolving Credit Amendment") to the Revolving Credit Facility (together, the "Amendments"). The Amendments increased the Company's borrowing capability under its Revolving Credit Facility and provided for an agreement on use of proceeds from the sale of its Toluca, Mexico property and buildings, as described below.

As a result of the Term Loan Amendment, the Company deposited \$6,000,000 of the proceeds of the sale-leaseback of its Toluca, Mexico property and buildings (the "Toluca Sale-Leaseback") into a Cash Collateral Account, to be held for up to one year as additional collateral for the Term Loan. Amounts deposited in the Cash Collateral Account that are subsequently used to pay down the principal of the Term Loan must be accompanied by an additional amount equal to the present value of the avoided interest associated with that principal payment. If the Company meets certain milestones as determined by the lender after its review of the Company's revised business plan, up to \$1,000,000 may be released from the Cash Collateral Account to the Company. The Term Loan Amendment also permitted the Company to retain the remaining balance of the proceeds from Toluca Sale-Leaseback, and increased the interest rate of the Term Loan by 1.0%.

In addition, under the Amendments, the Company's minimum excess availability provision was reduced from \$4,000,000 to \$3,000,000. The lender further agreed to remove certain reserves which had been established against the Company's "borrowing base." These changes are estimated to provide the Company with \$1,655,000 in additional borrowing capacity under the Revolving Credit Facility.

Based on the above mentioned calculation, at April 3, 2016, the Company had actual total borrowing base availability under the Revolving Credit Facility of \$5,897,000 of which it had drawn \$2,581,000, leaving \$3,316,000 still available for borrowing, \$3,000,000 of which was reserved for compliance with the minimum excess availability provisions of the Revolving Credit Facility. Along with an unrestricted cash balance of \$2,306,000, the Company had total cash and available borrowing capacity of \$2,622,000 as of April 3, 2016. Approximately \$2,192,000 of this unrestricted cash balance related to the Company's Mexican subsidiaries.

The Company's obligations under each of the Revolving Credit Facility and the Term Loan, as amended, continue to be guaranteed by the Company's U.S. subsidiaries and are secured by a first priority lien on substantially all assets of the Company and the guarantors.

The Loan Agreements, as amended, contain a number of customary representations and warranties, affirmative, negative and financial maintenance covenants, events of default and remedies upon default, including acceleration and rights to foreclose on the collateral securing each lender. If the Company's borrowing availability under the Revolving Credit Facility falls below \$3,000,000, the Company must maintain a fixed charge coverage ratio of at least 1 to 1, as measured on a trailing twelve months' basis.

Non-compliance with the Company's debt covenants would provide the debt holders with certain contractual rights, including the right to demand immediate repayment of all outstanding borrowings. Since the nonrenewal of Sypris Technologies' supply agreement with Dana (see Note 4 "Management's Recovery Plans"), the Company has also experienced negative cash flows from consolidated operations, which could hamper or materially increase the costs of the Company's ability to comply with such covenants. The Company's consolidated financial statements have been prepared assuming the ongoing realization of assets, satisfaction of liabilities and continuity of operations as a going concern in the ordinary course of business, but there can be no assurances that the Company's current initiatives, forecasts and plans will ultimately succeed, which could materially and adversely impair the Company's ability to operate, its cash flows, financial condition and ongoing results.

The classification of debt as of April 3, 2016 and December 31, 2015 considers debt outstanding under the Loan Agreements on a long-term basis. However, the Revolving Credit Facility allows the lender to establish certain reserves against the borrowing base which could, under certain circumstances, cause a potential event of default. Because such an event is not objectively measurable in advance and because the Company is required to maintain a lock-box arrangement, ASC 470-10-45 requires the otherwise long-term revolving advances to be classified as a current liability. As a result, all borrowings under the Revolving Credit Facility have been classified in the accompanying consolidated balance sheets as a current liability.

Capital Lease Obligation

On March 9, 2016, the Company completed the sale of its 24-acre Toluca property pursuant to an agreement with Promotora y Desarrolladora Pulso Inmobiliario, S.C. (together with its affiliates and assignees, "Buyer") for 215,000,000 Mexican Pesos, or approximately \$12,182,000 in U.S. currency. Simultaneously, the Company entered a long-term lease of the 9 acres and buildings currently occupied by the Company and needed for its ongoing business in Toluca (see Note 6 "Toluca Sale-Leaseback"). The Company incurred transaction related expenses of \$1,116,000.

The Company recorded a gain on the sale of \$2,370,000 during the three months ended April 3, 2016, which is included in other income, net in the consolidated income statement, and recorded a deferred gain of \$5,537,000, which will be recognized over the ten year lease term. The Company's base rent, which is denominated in U.S. currency, is \$936,000 annually, adjusted based on U.S. CPI with certain cap conditions. As a result of the Toluca Sale-Leaseback, the Company initially recorded a capital lease obligation of \$3,315,000 for the building.

The future minimum payments for capital leases as of April 3, 2016 are as follows (in thousands):

	Capital Lease
2016 (remaining 9 months)	\$ 396
2017	503
2018	549
2019	549
2020	503
Thereafter	2,834
Total future payments	5,334
Less: Amount representing interest	(2,019)
Present value of future minimum payments	3,315
Less: Current portion	(192)
Long term portion	<u>\$ 3,123</u>

(11) Segment Data

The Company is organized into two business groups, Sypris Technologies and Sypris Electronics. These segments are each managed separately because of the distinctions between the products, services, markets, customers, technologies and workforce skills of the segments. Sypris Technologies provides manufacturing services for a variety of customers that outsource forged and finished steel components and subassemblies. Sypris Technologies also manufactures high-pressure closures and other fabricated products. Sypris Electronics provides manufacturing and technical services as an outsourced service provider and manufactures complex data storage systems, trusted solutions for identity management, cryptographic key distribution and cyber analytics. There was no intersegment net revenue recognized in any of the periods presented.

The following table presents financial information for the reportable segments of the Company (in thousands):

	Three Months Ended	
	April 3, 2016	April 5, 2015
	(Unaudited)	
Net revenue from unaffiliated customers:		
Sypris Technologies	\$ 17,827	\$ 28,070
Sypris Electronics	9,111	8,939
	<u>\$ 26,938</u>	<u>\$ 37,009</u>
Gross profit (loss):		
Sypris Technologies	\$ (656)	\$ (4,104)
Sypris Electronics	1,383	947
	<u>\$ 727</u>	<u>\$ (3,157)</u>
Operating loss:		
Sypris Technologies	\$ (2,974)	\$ (9,368)
Sypris Electronics	(1,060)	(1,590)
General, corporate and other	(2,350)	(1,935)
	<u>\$ (6,384)</u>	<u>\$ (12,893)</u>
	April 3, 2016	December 31, 2015
	(Unaudited)	
Total assets:		
Sypris Technologies	\$ 39,098	\$ 38,968
Sypris Electronics	24,547	23,845
General, corporate and other	9,736	4,079
	<u>\$ 73,381</u>	<u>\$ 66,892</u>

(12) Commitments and Contingencies

The provision for estimated warranty costs is recorded at the time of sale and periodically adjusted to reflect actual experience. The Company's warranty liability, which is included in accrued liabilities in the accompanying balance sheets as of April 3, 2016 and December 31, 2015 was \$867,000 and \$830,000, respectively. The Company's warranty expense for the three months ended April 3, 2016 and April 5, 2015 was \$37,000 and \$64,000, respectively.

Additionally, the Company sells three and five-year extended warranties for certain link encryption products. The revenue from the extended warranties is deferred and recognized ratably over the contractual term. As of April 3, 2016 and December 31, 2015, the Company had deferred revenue of \$413,000 and \$495,000, respectively, related to extended warranties.

The Company bears insurance risk as a member of a group captive insurance entity for certain general liability, automobile and workers' compensation insurance programs and a self-insured employee health program. The Company records estimated liabilities for its insurance programs based on information provided by the third-party plan administrators, historical claims experience, expected costs of claims incurred but not paid, and expected costs to settle unpaid claims. The Company monitors its estimated insurance-related liabilities on a quarterly basis. As facts change, it may become necessary to make adjustments that could be material to the Company's consolidated results of operations and financial condition. The Company believes that its present insurance coverage and level of accrued liabilities are adequate.

The Company is involved in certain litigation and contract issues arising in the normal course of business. While the outcome of these matters cannot, at this time, be predicted in light of the uncertainties inherent therein, management does not expect that these matters will have a material adverse effect on the consolidated financial position or results of operations of the Company.

The Company has various current and previously-owned facilities subject to a variety of environmental regulations. The Company has received certain indemnifications either from companies previously owning these facilities or from purchasers of those facilities. As of April 3, 2016 and December 31, 2015, no amounts were accrued for any environmental matters.

As of April 3, 2016, the Company had outstanding purchase commitments of approximately \$8,236,000, primarily for the acquisition of inventory and manufacturing equipment.

The Company accounts for loss contingencies in accordance with U.S. generally accepted accounting principles (GAAP). Estimated loss contingencies are accrued only if the loss is probable and the amount of the loss can be reasonably estimated. With respect to a particular loss contingency, it may be probable that a loss has occurred but the estimate of the loss is within a wide range or undeterminable. If the Company deems an amount within the range to be a better estimate than any other amount within the range, that amount will be accrued. However, if no amount within the range is a better estimate than any other amount, the minimum amount of the range is accrued.

During the fourth quarter of 2015, the Company gave notification regarding its intention to not renew the lease for its Tampa, FL facility, which will expire on December 31, 2016. During the first quarter of 2016, the Company entered into lease negotiations to extend the current lease for a smaller portion of the facility, but was unable to reach an agreement on the economics of a lease renewal with its current landlord. On May 3, 2016, the Company entered a lease for an alternative facility, which it expects to occupy upon the expiration of the current lease (see Note 17, "Subsequent Events"). The Company, Sypris Electronics and the landlord of the Tampa facility are currently involved in litigation over certain terms of the lease (see Item 1, "Legal Proceedings"). As such, it is reasonably possible that the Company may be required to make certain repairs to the current facility upon exit. The current estimate of the Company's reasonably possible loss contingency is from no liability to \$4,000,000. While the Company intends to vigorously dispute these claims, the Company accrued \$500,000 during the three months ended April 3, 2016 related to its estimated potential obligation under the lease. This accrual is included in accrued liabilities in the Company's consolidated balance sheet as of April 3, 2016.

(13) Income Taxes

The provision for income taxes includes federal, state, local and foreign taxes. The Company's effective tax rate varies from period to period due to the proportion of foreign and domestic pre-tax income expected to be generated by the Company. The Company provides for income taxes for its domestic operations at a statutory rate of 35% and for its foreign operations at a statutory rate of 30% in 2016 and 2015. Reconciling items between the federal statutory rate and the effective tax rate also include the expected usage of federal net operating loss carryforwards, state income taxes, valuation allowances and certain other permanent differences.

The Company recognizes liabilities or assets for the deferred tax consequences of temporary differences between the tax bases of assets or liabilities and their reported amounts in the financial statements in accordance with ASC 740, *Income Taxes*. These temporary differences will result in taxable or deductible amounts in future years when the reported amounts of assets or liabilities are recovered or settled. ASC 740 requires that a valuation allowance be established when it is more likely than not that all or a portion of a deferred tax asset will not be realized. The Company evaluates its deferred tax position on a quarterly basis and valuation allowances are provided as necessary. During this evaluation, the Company reviews its forecast of income in conjunction with other positive and negative evidence surrounding the realizability of its deferred tax assets to determine if a valuation allowance is needed. Based on its current forecast, the Company has established a valuation allowance against the domestic net deferred tax asset. Until an appropriate level and characterization of profitability is attained, the Company expects to continue to maintain a valuation allowance on its net deferred tax assets related to future U.S. and non-U.S. tax benefits.

As of April 3, 2016 and December 31, 2015, the Company has no undistributed earnings of foreign subsidiaries that are classified as permanently reinvested. The Company did not repatriate any funds to the U.S. during 2015 and expects the repatriation of any available non-U.S. cash holdings during 2016 will be limited to the amount of undistributed earnings as of December 31, 2015. The loss recognized by the Company's Mexican operations during 2015 and the first quarter of 2016 reduced the undistributed earnings of that entity and the Company has therefore recognized a deferred income tax benefit equal to the reduction in the U.S. deferred tax liability and a corresponding increase in the deferred tax asset valuation allowance. Should the U.S. valuation allowance be released at some future date, the U.S. tax on foreign earnings not permanently reinvested might have a material effect on our effective tax rate.

(14) Employee Benefit Plans

Pension expense (benefit) consisted of the following (in thousands):

	Three Months Ended	
	April 3, 2016	April 5, 2015
	(Unaudited)	
Service cost	\$ 3	\$ 4
Interest cost on projected benefit obligation	426	434
Net amortizations of actuarial loss	174	170
Expected return on plan assets	(496)	(564)
	<u>\$ 107</u>	<u>\$ 44</u>

(15) Accumulated Other Comprehensive Loss

The Company's accumulated other comprehensive loss consists of employee benefit related adjustments and foreign currency translation adjustments.

Accumulated other comprehensive loss consisted of the following (in thousands):

	April 3, 2016	December 31, 2015
	(Unaudited)	
Foreign currency translation adjustments	\$ (9,584)	\$ (9,554)
Employee benefit related adjustments – U.S.	(16,177)	(16,177)
Employee benefit related adjustments – Mexico	(29)	(29)
Accumulated other comprehensive loss	<u>\$ (25,790)</u>	<u>\$ (25,760)</u>

(16) Fair Value of Financial Instruments

Cash, accounts receivable, accounts payable and accrued liabilities are reflected in the consolidated financial statements at their carrying amount which approximates fair value because of the short-term maturity of those instruments. The carrying amount of debt outstanding at April 3, 2016 under the Revolving Credit Facility and Term Loan approximates fair value, and is based upon a market approach (Level 2).

(17) Subsequent Events

On May 3, 2016, Sypris Electronics entered into an office and light manufacturing facility lease agreement (the "Lease") to lease approximately 49,386 rentable square feet (the "Premises") of a building beginning in January 2017. The base rent payments associated with the Lease will be approximately \$7,131,000 over the 11 year term of the Lease, and the Company estimates that operating expenses owed to the landlord over the term of the Lease will be approximately \$1,980,000. So long as Sypris Electronics is not in default of the Lease beyond any applicable notice and cure period,

the base rent for months 1-24 will be abated by 50% and operating expenses will be abated 100% for months 1-6, and 50% for months 7-24. Additionally, Sypris Electronics' obligations under the Lease have been guaranteed by the Company.

The Company has the right to extend the term of the Lease for five years, then the successive right to extend the term for an additional five years. Subject to certain terms and conditions, the Company also has the right to sublease, assign or transfer the Premises.

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

Overview

We are a diversified provider of outsourced services and specialty products. We perform a wide range of manufacturing, engineering, design and other technical services, often under sole-source contracts with corporations and government agencies principally in the markets for industrial manufacturing and aerospace and defense electronics.

We are organized into two business groups, Sypris Technologies and Sypris Electronics. Sypris Technologies, which is comprised of Sypris Technologies, Inc. and its subsidiaries, generates revenue primarily from the sale of manufacturing services to customers in the market for truck components and assemblies and from the sale of products to the energy and chemical markets. Sypris Electronics, which is comprised of Sypris Electronics, LLC and its subsidiary, generates revenue primarily from the sale of manufacturing services, technical services and products to customers in the market for aerospace and defense electronics, trusted solutions for identity management, cryptographic key distribution and cyber analytics.

We focus on those markets where we have the expertise, qualifications and leadership position to sustain a competitive advantage. We target our resources to support the needs of industry leaders that embrace multi-year contractual relationships as a strategic component of their supply chain management. These contracts, many of which are sole-source by part number, historically, have been renewed for sufficient periods to enable us to invest in leading-edge processes or technologies to help our customers remain competitive. The productivity, flexibility and economies of scale that can result offer an important opportunity for differentiating ourselves from our competitors when it comes to cost, quality, reliability and customer service.

Sypris Technologies Outlook

In North America, production levels for light, medium and heavy duty trucks steadily increased from a low in the depressed economic environment of 2008 and 2009 through 2015, but are anticipated to decrease from 2015 to 2016. Production levels for the remainder of 2016 are expected to remain relatively consistent with the lower levels experienced in the first quarter of 2016 and increase slightly in 2017. Oil and gas markets, served by our engineered products line of Tube Turns® products, have been impacted, as some of our customers' revenues and near term capital expenditures have declined along with oil prices generally. However, the oil and gas outlook appears to be stabilizing as oil prices show signs of recovery and domestic pipeline projects continue to be active.

Sypris Electronics Outlook

We continue to face challenges within Sypris Electronics, such as the uncertainty in the worldwide macroeconomic climate and its impact on aerospace and defense spending patterns globally, the emergence of new competitors to our product and service offerings, as well as federal government spending uncertainties in the U.S. and the allocation of funds by the U.S. Department of Defense.

Sypris Electronics' revenue had declined from 2009 through 2014 primarily due to our inability to replace the declining demand for certain legacy products and services with competitive new offerings. However, revenues increased in 2015 and in the first quarter of 2016, and we have begun to generate revenue from the ramp-up of new electronic manufacturing services and other technical service programs. The Company is continuing to develop new products and pursue new programs to attempt to fully replace our legacy programs within Sypris Electronics.

The U.S. Government's continued focus on addressing federal budget deficits and the growing national debt exacerbates this challenging environment for Sypris Electronics. It is likely that U.S. government discretionary spending levels for Fiscal Year 2016 and beyond will continue to be subject to significant pressure, including risk of future budget cuts. Significant uncertainty also continues with respect to program-level appropriations for the U.S. Department of Defense (U.S. DoD) and other government agencies within the overall budgetary framework described above. Future budget cuts, including cuts mandated by sequestration, or future procurement decisions associated with the authorization and appropriations process could result in reductions, cancellations and/or delays of existing contracts or programs. Congress and the Administration continue to debate these long and short-term funding issues, but reductions in U.S. DoD spending could materially and adversely affect the results of Sypris Electronics, and we expect that certain military and defense programs will experience delays while the receipt of government approvals remain pending.

As a result, the Company expects ongoing uncertainty within this segment in the near term. For the longer term, we are continuing to evaluate various alternatives, including new investments in products and programs to further improve the attractiveness of our business portfolio, with a specific emphasis on trusted solutions for identity management, cryptographic key distribution and cyber analytics, among other strategies. There can be no assurance that the Company's investment in and efforts to introduce any new products and services will result in new business or revenue. In addition, while the Company continues to evaluate and implement cost reduction measures in this segment, the Company may not be able to reduce its cost structure to offset the impact of lower revenues. The Company is considering all of its strategic alternatives, including potential divestitures and further cost reductions or other downsizing measures, which could be costly and adversely impact our financial performance.

Management's Recovery Plans

Given the loss of a significant customer in early 2015 and unfavorable growth trends and softness in commercial vehicle manufacturing and the oil and gas markets served by Sypris Technologies, management has developed various profit recovery and protection plans and is evaluating strategic alternatives to optimize asset values in each of the Company's segments. Management has engaged advisors during various periods to provide recommendations for cost reductions and actions that can be taken to improve profitability. Management prepared a revised forecast during March 2016 with plans to further reduce costs, optimize cash flow and remain in compliance with its debt covenant requirements throughout 2016. The Company completed a number of profit recovery and protection actions in 2015 and the first quarter of 2016, including: (i) the sale of certain assets used in the Company's manufacturing facility in Morganton, North Carolina within the Sypris Technologies segment, (ii) reduction in workforce at all locations, and (iii) other reductions in employment costs through reduced work schedules, senior management pay reductions, deferral of merit increases and certain benefit payments.

Additionally, in 2015, the Company's debt was restructured, and the Company has received the benefit of cash infusions from Gill Family Capital Management, Inc. ("GFCM"), an entity controlled by the Company's president and chief executive officer, Jeffrey T. Gill and one of our directors, R. Scott Gill, in the form of subordinated promissory note obligations totaling \$6.5 million in principal through the first quarter of 2016.

During the first quarter of 2016, the Company generated additional liquidity through the sale and partial lease back of its facility located in Toluca, Mexico, which generated gross proceeds of approximately \$12.2 million. Of these proceeds, \$6.0 million was deposited into a cash collateral account to be held for up to one year as additional collateral for the Term Loan (see Note 6 "Toluca Sale-Leaseback and Note 10 "Debt" to the consolidated financial statement in this Form 10-Q). Management will continue to operate in Toluca, but given the loss of a key customer in 2015 and the overall downturn in the commercial vehicle markets, management determined that the underutilized Toluca real estate value could be better optimized with a sale and lease back arrangement where some but not all of the facility would continue to be occupied and managed by Sypris Technologies. The Company's base rent on the lease, which is denominated in U.S. currency, is \$0.9 million annually, adjusted based on U.S. CPI with certain cap conditions.

The commercial vehicle industry has softened beginning in the fourth quarter of 2015 along with other durable and non-durable goods sectors in the North America economy. Management has identified additional cost reduction actions in the Sypris Technologies segment. Reductions in selling, general and administrative expense and labor expense were implemented during the first quarter of 2016, and additional cost reductions are planned during the second and third quarters. Although the expected benefits of the cost reductions will be partially offset by the impact of minor investments and severance required to enable the cost reductions, the actions are expected to contribute to improved liquidity during 2016.

Management has identified a number of new customer opportunities that are expected to provide higher gross margin opportunities, even at lower volumes. Management is implementing operational efficiencies that are expected to enable reductions in the machinery set-up time for new commercial vehicle orders which should enable the Company to quote on customer requirements that are higher margin but with somewhat shorter run lengths. These new business activities are anticipated to enable the Company to diversify its revenue sources over a larger and more profitable customer base.

The oil and gas industry has experienced significant price erosion, and as a result, the Company's customers are delaying capital expenditures that support their growth and maintenance projects. The Company has identified some capacity reallocation opportunities between plants in the United States and Mexico. The Company has initiated the process of qualifying production for certain components in Mexico that are currently produced in the United States and completed the qualification for the first group of these components. The Company expects the capacity reallocation will accelerate during 2016 as the capital necessary to fund the reallocation becomes available and the qualification process for the production is complete.

Sypris Electronics has continued to invest in a number of product development projects. The Company was awarded a significant engineering services contract in the defense sector during the first quarter of 2016. Nevertheless, the Company has identified certain cost reduction and cash flow enhancements in the Sypris Electronics segment that can be implemented during the second and third quarters that are not expected to impact the future growth in the Sypris Electronics segment.

Sypris Electronics has filed a number of patent applications for technology related to its new SiOMetrics™ hardware authentication solutions, which may enable the Company to address commercial markets for infrastructure and the Internet of Things (IoT) markets. New commercial opportunities in the automotive, industrial controls, communications, infrastructure, utilities, automation, aviation, retail, and personal communication devices could benefit from the technology that Sypris Electronics has patented or for which it has patents pending. Sypris Electronics now provides a platform of layered security protocols that will enable customers in a number of industries to tailor the security solutions to their individual requirements. Management has taken steps to diversify its product and service offerings in the Sypris Electronics segment whereby the Company intends to be less dependent upon the Defense markets and better positioned to take advantage of the rapidly growing commercial security and encryption markets going forward.

Management has identified certain cost reductions at the corporate headquarters that are expected to improve profitability and cash flow throughout 2016. Salary reductions and other selling, general and administrative cost reductions were implemented during the first quarter of 2016 that management believes will continue to benefit the company throughout future periods. Additional cost reductions have been identified in the area of professional services, administration and lease expense.

Our failure or inability to realize our key financial objectives could materially and adversely impair the Company's ability to operate, its cash flows, financial condition and ongoing results.

Results of Operations

The table below compares our segment and consolidated results for the first quarterly period of operations of 2016 to the first quarterly period of operations of 2015. It presents the results for each period, the change in those results from 2015 to 2016 in both dollars and as a percentage, as well as the results for each period as a percentage of net revenue.

- The first two columns in the table show the absolute results for each period presented.
- The columns entitled “Year Over Year Change” and “Year Over Year Percentage Change” show the change in results, both in dollars and percentages. These two columns show favorable changes as positive and unfavorable changes as negative. For example, when our net revenue increases from one period to the next, that change is shown as a positive number in both columns. Conversely, when expenses increase from one period to the next, that change is shown as a negative number in both columns.
- The last two columns in the table show the results for each period as a percentage of net revenue. In these two columns, the cost of sales and gross profit for each segment are given as a percentage of that segment’s net revenue. These amounts are shown in italics.

In addition, as used in the table, “NM” means “not meaningful.”

Three Months Ended April 3, 2016 Compared to Three Months Ended April 5, 2015

	Three Months Ended,		Year Over	Year Over	Results as Percentage of	
	April 3, 2016	April 5, 2015	Year Change	Year Percentage Change	Net Revenue for the Three Months Ended	
			Favorable (Unfavorable)	Favorable (Unfavorable)	April 3, 2016	April 5, 2015
(in thousands, except percentage data)						
Net revenue:						
Sypris Technologies	\$ 17,827	\$ 28,070	\$ (10,243)	(36.5)%	66.2%	75.8%
Sypris Electronics	9,111	8,939	172	1.9	33.8	24.2
Total	26,938	37,009	(10,071)	(27.2)	100.0	100.0
Cost of sales:						
Sypris Technologies	18,483	32,174	13,691	42.6	<i>103.7</i>	<i>114.6</i>
Sypris Electronics	7,728	7,992	264	3.3	<i>84.8</i>	<i>89.4</i>
Total	26,211	40,166	13,955	34.7	97.3	108.5
Gross profit (loss):						
Sypris Technologies	(656)	(4,104)	3,448	84.0	<i>(3.7)</i>	<i>(14.6)</i>
Sypris Electronics	1,383	947	436	46.0	<i>15.2</i>	<i>10.6</i>
Total	727	(3,157)	3,884	NM	2.7	(8.5)
Selling, general and administrative	6,503	9,118	2,615	28.7	24.1	24.6
Research and development	124	333	209	62.8	0.5	0.9
Severance	484	285	(199)	(69.8)	1.8	0.8
Operating loss	(6,384)	(12,893)	6,509	50.5	(23.7)	(34.8)
Interest expense, net	876	334	(542)	(162.3)	3.2	0.9
Other (income), net	(2,162)	(179)	1,983	NM	(8.0)	(0.5)
Loss before taxes	(5,098)	(13,048)	7,950	60.9	(18.9)	(35.2)
Income tax expense (benefit), net	1	(15)	(16)	NM	—	—
Net loss	\$ (5,099)	\$ (13,033)	\$ 7,934	60.9	(18.9)%	(35.2)%

Net Revenue. Sypris Technologies primarily derives its revenue from manufacturing services and product sales. Net revenue for Sypris Technologies decreased 36.5% or \$10.2 million for the first quarter of 2016 compared to the first quarter of 2015. The loss of the trailer axle revenue with the sale of assets in Morganton accounted for \$4.8 million of the decline. Additionally, the Company experienced a decrease in revenue of \$5.4 million in the first quarter of 2016 as compared to the first quarter of 2015 resulting primarily from lower demand from customers in the commercial vehicle industry.

Sypris Electronics derives its revenue from product sales and technical outsourced services. Net revenue for Sypris Electronics for the first quarter of 2016 increased 1.9% or \$0.2 million compared to the same period in 2015, reflecting new cyber related sales and an increase in product sales. Partially offsetting this was a decrease in electronic manufacturing services due the completion of a program in 2015.

Gross Profit. Sypris Technologies' gross profit increased \$3.4 million to a loss of \$0.7 million in the first quarter of 2016 as compared to a loss of \$4.1 million in the first quarter of 2015. The Company experienced productivity challenges in the prior year period as a result of the significant loss of business from a key customer. Sypris Technologies has continued to adjust its fixed overhead structure in order to better align with current volumes, resulting in improvements in gross profit. Additionally, depreciation expense decreased \$0.7 million in the first quarter of 2016 as compared to the first quarter of 2015, primarily as a result of the sale of the Morganton assets in 2015. Partially offsetting this was a decrease in gross profit of \$0.9 million resulting from the decrease in volume attributable to lower demand from customers in the commercial vehicle industry.

Sypris Electronics' gross profit increased \$0.4 million to \$1.4 million in the first quarter of 2016 as compared to \$0.9 million for the first quarter of 2015. The improvement in gross profit was primarily as a result of a favorable mix in sales of higher margin products and services in addition to a reduction in the overhead structure from the prior year.

Selling, General and Administrative. Selling, general and administrative expense decreased \$2.6 million to \$6.5 million in the first quarter of 2016 as compared to \$9.1 million for the same period in 2015 primarily as a result of a decrease in legal expenses regarding contract negotiations and the related dispute with a key customer, as the litigation is currently estimated to be substantially complete. Additionally, the Company initiated various cost reduction activities in 2015 in response to the loss of a significant customer including employee compensation and headcount reductions and the sale of the Company's Morganton facility (See Note 5, "Morganton Sale" to the consolidated financial statement in this Form 10-Q). Partially offsetting this was an increase in consulting fees related to our debt refinancing and cash management efforts and a \$0.5 million accrual for a contingent liability related to the exit of one of our leased facilities (See Note 12 "Commitments and Contingencies" to the consolidated financial statements in this Form 10-Q).

Research and Development. Research and development costs were \$0.1 million in the first quarter of 2016 as compared to \$0.3 million for the same period of 2015 in support of the Sypris Electronics' self-funded product and technology development activities.

Severance. Severance costs were \$0.5 million for the first quarter of 2016 as compared to \$0.3 million for the first quarter of 2015, and were comprised exclusively of headcount reductions within Sypris Technologies (See Note 4 "Management's Recovery Plans" to the consolidated financial statements in this Form 10-Q).

Interest Expense. Interest expense for the first quarter of 2016 increased \$0.5 million to \$0.8 million from \$0.3 million for the first quarter of 2015. The weighted average interest rate increased to 11.2% in the first quarter of 2016 as compared to 4.7% in the first quarter of 2015. The increase in interest expense is a result of the Revolving Credit Facility and Term Loan entered into in the fourth quarter of 2015 and the note payable to GFCM, which increased the Company's interest rate structure (see Note 10 "Debt" to the consolidated financial statements in this Form 10-Q). Interest expense is expected to increase going forward. Additionally, our weighted average debt outstanding increased to \$20.2 million for the first quarter of 2016 from \$16.5 million during the first quarter of 2015.

Other (Income), Net. The Company recognized other income, net of \$2.2 million for the first quarter of 2016 compared to \$0.2 million for the first quarter of 2015. Other income, net for the first quarter of 2016 includes \$2.4 million related to the gain recognized on the sale lease-back transaction of our Toluca, Mexico facility completed during the first quarter of 2016 (See Note 6 "Toluca Sale-Leaseback" to the consolidated financial statements in this Form 10-Q). The gain was partially offset by foreign currency related losses of \$0.3 million recognized in the first quarter of 2016.

Other income, net for the first quarter of 2015 includes gains of \$0.1 million related to the net U.S. dollar denominated monetary asset position of our Mexican subsidiaries for which the Mexican peso is the functional currency.

Liquidity and Capital Resources

As described in more detail elsewhere in this report, as a result of the loss of a key customer, the Company experienced substantially reduced levels of revenue and cash flows in 2015. Additionally, softness in the commercial vehicle market, which began in the fourth quarter of 2015, has continued through the first quarter of 2016 and is expected to continue through the remainder of the year. These developments have required us to reexamine our strategies and cut our costs significantly. Reductions in our available liquidity have also required closer monitoring of the timing of our capital expenditures and cash flows in order to manage our business operations.

In response, we took significant actions during 2015 to pursue new business opportunities with existing and potential customers, identify alternative uses for the related assets and other contingency plans, including the sale of certain assets used in the Company's manufacturing facility in Morganton, North Carolina within the Sypris Technologies segment. In 2015, we received approximately \$15.7 million in total consideration for the Morganton Sale and related transactions, all of which were applied to pay down our senior secured debt (See Note 5 "Morganton Sale" to the consolidated financial statements in this Form 10-Q). On October 30, 2015, the Company's prior senior secured debt was replaced by the Loan Agreements and paid in full. In addition, the Company has received three cash infusions from GFCM, in the form of subordinated promissory note obligations totaling \$6,500,000 in principal through the first quarter of 2016.

Additionally, during the first quarter of 2016 and, in compliance with the Loan Agreements, the Company entered into a sale lease-back agreement with Promotora y Desarrolladora Pulso Inmobiliario, S.C. ("Pulso") whereby we sold the entire facility and leased back the portion of the facility currently occupied by the Company in Toluca, Mexico, for our continued use as a manufacturing facility for ten years commencing upon the execution of the lease and terminating on March 9, 2026 ("Toluca Sale-Leaseback"). The Company's base rent, which is denominated in U.S. currency, is \$0.9 million annually, adjusted based on U.S. CPI with certain cap conditions. The transaction generated gross proceeds of 215.0 million Mexican Pesos, or approximately \$12.2 million dollars in U.S. currency.

Revolving Credit Facility and Term Loan. On October 30, 2015, the Company entered into Loan Agreements providing for a \$12.0 million Term Loan and a \$15.0 million Revolving Credit Facility. Proceeds from the Loan Agreements were used to repay the prior senior secured debt and the Meritor Note. Borrowing availability under the Revolving Credit Facility is determined by a weekly borrowing base collateral calculation that is based on specified percentages of the value of eligible accounts receivable and inventory, less certain reserves and subject to certain other adjustments. Borrowing availability under the Term Loan is also evaluated using a separate borrowing base collateral calculation that includes designated percentages of real estate, machinery and equipment appraisals, in each case less certain reserves and subject to certain other adjustments. If the appraised values of such collateral causes the Term Loan borrowing base to fall below the then current Term Loan balance, the Company can be required to make a partial prepayment of such difference and related fees.

On February 25, 2016, the Company entered into an amendment (the "Term Loan Amendment") to the Term Loan and an amendment (the "Revolving Credit Facility Amendment") to the Revolving Credit Facility (together, the "Amendments"). The Amendments had the effect, among other things, of increasing the Company's borrowing capability under its Revolving Credit Agreement and providing for an agreement on the use of proceeds from the Toluca Sale-Leaseback, as described below. As part of the Amendments, the Company also received an additional \$1.0 million subordinated loan from GFCM, as described below.

As a result of the Term Loan Amendment, the Company deposited \$6.0 million of the proceeds of the Toluca Sale-Leaseback into a Cash Collateral Account, to be held for one year as additional collateral for the Term Loan. Amounts deposited in the Cash Collateral Account that are subsequently used to pay down the principal of the Term Loan must be accompanied by an additional amount equal to the present value of the avoided interest associated with the principal payment. The Term Loan Amendment further provides that the Company will be permitted to retain the remaining balance of the proceeds from Toluca Sale-Leaseback, and increases the interest rate of the Term Loan by 1.0%.

In addition, under the Term Loan Amendment and Revolving Credit Facility Amendment, the Company's minimum excess availability provisions were reduced from \$4.0 million to \$3.0 million. The lender further agreed to remove certain reserves which were counted against the Company's "borrowing base." These changes are estimated to provide the Company with approximately \$1.7 million in additional borrowing capacity under the Revolving Credit Facility.

In connection with the Amendments, the Company retained a financial advisor to review the Company's existing business plan and make recommendations in the form of a revised business plan. If the Company meets certain milestones as determined by the lender after its review of such plan, up to \$1.0 million may be released from the Cash Collateral Account to the Company.

The Company's obligations under each of the Revolving Credit Facility and the Term Loan, as amended, continue to be guaranteed by the Company's U.S. subsidiaries and are secured by a first priority lien on substantially all assets of the Company and the guarantors. Each of the Revolving Credit Facility Amendment and the Term Loan Amendment contains certain customary representations, warranties and covenants.

The Loan Agreements contain a number of affirmative, negative and financial maintenance covenants, representations, warranties, events of default and remedies upon default, including acceleration and rights to foreclose on the collateral securing each lender. If the Company's borrowing availability under the Revolving Credit Facility falls below \$3.0 million, the Company must maintain a fixed charge coverage ratio of at least 1 to 1, as measured on a trailing twelve months' basis.

Based on the borrowing base calculation at April 3, 2016, the Company had actual total availability for borrowing under the Revolving Credit Facility of \$5.9 million, of which we had drawn \$2.6 million, leaving \$3.3 million still available for borrowing, \$3.0 million of which was reserved for compliance with the minimum excess availability provisions of the Revolving Credit Facility. Along with an unrestricted cash balance of \$2.3 million, we had total cash and borrowing capacity of \$2.6 million as of April 3, 2016. Approximately \$2.2 million of the unrestricted cash balance relates to the Company's Mexican subsidiaries. It is anticipated that the Company will utilize a substantial portion of its borrowing availability from time to time in the ordinary course of business.

Non-compliance with the Company's debt covenants would provide the debt holders with certain contractual rights, including the right to demand immediate repayment of all outstanding borrowings. Since the loss of the Dana business (see Note 4 "Management's Recovery Plans" to the consolidated financial statements in this Form 10-Q), the Company has also experienced negative cash flows from operating activities which could hamper or materially increase the costs of the Company's ability to comply with such covenants. The Company's consolidated financial statements have been prepared assuming the ongoing realization of assets, satisfaction of liabilities and continuity of operations as a going concern in the ordinary course of business, but there can be no assurances that the Company's current initiatives and plans will ultimately succeed, which could materially and adversely impair the Company's ability to operate, its cash flows, financial condition and ongoing results.

The Company is considering opportunities to support its cash flow from operations in 2016 through other investing activities. The Company is exploring alternatives to monetize certain assets of the Company for values in excess of the availability being provided under the Loan Agreements, thereby generating additional sources of liquidity for the Company.

Our ability to service our indebtedness will require a significant amount of cash. Our ability to generate this cash will depend largely on future operations including the success of our revenue recovery plans. Based upon our current forecast for 2016, we expect to be able to meet the financial covenants of our Loan Agreements, and we believe that we will have sufficient liquidity to finance our operations throughout 2016. Although we believe the assumptions underlying our current forecast are reasonable, we have considered the possibility of even lower revenues and other risks. If we are unable to achieve our forecasted revenue, or if our costs are higher than expected, we may be required to revise our recovery plans to provide for additional cost-cutting measures or to consider other strategic alternatives.

If we have insufficient cash flow to fund our liquidity needs and are unable to raise additional capital, we would risk being in default under our Revolving Credit Facility and Term Loan, unless our lenders agreed to modify or waive such requirements. In such circumstances, we believe that the Company would have the continuing ability to sell certain of its assets if necessary to repay its outstanding indebtedness. However, there can be no assurances that such efforts will succeed, and if we sold such assets we may be unable to pursue certain opportunities for new revenues that are part of our recovery plan and we may be required to defer our planned capital expenditures (See Note 10 "Debt" to the consolidated financial statements in this Form 10-Q).

Gill Family Capital Management Note. In connection with the amendments to the prior senior secured debt, the Company received the proceeds of new subordinated indebtedness from GFCM in an amount of \$5.5 million (“GFCM Note”). On February 26, 2016, the Company amended the GFCM Note to increase the amount to \$6.5 million in connection with the amendments to the Revolving Credit Facility and Term Loan. GFCM is an entity controlled by the Company’s president and chief executive officer, Jeffrey T. Gill and one of our directors, R. Scott Gill. GFCM, Jeffrey T. Gill and R. Scott Gill are significant beneficial stockholders of the Company. The promissory note bears interest at a rate of 8.0% per year and all principal and interest on the promissory note will be due and payable on the maturity date, January 30, 2019.

Purchase Commitments. We also had purchase commitments totaling approximately \$8.2 million at April 3, 2016, primarily for inventory.

Cash Flows

Operating Activities. Net cash used in operating activities was \$4.7 million in the first quarter of 2016, as compared to \$5.3 million in the same period of 2015. The aggregate increase in accounts receivable in 2016 resulted in the usage of cash of \$1.1 million. The aggregate decrease in accounts payable, resulted in a usage of cash of \$1.0 million. Partially offsetting this was an increase in accrued and other liabilities resulting in an increase in cash of \$2.4 million.

Investing Activities. Net cash provided by investing activities was \$5.0 million for the first quarter of 2016 as compared to cash used of \$0.3 million for the first quarter of 2015. As a result of the Toluca Sale-Leaseback transaction completed in the first quarter of 2016, the Company received net cash proceeds of \$11.1 million. As required under the Term Loan Amendment, the Company deposited \$6.0 million of the proceeds of the Toluca Sale-Leaseback into a Cash Collateral Account, to be held for one year as additional collateral for the Term Loan. Capital expenditures in both periods represented maintenance levels of investment.

Financing Activities. Net cash provided by financing activities was \$0.6 million in the first quarter of 2016 as compared to \$2.0 million during the first quarter of 2015. Net cash provided by financing activities in the first quarter of 2015 included proceeds from the subordinated note from Gill Family Capital Management of \$1.0 million and an increase in debt under the Revolving Credit Facility of \$0.5 million. Partially offsetting this were principal payments on the Term Loan of \$0.4 million and financing fees of \$0.4 million in conjunction with the amendments of our Revolving Credit Facility and Term Loan during the first quarter of 2016.

Net cash used provided by financing activities in the first quarter of 2015 included proceeds from the subordinated note from Gill Family Capital Management of \$4.0 million partially offset by a senior secured debt reduction of \$1.1 million, dividend payments of \$0.4 million and payments of \$0.1 million for minimum statutory tax withholdings on stock-based compensation. Additionally, we paid \$0.4 million in financing fees in conjunction with the amendment of our senior secured debt in the first quarter of 2015.

Critical Accounting Policies

See the information concerning our critical accounting policies included under Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operation - Critical Accounting Policies and Estimates” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. There have been no significant changes in our critical accounting policies during the three months ended April 3, 2016.

Forward-looking Statements

This Quarterly Report on Form 10-Q, and our other oral or written communications, may contain “forward-looking” statements. These statements may include our expectations or projections about the future of our business, industries, business strategies, prospects, potential acquisitions, liquidity, financial condition or financial results and our views about developments beyond our control, including domestic or global economic conditions, trends and market developments. These statements, including those outlined in management’s recovery plan, are based on management’s views and assumptions at the time originally made, and, except as required by law, we undertake no obligation to update these statements, even if, for example, they remain available on our website after those views and assumptions have changed. There can be no assurance that our expectations, projections or views will come to pass, and undue reliance should not be placed on these forward-looking statements.

A number of significant factors could materially affect our specific business operations and cause our performance to differ materially from any future results projected or implied by our prior statements. Many of these factors are identified in connection with the more specific descriptions contained throughout this report. Other factors which could also materially affect such future results currently include: our failure to develop and implement plans to mitigate the impact of loss of revenues from Dana or to adequately diversify our revenue sources on a timely basis; orders received may be cancelled or delayed by our customers, and even if we have a contractual right to manufacture and ship such orders, we must balance such rights against our longer term customer relationships; reliance on major customers or suppliers, including the renewal of significant contracts or the continued provision of trade credit terms despite concerns about our financial condition or liquidity; declining markets or market share in our commercial vehicle and energy-related product lines, especially as we attempt to transition from legacy products and services into new market segments, customers and technologies; the fees, costs and supply of, or access to, debt, equity capital, or other sources of liquidity, including the potentially material costs of our compliance with covenants in, or the potential default under or acceleration of, our new credit facilities; volatility of our customers' forecasts, scheduling demands and production levels which negatively impact our operational capacity and our effectiveness to integrate new customers or suppliers; dependence on, retention or recruitment of key employees especially in challenging markets; the cost, quality, timeliness, efficiency and yield of our operations and capital investments, including working capital, production schedules, cycle times, scrap rates, injuries, wages, overtime costs, freight or expediting costs; disputes or litigation involving lessor, supplier, customer, employee, landlord, creditor, stockholder, product liability or environmental claims; our ability to successfully develop, launch or sustain new products and programs; inventory valuation risks including excessive or obsolescent valuations; potential impairments, non-recoverability or write-offs of assets or deferred costs; our inability to successfully complete definitive agreements for our targeted acquisitions or divestitures due to negative due diligence findings or other factors; the costs of compliance with our auditing, regulatory or contractual obligations; our inability to patent or otherwise protect our inventions or other intellectual property from potential competitors; our reliance on third party vendors and sub-suppliers; adverse impacts of new technologies or other competitive pressures which increase our costs or erode our margins; cost and availability of raw materials such as steel, component parts, natural gas or utilities; regulatory actions or sanctions (including FCPA, OSHA and Federal Acquisition Regulations, among others); potential weaknesses in internal controls over financial reporting and enterprise risk management; U.S. government spending on products and services that Sypris Electronics provides, including the timing of budgetary decisions; changes in licenses, security clearances, or other legal rights to operate, manage our work force or import and export as needed; breakdowns, relocations or major repairs of machinery and equipment; pension valuation, health care or other benefit costs; labor relations; strikes; union negotiations; cyber security threats and disruptions; changes or delays in customer budgets, funding or programs; failure to adequately insure or to identify environmental or other insurable risks; revised contract prices or estimates of major contract costs; risks of foreign operations; currency exchange rates; war, terrorism, or political uncertainty; unanticipated or uninsured disasters, losses or business risks; inaccurate data about markets, customers or business conditions; or unknown risks and uncertainties and the risk factors disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are a smaller reporting company as defined in Item 10(f)(1) of Regulation S-K and thus are not required to provide the quantitative and qualitative disclosures about market risk specified in Item 305 of Regulation S-K.

Item 4. Controls and Procedures

(a) *Evaluation of disclosure controls and procedures.* Based on the evaluation of our disclosure controls and procedures (as defined in Securities Exchange Act of 1934 Rules 13a-15(e) or 15d-15(e)) required by Securities Exchange Act Rules 13a-15(b) or 15d-15(b), our Chief Executive Officer and our Principal Financial Officer have concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective.

(b) *Changes in internal controls.* There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

We are involved from time to time in litigation and other legal or environmental proceedings incidental to our business. On November 25, 2013, Sypris Technologies, Inc. initiated an arbitration proceeding against Dana Limited under the Non-Administered Arbitration Rules of the International Institute for Conflict Prevention & Resolution alleging that Dana Limited had entered and then repudiated a five year extension of the parties' long term supply agreement, to run through 2019 or in the alternative had acted in bad faith by refusing to formalize that agreement. On December 30, 2013, Sypris filed a Notice of Supplemental Claims in the same arbitration proceeding, seeking damages for Dana's alleged breach of the parties' original 2007 supply agreement; and Dana filed a counterclaim for certain unpaid price rebates. The arbitrator awarded \$505,000 to Sypris Technologies and dismissed Dana's claims. On January 17, 2014, Dana initiated a declaratory judgment action in the Court of Common Pleas for Lucas County, Ohio challenging the arbitrability of the existence and enforceability of the extended supply agreement and seeking a ruling that the extended agreement was unenforceable. On February 28, 2015, the Lucas County Court granted Dana's motion, which was subsequently upheld by the Sixth District Court of Appeals for Ohio. Our remaining claim of bad faith and Dana's various potential claims for alleged nonperformance have been mutually released and dismissed effective as of May 2, 2016.

On January 15, 2016, Sypris Electronics initiated a declaratory judgment action in the Circuit Court of Hillsborough County, Florida seeking to resolve certain claims made by Sweetwell Industrial Associates, LLP ("Sweetwell"), in a notice of alleged default under our lease in Tampa, Florida. On February 16, 2016, Sweetwell, the landlord under that lease, filed its answer and counterclaim and its third party complaint against the Company, as a guarantor under the lease. The landlord claims that certain repairs must be made immediately and/or at the end of the current lease term. As such, it is reasonably possible that the Company may be required to make certain repairs to the current facility upon exit. The current estimate of the Company's reasonably possible loss contingency is from no liability to \$4,000,000. While the Company intends to vigorously dispute these claims, the Company accrued \$500,000 during the three months ended April 3, 2016 related to its estimated potential obligation under the lease. This accrual is included in accrued liabilities in the Company's consolidated balance sheet as of April 3, 2016. There are currently no other material pending legal proceedings to which we are a party.

Item 1A. Risk Factors

Information regarding risk factors appears in Part I — Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Forward-Looking Statements," in this Quarterly Report on Form 10-Q, and in Part I — Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. There have been no material changes during the fiscal quarter from the risk factors disclosed in our Annual Report on Form 10-K.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
10.1	First Amendment to Amended and Restated Loan and Security Agreement between Sypris Solutions, Inc. and Siena Lending Group LLC, dated February 25, 2016.
10.2	First Amendment to Loan and Security Agreement between Sypris Solutions, Inc. and Great Rock Capital Partners Management, LLC, dated February 25, 2016.
10.3	Amended and Restated Promissory Note, issued by Sypris Solutions, Inc. in favor of Gill Family Capital Management, dated February 25, 2016.
10.4	Lease agreement between Promotora y Desarrolladora Pulso Inmobiliario, S.C. and Sypris Technologies Mexico, S. de R.L. de C.V. dated January 29, 2016.
31(i).1	CEO certification pursuant to Section 302 of Sarbanes - Oxley Act of 2002.
31(i).2	Principal Financial Officer certification pursuant to Section 302 of Sarbanes - Oxley Act of 2002.
32	CEO and Principal Financial Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

SYPRIS SOLUTIONS, INC.
(Registrant)

Date: May 18, 2016

By: /s/ Anthony C. Allen
(Anthony C. Allen)
Vice President & Chief Financial Officer

Date: May 18, 2016

By: /s/ Rebecca R. Eckert
Rebecca R. Eckert)
Controller (Principal Accounting Officer)

**FIRST AMENDMENT TO
LOAN AND SECURITY AGREEMENT**

FIRST AMENDMENT (this "Amendment"), dated as of February 25, 2016 to that certain Amended and Restated Loan and Security Agreement dated as of October 30, 2015 (as may be amended, restated, supplemented or modified from time to time, the "Loan Agreement") among Sypris Solutions, Inc., a Delaware corporation ("Solutions"), Sypris Data Systems, Inc., a Delaware corporation ("Systems"), Sypris Electronics, LLC, a Delaware limited liability company ("Electronics"), Sypris Technologies, Inc., a Delaware corporation ("Technologies"), Sypris Technologies International, Inc., a Delaware corporation ("International"), Sypris Technologies Kenton, Inc., a Delaware corporation ("Kenton"), Sypris Technologies Marion, LLC, a Delaware limited liability company ("Marion"), Sypris Technologies Mexican Holdings, LLC, a Delaware limited liability company ("Mexican Holdings"), Sypris Technologies Northern, Inc., a Delaware corporation ("Northern") and Sypris Technologies Southern, Inc., a Delaware corporation ("Southern", and together with Solutions, Systems, Electronics, Technologies, International, Kenton, Marion, Mexican Holdings and Northern, individually or collectively as the context may require, "Borrower"), each of Sypris Technologies Toluca, S.A. de C.V., a Mexican *Sociedad Anónima de Capital Variable* ("Toluca") and Sypris Technologies México, S. de R.L. de C.V., a Mexican *Sociedad de Responsabilidad Limitada de Capital Variable* ("Mexico", and together with Toluca, collectively, the "Guarantors"), and Siena Lending Group LLC, as originating lender, and after the Closing Date as servicer for affiliated assignee, Siena Funding LLC, a Delaware limited liability company ("Siena Funding"), and together with Siena Funding, collectively, "Lender"). Terms which are capitalized in this Amendment and not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement.

WHEREAS, Borrower has requested and Lender has agreed to amend the Loan Agreement on the terms and subject to the conditions contained in this Amendment.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section One . Amendments. Effective upon the satisfaction of the conditions set forth in Section Two hereof, the Loan Agreement is hereby amended as follows:

(a) Each of the defined terms "Fixed Charge Test Commencement Date", "Permitted Indebtedness" and "Subordinated Debt shall be amended and restated in its entirety as follows:

"Fixed Charge Test Commencement Date" means the first day after the First Amendment Effective Date upon which Borrowers' Excess Availability is less than \$3,000,000; *provided*, that if the Permitted Sale-Leaseback Transaction shall not be consummated (pursuant to documentation in form and substance satisfactory to Lender in its Permitted Discretion delivered to Lender provided that such documentation shall provide for a closing where sale proceeds are paid and distributed simultaneously with Term Debt Agent's release of the mortgage encumbering the Toluca Property) on or prior to March 11, 2016, then, the \$3,000,000 threshold shall automatically increase to \$4,000,000.

“Permitted Indebtedness” means: (i) the Obligations; (ii) the Indebtedness existing on the date hereof described in Section 6 of the Disclosure Schedule; in each case along with extensions, refinancings, modifications, amendments and restatements thereof, **provided**, that (a) the principal amount thereof is not increased, (b) if such Indebtedness is subordinated to any or all of the Obligations, the applicable subordination terms shall not be modified without the prior written consent of Lender, and (c) the terms thereof are not modified to impose more burdensome terms upon any Loan Party; (iii) capitalized leases and purchase money Indebtedness secured by Permitted Liens in an aggregate amount not exceeding \$100,000 at any time outstanding; (iv) Indebtedness incurred as a result of endorsing negotiable instruments received in the ordinary course of business; (v) the Subordinated Debt owing by the Borrower in an aggregate amount not exceeding \$6,500,000 (plus interest, less the aggregate amount of any payments made thereon after the Closing Date) at any time outstanding and then solely to the extent the Subordinated Debt is subject to, and permitted by, the Subordinated Debt Subordination Agreement; (vi) so long as it is subject to the Intercreditor Agreement, the Term Debt Permitted Indebtedness and (vii) so long as such Indebtedness is on terms and conditions satisfactory to Lender and subject to a subordination agreement in form and substance satisfactory to Lender, additional subordination indebtedness in an original principal amount not to exceed the sum of (y) up to \$5,000,000 but only to the extent incurred to satisfy the funding requirement with respect to the Cash Collateral Account set forth in clause (e)(ii) of the definition of Permitted Sale-Leaseback Milestones (as defined in the Term Debt Loan Agreement) (and actually deposited in such Cash Collateral Account) plus (z) up to \$1,500,000, but only to the extent incurred and contributed as a Curative Investment pursuant to the terms of Section 7.4.

“Subordinated Debt” means (a) that indebtedness evidenced by that certain Second Amended and Restated Promissory Note dated as of the date hereof and issued by Borrowers in favor of Gill Family Capital Management, Inc., a Delaware corporation in an original principal amount equal to \$6,500,000 and (b) all other unsecured Indebtedness subordinated in right of payment to the Obligations on terms acceptable to Lender in its Permitted Discretion.

(b) Each of the new defined terms “First Amendment Effective Date” and “Tampa Reserve” shall be added to the Loan Agreement in the appropriate alphabetical order as follows:

“*First Amendment Effective Date*” means February 26, 2016.

“*Tampa Reserve*” means that certain rent Reserve in the amount of \$505,000, which amount represents in the aggregate four months of regularly-scheduled lease payments, in respect of a notice of default (the “Notice of Default”) received by Borrowers from the landlord at Borrower’s leased premises located at 10901 North McKinley Drive, Tampa Florida and the general ongoing uncertainty relating to the continued safety and security of and Borrower’s and/or Lender’s access to the Collateral located at such location as a result of such Notice of Default.

(c) Financial Advisor. Section 5.28 of the Loan Agreement shall be amended and restated in its entirety as follows:

“On or before February 26, 2016, Borrower shall, at its sole cost and expense, engage a financial advisor (the “FA”), acceptable to Lender in its reasonable discretion, pursuant to an engagement letter, the scope and terms of which shall be acceptable to Lender in its reasonable discretion, until such time as the Obligations have been indefeasibly paid in full or such earlier time upon mutual agreement of Lender and Borrower. The FA’s responsibilities shall be consistent with the updated engagement letter, dated as of the date hereof and be authorized by, and the FA shall report directly to, the Audit Committee of the Board which is and shall be composed solely of “Independent Directors” (as defined in applicable NASDAQ listing requirements). The FA shall review the Borrower’s existing business plan and make recommendations in the form of a turnaround plan (the “Turnaround Plan”) which Turnaround Plan, including updated forecasts and projections shall be completed and delivered before March 7, 2016. Lender is authorized to communicate directly with the FA (including, without limitation, without Borrower being present) regarding all matters relating to the services to be rendered by the FA to Borrower, including, without limitation, to discuss all financial reports, business information, findings, recommendations and opinions of the FA. The FA is authorized and directed to communicate directly with Lender (including, without limitation, without Borrower being present) regarding all matters relating to the services to be rendered by the FA to Borrower, including, without limitation, to discuss all financial reports, business information, and all findings, recommendations and opinions of the FA. The FA shall be authorized and directed by Borrower to provide Lender with copies of all reports and other information prepared or reviewed by the FA. Lender may rely on any information provided by the FA as if provided directly by Borrower. The Borrower shall implement all actions reasonably recommended and deemed advisable by the FA, and approved by the Audit Committee and the Board of Directors, in connection with the Turnaround Plan.

(d) Revised Forecast and 13-week Budget. Schedule D to the Loan Agreement shall be amended by adding the following requirements:

“On or before February 15, 2016 and thereafter, on or before the close of business each Thursday of each week, Borrower shall deliver to Lender a 13 week rolling cash flow model, prepared in good faith based upon assumptions which Borrower believes to be reasonable, including (i) a weekly cash flow forecast in reasonable detail satisfactory to Lender including receipts, disbursements and such line item detail as satisfactory to Lender, (ii) a weekly Borrowing Base calculation, (iii) weekly cumulative variance report, detailing and reconciling forecasted results and actual results (iv) an Accounts rollforward, prepared by either Borrower or the FA.”

“On or before February 15, 2016 and thereafter, on or before the close of business on the 15th day of each calendar month thereafter, Borrower shall deliver to Lender an Inventory rollforward, prepared by either Borrower or the FA.”

(e) Inventory Sublimits. Section 1(d)(i) of Schedule A of the Loan Agreement shall be amended and restated in its entirety as follows:

(i) Overall sublimit on advances against Eligible Inventory of Electronics: \$200,000, only to the extent that the aggregate amount of advances against Eligible Inventory of Electronics exceeds 100% of the amount set forth in clause (i) of the definition of Borrowing Base, less any Reserves established against Accounts (including, without limitation any Dilution Reserve)

Section Two. Covenants. Borrower and Lender hereby covenant and agree as follows:

(a) Removal of Tampa Reserve. Upon the First Amendment Effective Date, Lender shall remove the Tampa Reserve; *provided*, however that the Tampa Reserve shall be reinstated immediately if the Permitted Sale-Leaseback Transaction shall not be consummated (pursuant to documentation in form and substance satisfactory in Lender’s Permitted Discretion delivered to Lender) on or prior to March 11, 2016. If the Permitted Sale-Leaseback Transaction shall be consummated after March 11, 2016, then the Tampa Reserve shall be removed upon Lender’s receipt of evidence of the consummation of such Permitted Sale-Leaseback Transaction.

(b) Removal of Howard Street Reserve. Upon the First Amendment Effective Date, Lender shall remove the Reserve in the amount of \$150,000 in respect of certain environmental concerns arising with respect to the real property located at 2612 Howard Street, Louisville, KY on or before December 16, 2015 (the “Howard Street Reserve”); *provided*, however that the Howard Street Reserve shall be reinstated immediately if the Permitted Sale-Leaseback Transaction shall not be consummated (pursuant to documentation in form and substance satisfactory in Lender’s Permitted Discretion delivered to Lender) on or prior to March 11, 2016. If the Permitted Sale-Leaseback Transaction shall be consummated after March 11, 2016, then the Howard Street Reserve shall be removed upon Lender’s receipt of evidence of the consummation of such Permitted Sale-Leaseback Transaction.

(c) Events of Default. Notwithstanding anything to the contrary in the Loan Agreement or any other Loan Document, failure by Borrower to satisfy any of the foregoing covenants and amended sections of the Loan Agreement within the applicable time frames set forth above (or such later date as Lender may agree in its sole discretion) shall constitute an immediate Event of Default under the Loan Agreement. The termination of the FA by Borrower without cause, or the resignation of the FA, in either case without the replacement of the FA from a list of at least three (3) FA's provided by Lender to Borrower within two (2) Business Days of Lender's receipt of written notice of such resignation which are with a Person acceptable to Lender in its Permitted Discretion within a reasonable period of time not to exceed ten (10) Business Days shall be deemed an immediate Event of Default.

Section Three. Conditions Precedent. The satisfaction (or waiver in writing by Lender) of each of the following shall constitute conditions precedent to the effectiveness of the Amendment (such date being the "First Amendment Effective Date"):

(a) Lender shall have received (i) this Amendment, duly executed by the parties hereto; and (ii) the reaffirmation and consent of each Guarantor attached hereto as Exhibit A, duly executed by the parties hereto;

(b) Lender shall have received that certain Second Amended and Restated Fee Letter, dated as of the date hereof (the "Fee Letter"), in form and substance satisfactory to Lender, duly executed and delivered by the parties thereto and such Fee Letter shall be in full force and effect;

(c) Lender shall have received a First Amendment to Loan and Security Agreement, Amended and Restated Fee Letter, and reaffirmation and consent of each Guarantor, in each case in respect of the Term Debt Documents and duly executed by the parties hereto;

(d) Lender shall have received a fully-executed engagement letter between Solutions and Huron Consulting Services LLC in form and substance reasonably satisfactory to Lender;

(e) No Default or Event of Default shall have occurred or be continuing on the date hereof nor shall either result from the consummation of the transactions contemplated herein;

(f) Borrower shall have paid, or made arrangements for the payment simultaneously herewith to Lender of all reasonable and documented out-of-pocket third party expenses (including legal fees and other disbursements and expenses) incurred by Lender (i) prior to the date hereof and (ii) in connection with all this Amendment;

(g) After giving effect to this Amendment, the representations and warranties contained herein, in the Loan Agreement, and in the other Loan Documents, in each case shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date hereof, as though made on and as of such date (except to the extent that such representation and warranties related solely to an earlier date, in which case such representations and warranties shall continue to be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date); and

(h) Lender shall have received (i) evidence satisfactory to Lender that Borrower has received cash in an amount not less than \$1,000,000 from Gill Family Capital Management, Inc. in the form of the proceeds of a subordinated loan constituting Subordinated Debt, (ii) copies of the executed Subordinated Debt Documents evidencing such Subordinated Debt and (iii) a Second Amended and Restated Subordination Agreement between Lender and Gill Family Capital Management, Inc. in respect of the increased amount of Subordinated Debt.

Section Four. Representations and Warranties. Each Borrower represents and warrants to Lender as follows:

(a) Each Borrower has the corporate, limited liability Borrower or limited partnership power, authority and legal right to execute, deliver and perform this Amendment and the other instruments, agreements, documents and transactions contemplated hereby to which it is a party, and has taken all actions necessary to authorize the execution, delivery and performance of this Amendment and the other instruments, agreements, and documents to which it is a party and the transactions contemplated hereby and thereby;

(b) No consent of any Governmental Authority or any other Person is required in connection with the execution, delivery and performance by any Borrower, or the validity or enforceability against any Borrower, of this Amendment and the other instruments, agreements, documents and transactions contemplated hereby to which it is a party;

(c) This Amendment has been duly executed and delivered on behalf of each Borrower, by its duly authorized officer, and constitutes the legal, valid and binding obligation of each Borrower, enforceable in accordance with its terms, except to the extent that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the rights of creditors generally or equitable remedies (whether arising in a proceeding at law or in equity);

(d) No Default or Event of Default has occurred and is continuing on the date hereof;

(e) No amendments or modifications to the terms of the documents governing the Permitted Sale-Leaseback Transaction have been made that (i) are not in writing between the parties to such documents, and (ii) have not been subject of written documentation, copies of which have been delivered to Lender;

(f) All of the representations and warranties contained in the Loan Agreement continue to be true and correct in all material respects as of the date hereof, as if repeated as of the date hereof (other than any representation or warranty that specifically relates to an earlier date in which case such representation or warranty shall be materially true and correct as of such date); and

(g) The execution and delivery of this Amendment, the consummation of the transactions herein contemplated, and compliance with the provisions hereof (i) will not contravene the terms of any Borrower's by-laws or certificate of incorporation/operating agreement or certificate of formation or limited partnership agreement, as applicable, or other applicable documents relating to any Borrower's formation or to the conduct of any Borrower's business or of any material agreement or undertaking to which any Borrower is a party or by which any Borrower is bound, (ii) will not conflict with or violate any law or regulation, or any judgment, order or decree of any Governmental Authority, (iii) will not require the consent of any Governmental Authority or any other Person and (iv) will not conflict with, nor result in any breach in any of the provisions of or constitute a default under or result in the creation of any Lien except Permitted Liens upon any asset of any Borrower under the provisions of any agreement, charter document, instrument, by-law, operating agreement or other instrument to which any Borrower is a party or by which it or its property is a party or by which it may be bound.

Section Five. General Provisions.

(a) Except as herein expressly amended, each of the Loan Agreement and all other agreements, documents, instruments and certificates executed in connection therewith, are hereby ratified and confirmed in all respects and shall remain in full force and effect in accordance with their respective terms.

(b) The headings of any section or paragraph of this Amendment are for convenience only and shall not be used to interpret any provision of this Amendment

(c) Effective on the date hereof, each Borrower and each Guarantor, for itself and on behalf of its successors, assigns, and officers, directors, employees, agents and attorneys, and any Person acting for or on behalf of, or claiming through it, hereby waives, releases, remises and forever discharges Agent and each Lender, each of their respective Affiliates, and each of their respective successors in title, past, present and future officers, directors, employees, limited partners, general partners, investors, attorneys, assigns, subsidiaries, shareholders, trustees, agents and other professionals and all other persons and entities to whom any member of the Lenders would be liable if such persons or entities were found to be liable to such Borrower or such Guarantor (each a "Releasee" and collectively, the "Releasees"), from any and all past, present and future claims, suits, liens, lawsuits, adverse consequences, amounts paid in settlement, debts, deficiencies, diminution in value, disbursements, demands, obligations, liabilities, causes of action, damages, losses, costs and expenses of any kind or character, whether based in equity, law, contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law (each a "Claim" and collectively, the "Claims"), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, matured or unmatured, foreseen or unforeseen, past or present, liquidated or unliquidated, suspected or unsuspected, which such Borrower or such Guarantor ever had from the beginning of the world, now has, or might hereafter have against any such Releasee which relates, directly or indirectly to the Loan Agreement, any other Loan Document, or to any acts or omissions of any such Releasee with respect to the Loan Agreement or any other Loan Document, or to the lender-borrower relationship evidenced by the Loan Documents, except for the duties and obligations set forth in this Amendment. As to each and every Claim released hereunder, each Borrower and each Guarantor hereby represents that it has received the advice of legal counsel with regard to the releases contained herein, and having been so advised, specifically waives the benefit of the provisions of Section 1542 of the Civil Code of California which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

(d) As to each and every Claim released hereunder, each Borrower and each Guarantor also waives the benefit of each other similar provision of applicable federal or state law (including without limitation the laws of the state of New York), if any, pertaining to general releases after having been advised by its legal counsel with respect thereto.

(e) Each Borrower and each Guarantor acknowledges that it may hereafter discover facts different from or in addition to those now known or believed to be true with respect to such Claims and agrees that this instrument shall be and remain effective in all respects notwithstanding any such differences or additional facts. Each Borrower and each Guarantor 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.

(f) Each Borrower and each Guarantor, for itself and on behalf of its successors, assigns, and officers, directors, employees, agents and attorneys, and any Person acting for or on behalf of, or claiming through it, hereby absolutely, unconditionally and irrevocably, covenants and agrees with and in favor of each Releasee above 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 such Person pursuant to the above release. Each Borrower and each Guarantor further agrees that it shall not dispute the validity or enforceability of the Loan Agreement or any of the other Loan Documents or any of its obligations thereunder, or the validity, priority, enforceability or the extent of Agent's Lien on any item of Collateral under the Loan Agreement or the other Loan Documents. If any Borrower, any Guarantor, or any of their respective successors, assigns, or officers, directors, employees, agents or attorneys, or any Person acting for or on behalf of, or claiming through it violate the foregoing covenant, such Person, 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 such Releasee as a result of such violation.

(g) The Loan Agreement, as amended hereby, and each of the other Loan Documents shall be and remain in full force and effect in accordance with their respective terms and hereby are ratified and confirmed in all respects. The execution, delivery, and performance of this Amendment shall not operate, except as expressly set forth herein, as a modification or waiver of any right, power, or remedy of Agent or any Lender under the Loan Agreement or any other Loan Document. Except for the amendments to the Loan Agreement expressly set forth herein, the Loan Agreement and the other Loan Documents shall remain unchanged and in full force and effect. To the extent that any terms or provisions of this Amendment conflict with those of the Loan Agreement or the other Loan Documents, the terms and provisions of this Amendment shall control.

(h) Upon and after the effectiveness of this Amendment, each reference in the Loan Agreement to “this Agreement”, “hereunder”, “herein”, “hereof” or words of like import referring to the Loan Agreement, and each reference in the other Loan Documents to “the Loan Agreement”, “thereunder”, “therein”, “thereof” or words of like import referring to the Loan Agreement, shall mean and be a reference to the Loan Agreement as modified and amended hereby.

(i) To the extent that any of the terms and conditions in any of the Loan Documents shall contradict or be in conflict with any of the terms or conditions of the Loan Agreement, after giving effect to this Amendment, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Loan Agreement as modified or amended hereby.

(j) This Amendment is a Loan Document.

(k) This Amendment embodies the entire agreement between the parties hereto with respect to the subject matter hereof and supercedes all prior agreements, commitments, arrangements, negotiations or understandings, whether written or oral, of the parties with respect thereto.

(l) This Amendment, together with the other Loan Documents, incorporates all negotiations of the parties hereto with respect to the subject matter hereof and is the final expression and agreement of the parties hereto with respect to the subject matter hereof.

(m) Each Borrower hereby (a) acknowledges and reaffirms its obligations owing to Agent and Lender, and (b) agrees that each of the Loan Documents to which it is a party is and shall remain in full force and effect. Each Borrower hereby (i) further ratifies and reaffirms the validity and enforceability of all of the Liens and security interests heretofore granted, pursuant to and in connection with the Loan Agreement or any other Loan Document to Agent, on behalf and for the benefit of Lender as collateral security for the obligations under the Loan Documents in accordance with their respective terms, and (ii) acknowledges that all of such Liens and security interests, and all Collateral heretofore pledged as security for such obligations, continue to be and remain collateral for such obligations from and after the date hereof (including, without limitation, from after giving effect to this Amendment).

(n) Each Borrower hereby restates, ratifies and reaffirms each and every term and condition set forth in the Loan Agreement and the Loan Documents effective as of the date hereof and as modified hereby.

(o) This Amendment may be executed by the parties hereto individually or in combination, in one or more counterparts, each of which shall be an original and all which shall constitute one and the same agreement.

(p) THIS AMENDMENT, AND ALL MATTERS RELATING HERETO AND ARISING HEREFROM (WHETHER ARISING UNDER CONTRACT LAW, TORT LAW OR OTHERWISE) SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED THEREIN WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES (EXCEPT SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATION LAW). FURTHER, THE LAW OF THE STATE OF NEW YORK SHALL APPLY TO ALL DISPUTES OR CONTROVERSIES ARISING OUT OF OR CONNECTED TO OR WITH THIS AMENDMENT AND ALL MATTERS RELATING HERETO AND ARISING HEREFROM WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES (EXCEPT SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATION LAW).

(q) The provisions in Section 6 of the Loan Agreement regarding release and indemnities, Section 10.1 of the Loan Agreement regarding notices and Section 10.16 of the Loan Agreement regarding consents to and waivers regarding jurisdiction and venue are hereby specifically incorporated by reference.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

Lender:

SIENA LENDING GROUP LLC,
as servicer for affiliated assignee Siena Funding LLC

By: /s/ Jorge Chiluisa
Jorge Chiluisa
Authorized Signatory

By: /s/ Steve Sanicola
Steve Sanicola
Authorized Signatory

Borrowers:

SYPRIS SOLUTIONS, INC.

By: /s/ Jeffrey T. Gill
Name: Jeffrey T. Gill
Its: President & CEO

SYPRIS DATA SYSTEMS, INC.

By: /s/ Jeffrey T. Gill
Name: Jeffrey T. Gill
Its: Chairman of the Board

SYPRIS DATA SYSTEMS, INC.

By: /s/ Jeffrey T. Gill
Name: Jeffrey T. Gill
Its: Chairman of the Board

SYPRIS TECHNOLOGIES, INC.

By: /s/ Jeffrey T. Gill
Name: Jeffrey T. Gill
Its: Chairman of the Board and President

SYPRIS TECHNOLOGIES NORTHERN, INC.

By: /s/ Jeffrey T. Gill
Name: Jeffrey T. Gill
Its: Chairman of the Board and President

SYPRIS TECHNOLOGIES SOUTHERN, INC.

By: /s/ Jeffrey T. Gill
Name: Jeffrey T. Gill
Its: Chairman of the Board and President

SYPRIS TECHNOLOGIES INTERNATIONAL, INC.

By: /s/ Jeffrey T. Gill
Name: Jeffrey T. Gill
Its: Chairman of the Board and President

SYPRIS TECHNOLOGIES KENTON, INC.

By: /s/ Jeffrey T. Gill
Name: Jeffrey T. Gill
Its: Chairman of the Board and President

SYPRIS TECHNOLOGIES MARION, LLC

By: /s/ Jeffrey T. Gill
Name: Jeffrey T. Gill
Its: Chairman of the Board and President

**SYPRIS TECHNOLOGIES MEXICAN HOLDINGS,
LLC**

By: /s/ Jeffrey T. Gill _____
Name: Jeffrey T. Gill
Its: Chairman of the Board and President

Guarantors:

SYPRIS TECHNOLOGIES TOLUCA, S.A. DE C.V.

By: /s/ Jeffrey T. Gill _____
Name: Jeffrey T. Gill
Its: President

**SYPRIS TECHNOLOGIES MÉXICO, S. DE R.L. DE
C.V**

By: /s/ Jeffrey T. Gill _____
Name: Jeffrey T. Gill
Its: President

**FIRST AMENDMENT TO
LOAN AND SECURITY AGREEMENT**

FIRST AMENDMENT (this "Amendment"), dated as of February 25, 2016 to that certain Loan and Security Agreement dated as of October 30, 2015 (as may be amended, restated, supplemented or modified from time to time, the ("Loan Agreement") among Sypris Solutions, Inc., a Delaware corporation ("Solutions"), Sypris Data Systems, Inc., a Delaware corporation ("Systems"), Sypris Electronics, LLC, a Delaware limited liability company ("Electronics"), Sypris Technologies, Inc., a Delaware corporation ("Technologies"), Sypris Technologies International, Inc., a Delaware corporation ("International"), Sypris Technologies Kenton, Inc., a Delaware corporation ("Kenton"), Sypris Technologies Marion, LLC, a Delaware limited liability company ("Marion"), Sypris Technologies Mexican Holdings, LLC, a Delaware limited liability company ("Mexican Holdings"), Sypris Technologies Northern, Inc., a Delaware corporation ("Northern") and Sypris Technologies Southern, Inc., a Delaware corporation ("Southern"), and together with Solutions, Systems, Electronics, Technologies, International, Kenton, Marion, Mexican Holdings and Northern, individually or collectively as the context may require, "Borrower"), each of Sypris Technologies Toluca, S.A. de C.V., a Mexican *Sociedad Anónima de Capital Variable* ("Toluca") and Sypris Technologies México, S. de R.L. de C.V., a Mexican *Sociedad de Responsabilidad Limitada de Capital Variable* ("Mexico"), and together with Toluca, collectively, the "Guarantors"), and Great Rock Capital Partners Management, LLC, as administrative agent, and together with Great Rock Capital Partners Fund I, LLC, collectively, "Lender"). Terms which are capitalized in this Amendment and not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement.

WHEREAS, Borrower has requested and Lender has agreed to amend the Loan Agreement on the terms and subject to the conditions contained in this Amendment.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section One. Amendments. Effective upon the satisfaction of the conditions set forth in Section Two hereof, the Loan Agreement is hereby amended as follows:

(a) Each of the defined terms "Fixed Charge Test Commencement Date", "Permitted Indebtedness" and "Subordinated Debt" shall be amended and restated in its entirety and the defined term "Retained Net Cash Proceeds" shall be added as follows:

"Fixed Charge Test Commencement Date" means the first day after the First Amendment Effective Date upon which Borrowers' Excess Availability is less than \$3,000,000 provided that if the Permitted Sale-Leaseback Transaction shall not be consummated (pursuant to documentation in form and substance satisfactory to Lender delivered to Lender provided that such documentation shall provide for a closing where sale proceeds are paid and distributed simultaneously with Lender's release of the mortgage encumbering the Toluca Property) on or prior to March 11, 2016, then, the \$3,000,000 threshold shall automatically increase to \$4,000,000.

“Permitted Indebtedness” means: (i) the Obligations; (ii) the Indebtedness existing on the date hereof described in Section 6 of the Disclosure Schedule; in each case along with extensions, refinancings, modifications, amendments and restatements thereof, **provided**, that (a) the principal amount thereof is not increased, (b) if such Indebtedness is subordinated to any or all of the Obligations, the applicable subordination terms shall not be modified without the prior written consent of Agent, and (c) the terms thereof are not modified to impose more burdensome terms upon any Loan Party; (iii) capitalized leases and purchase money Indebtedness secured by Permitted Liens in an aggregate amount not exceeding \$100,000 at any time outstanding; (iv) Indebtedness incurred as a result of endorsing negotiable instruments received in the ordinary course of business; (v) the Subordinated Debt owing by the Borrower in an aggregate amount not exceeding \$6,500,000 (plus interest, less the aggregate amount of any payments made thereon after the Closing Date) at any time outstanding and then solely to the extent the Subordinated Debt is subject to, and permitted by, the Subordinated Debt Subordination Agreement; (vi) so long as it is subject to the Intercreditor Agreement, the ABL Permitted Indebtedness; and (vii) so long as such Indebtedness is on terms and conditions satisfactory to Agent and subject to a subordination agreement in form and substance satisfactory to Agent, additional subordination indebtedness in an original principal amount not to exceed the sum of (y) up to \$5,000,000 but only to the extent incurred to satisfy the funding requirement with respect to the Cash Collateral Account set forth in clause (e)(ii) of the definition of Permitted Sale-Leaseback Milestones (and actually deposited in such Cash Collateral Account) plus (z) up to \$1,500,000, but only to the extent incurred and contributed as a Curative Investment pursuant to the terms of Section 7.4.

“Retained Net Cash Proceeds” means the balance of the Net Cash Proceeds from the Permitted Sale-Leaseback Transaction, after distribution of Net Cash Proceeds from the Permitted Sale-Leaseback Transaction of Six Million Dollars (\$6,000,000) to Lender’s Cash Collateral Account currently estimated in accordance with Exhibit A (Estimation of Toluca Net Cash Proceeds), and subject to changes in applicable currency exchange rates or actual expense variations from such estimates, plus an amount up to \$1,000,000 of such Net Cash Proceeds to be released by Lender from the Cash Collateral Account subject to the satisfaction by the Borrowers of certain milestones set by Lender in connection with the Turnaround Plan, which satisfaction shall be in Lender’s sole discretion.

“Subordinated Debt” means (a) that indebtedness evidenced by that certain Amended and Restated Promissory Note dated on or about February 24, 2016 and issued by Borrowers in favor of Gill Family Capital Management, Inc., a Delaware corporation in an original principal amount equal to \$6,500,000 and (b) all other unsecured Indebtedness subordinated in right of payment to the Obligations on terms acceptable to Lender in its Permitted Discretion.

- (b) Interest Rate: Section 2.1 of the Loan Agreement shall be amended as follows: “9.0%” shall be deleted and replaced with “10.0%”.
- (c) Financial Advisor: Section 5.28 of the Loan Agreement shall be amended and restated in its entirety as follows:

“On or before February 26, 2016, Borrower shall, at its sole cost and expense, engage a financial advisor (the “FA”), acceptable to Lender in its reasonable discretion, pursuant to an engagement letter, the scope and terms of which shall be acceptable to Lender in its reasonable discretion, until such time as the Obligations have been indefeasibly paid in full or such earlier time upon mutual agreement of Lender and Borrower. The FA’s responsibilities shall be consistent with the updated engagement letter, dated as of the date hereof and be authorized by and the FA shall report directly to the Audit Committee (the “Audit Committee”) of the Board which is and shall be composed solely of “Independent Directors” (as defined in applicable NASDAQ listing requirements). The FA shall review the Borrower’s existing business plan and make recommendations in the form of a turnaround plan (the “Turnaround Plan”) which Turnaround Plan, including updated forecasts and projections shall be completed and delivered before March 11, 2016. Lender is authorized to communicate directly with the FA (including, without limitation, without Borrower being present) regarding all matters relating to the services to be rendered by the FA to Borrower, including, without limitation, to discuss all financial reports, business information, findings, recommendations and opinions of the FA. The FA is authorized and directed to communicate directly with Lender (including, without limitation, without Borrower being present) regarding all matters relating to the services to be rendered by the FA to Borrower, including, without limitation, to discuss all financial reports, business information, and all findings, recommendations and opinions of the FA. The FA shall be authorized and directed by Borrower to provide Lender with copies of all reports and other information prepared or reviewed by the FA. Lender may rely on any information provided by the FA as if provided directly by Borrower. The Borrower shall implement all actions reasonably recommended and deemed advisable by the FA, and approved by the Audit Committee and the Board of Directors, in connection with the Turnaround Plan.

(d) Optional Partial Prepayments: Section 1.8 (g) of the Loan Agreement shall be amended and restated in its entirety as follows:

“(g) **Optional Partial Prepayments of the Term Loan**. Borrower shall be permitted to voluntarily prepay \$6,000,000 of the Term Loan (or \$5,000,000 in the event the Borrowers achieve the milestones referenced in the First Amendment) to the extent that such amounts are held in the Cash Collateral Account, in whole or in part, on or prior to the first anniversary of the First Amendment Effective Date. Borrower may, upon at least ten Business Days prior written notice to Agent, prepay the principal of the Term Loan in part. Each prepayment made pursuant to this Section 1.8 shall be accompanied by the payment of accrued interest to the date of such payment on the amount prepaid. Each such prepayment shall be applied against the remaining installments of principal due on the Term Loan in the inverse order of maturity (for the avoidance of doubt, any amount that is due and payable on the Maturity Date shall constitute an installment). Any payment pursuant to this Section 1.8(g) shall be accompanied by payment by Borrower of any Early Payment/Termination Premium then required as a result of such prepayment under the terms of the Fee Letter under the heading “Early Termination Fee”.

(e) Voluntary Termination of Facility: Section 1.8 (h) of the Loan Agreement shall be amended and restated in its entirety as follows:

“(h) **Voluntary Termination of Facility** . Borrower shall be permitted to voluntarily prepay \$6,000,000 of the Term Loan (or \$5,000,000 in the event the Borrowers achieve the milestones referenced in the First Amendment) to the extent that such amounts are held in the Cash Collateral Account, in whole or in part, on or prior to the first anniversary of the First Amendment Effective Date. Borrower may, on at least thirty days prior written notice received by Agent, terminate this Agreement and any commitments hereunder by repaying all of the outstanding Obligations in full in cash, including all principal, interest and fees with respect to the Term Loan and any Protective Advances, and an Early Payment/Termination Premium in the amount specified in the Fee Letter under the heading “Early Termination Fee”. From and after such date of termination, no Lender shall have any obligation whatsoever to extend any extensions of credit hereunder and all of its lending commitments hereunder (if any) shall be terminated.

(f) Mandatory prepayment of Cash Collateral: Section 5.17(c) shall be amended and restated in its entirety as follows:

“(c) Upon occurrence of (i) an Event of Default, (ii) the failure to consummate the Permitted Sale-Leaseback Transaction on or prior to August 31, 2016, or (iii) the failure of Borrower to have Excess Availability plus Qualified Cash (other than amounts on deposit in the Cash Collateral Account) of at least \$5,000,000 at any time, Agent is authorized to instruct the bank maintaining the Cash Collateral Account to pay or transfer the balance of such Cash Collateral Account to or for the benefit of Agent, for application by Agent to repay the Obligations, to be allocated as a prepayment of the outstanding principal amount of the Term Loan (to be applied in the inverse order of maturity of the installments thereunder (for the avoidance of doubt, the amount that is due and payable on the Maturity Date constitutes an installment) and payment by Borrower of an Early Payment/Termination Premium which would then be required in connection therewith at such time under the terms of the Fee Letter under the heading “Early Termination Fee”.

(f) Revised Forecast and 13-week Budget. Schedule D to the Great Rock Loan Agreement shall be amended by adding the following weekly requirement:

“On or before February 15, 2016 and thereafter, on or before the close of business each Thursday of each week, Borrower shall deliver to Lender a 13 week rolling cash flow model, prepared in good faith based upon assumptions which Borrower believes to be reasonable, including (i) a weekly cash flow forecast in reasonable detail satisfactory to Lender including receipts, disbursements and such line item detail as satisfactory to Lender, (ii) a weekly Borrowing Base calculation, (iii) weekly cumulative variance report, detailing and reconciling forecasted results and actual results (iv) an Accounts rollforward, prepared and delivered by either Borrower or the FA on a monthly basis (no later than the 15th day of each fiscal month).”

“On or before February 15, 2016 and thereafter, on or before the close of business on the 15th day of each calendar month thereafter, Borrower shall deliver to Lender an Inventory rollforward, prepared by either Borrower or the FA.”

(g) Events of Default. Notwithstanding anything to the contrary in the Loan Agreement or any other Loan Document, failure by Borrower to satisfy any of the foregoing covenants and amended sections of the Loan Agreement within the applicable time frames set forth above (or such later date as Lender may agree in its sole discretion) shall constitute an immediate Event of Default under the Loan Agreement. The resignation of the FA without the replacement of the FA from a list of at least three (3) FA's provided to Borrower within two (2) Business Days which are acceptable to Lender in its sole discretion, promptly, but in no event later than ten (10) Business Days after such list is provided to Borrower, shall be deemed an immediate Event of Default.

Section Two. Covenants.

(a) Borrower and Lender shall work cooperatively and in good faith to agree upon execution copies of all documents, in form and substance satisfactory to Lender and Borrower related to the sale of the Toluca Property, including amended documentation with respect to such sale, in form and substance satisfactory to Lender and Borrower; and

(b) Proceeds of Permitted Sale Leaseback Transaction. Lenders shall provide any written consent reasonably required by Borrowers to permit Borrowers and Mexico to receive directly in connection with the Permitted Sale Leaseback Transaction the Retained Net Cash Proceeds, provided however, if the Toluca Property is not sold on or before March 15, 2016, or if the Net Cash Proceeds transferred to the Lender's Cash Collateral Account are less than \$6,000,000, Borrowers shall promptly distribute any Net Cash Proceeds received from any disposition of assets to the Lender's Cash Collateral Account until the amount deposited therein is equal to \$6,000,000. Lender hereby agrees and waives any claim to the contrary, that the requirements of subsection (d) of the definition of "Permitted Sale-Leaseback Milestones" in Section 1(a) of the Side Letter have been satisfied and/or waived.

(c) Howard Street Prepayment. Lender hereby agrees, and waives any claim to the contrary, that the requirements of Section 1.8(i) have been satisfied and/or waived.

Section Three: Conditions Precedent to Amendment. The satisfaction (or waiver in writing by Agent) of each of the following shall constitute conditions precedent to the effectiveness of the Amendment (such date being the "First Amendment Effective Date"):

(a) The First Amendment Effective Date shall occur prior to February 26, 2016;

(b) Agent shall have received (i) this Amendment, duly executed by the parties hereto, (ii) the first amendment to the ABL Loan Agreement in respect of the ABL Documents, duly executed by the parties thereto, and (iii) the reaffirmation and consent of each Guarantor attached hereto as **Exhibit B**, duly executed by the parties hereto;

(c) Lender shall have received that certain Second Amended and Restated Fee Letter, dated as of the date hereof (the "Fee Letter"), in form and substance satisfactory to Agent, duly executed and delivered by the parties thereto and such Fee Letter shall be in full force and effect;

(d) No Default or Event of Default shall have occurred or be continuing on the date hereof nor shall either result from the consummation of the transactions contemplated herein;

(e) Borrower shall have paid, or made arrangements for the payment simultaneously herewith to Lender of all reasonable and documented out-of-pocket third party expenses (including legal fees and other disbursements and expenses of Paul Hastings LLP and CREEL, GARCÍA-CUÉLLAR, AIZA Y ENRÍQUEZ) incurred by Lender (i) prior to the date hereof and (ii) in connection with all this Amendment;

(f) After giving effect to this Amendment, the representations and warranties contained herein, in the Loan Agreement, and in the other Loan Documents, in each case shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date hereof, as though made on and as of such date (except to the extent that such representation and warranties related solely to an earlier date, in which case such representations and warranties shall continue to be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date); and

(g) Lender shall have received (i) evidence satisfactory to Lender that Borrower has received cash in an amount not less than \$1,000,000 from Gill Family Capital Management, Inc. in the form of the proceeds of a subordinated loan constituting Subordinated Debt, (ii) copies of the executed Subordinated Debt Documents evidencing such Subordinated Debt, and (iii) a Second Amended and Restated Subordination Agreement between Lender and Gill Family Capital Management, Inc. in respect of the increased amount of Subordinated Debt.

Section Four: Representations and Warranties. Each Borrower represents and warrants to Lender as follows:

(a) Each Borrower has the corporate, limited liability or limited partnership power, authority and legal right to execute, deliver and perform this Amendment and the other instruments, agreements, documents and transactions contemplated hereby to which it is a party, and has taken all actions necessary to authorize the execution, delivery and performance of this Amendment and the other instruments, agreements, and documents to which it is a party and the transactions contemplated hereby and thereby;

(b) No consent of any Governmental Authority or any other Person is required in connection with the execution, delivery and performance by any Borrower, or the validity or enforceability against any Borrower, of this Amendment and the other instruments, agreements, documents and transactions contemplated hereby to which it is a party;

(c) This Amendment has been duly executed and delivered on behalf of each Borrower, by its duly authorized officer, and constitutes the legal, valid and binding obligation of each Borrower, enforceable in accordance with its terms, except to the extent that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the rights of creditors generally or equitable remedies (whether arising in a proceeding at law or in equity);

(d) No Default or Event of Default has occurred and is continuing on the date hereof;

(e) No amendments or modifications to the terms of the sale of the Toluca Property have been made that (i) are not in writing between the parties to such documents, and (ii) have not been subject of written documentation, copies of which have been delivered to Lender;

(f) All of the representations and warranties contained in the Loan Agreement continue to be true and correct in all material respects as of the date hereof, as if repeated as of the date hereof (other than any representation or warranty that specifically relates to an earlier date in which case such representation or warranty shall be true and correct as of such date); and

(g) The execution and delivery of this Amendment, the consummation of the transactions herein contemplated, and compliance with the provisions hereof (i) will not contravene the terms of any Borrower's by-laws or certificate of incorporation/operating agreement or certificate of formation or limited partnership agreement, as applicable, or other applicable documents relating to any Borrower's formation or to the conduct of any Borrower's business or of any material agreement or undertaking to which any Borrower is a party or by which any Borrower is bound, (ii) will not conflict with or violate any law or regulation, or any judgment, order or decree of any Governmental Authority, (iii) will not require the consent of any Governmental Authority or any other Person and (iv) will not conflict with, nor result in any breach in any of the provisions of or constitute a default under or result in the creation of any Lien except Permitted Liens upon any asset of any Borrower under the provisions of any agreement, charter document, instrument, by-law, operating agreement or other instrument to which any Borrower is a party or by which it or its property is a party or by which it may be bound.

Section Five. General Provisions.

(a) Release. Effective on the date hereof, each Borrower and each Guarantor, for itself and on behalf of its successors, assigns, and officers, directors, employees, agents and attorneys, and any Person acting for or on behalf of, or claiming through it, hereby waives, releases, remises and forever discharges Agent and each Lender, each of their respective Affiliates, and each of their respective successors in title, past, present and future officers, directors, employees, limited partners, general partners, investors, attorneys, assigns, subsidiaries, shareholders, trustees, agents and other professionals and all other persons and entities to whom any member of the Lenders would be liable if such persons or entities were found to be liable to such Borrower or such Guarantor (each a "Releasee" and collectively, the "Releasees"), from any and all past, present and future claims, suits, liens, lawsuits, adverse consequences, amounts paid in settlement, debts, deficiencies, diminution in value, disbursements, demands, obligations, liabilities, causes of action, damages, losses, costs and expenses of any kind or character, whether based in equity, law, contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law (each a "Claim" and collectively, the "Claims"), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, matured or unmatured, foreseen or unforeseen, past or present, liquidated or unliquidated, suspected or unsuspected, which such Borrower or such Guarantor ever had from the beginning of the world, now has, or might hereafter have against any such Releasee which relates, directly or indirectly to the Loan Agreement, any other Loan Document, or to any acts or omissions of any such Releasee with respect to the Loan Agreement or any other Loan Document, or to the lender-borrower relationship evidenced by the Loan Documents, except for the duties and obligations set forth in this Amendment. As to each and every Claim released hereunder, each Borrower and each Guarantor hereby represents that it has received the advice of legal counsel with regard to the releases contained herein, and having been so advised, specifically waives the benefit of the provisions of Section 1542 of the Civil Code of California which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

As to each and every Claim released hereunder, each Borrower and each Guarantor also waives the benefit of each other similar provision of applicable federal or state law (including without limitation the laws of the state of New York), if any, pertaining to general releases after having been advised by its legal counsel with respect thereto.

Each Borrower and each Guarantor acknowledges that it may hereafter discover facts different from or in addition to those now known or believed to be true with respect to such Claims and agrees that this instrument shall be and remain effective in all respects notwithstanding any such differences or additional facts. Each Borrower and each Guarantor 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.

(b) Each Borrower and each Guarantor, for itself and on behalf of its successors, assigns, and officers, directors, employees, agents and attorneys, and any Person acting for or on behalf of, or claiming through it, hereby absolutely, unconditionally and irrevocably, covenants and agrees with and in favor of each Releasee above 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 such Person pursuant to the above release. Each Borrower and each Guarantor further agrees that it shall not dispute the validity or enforceability of the Loan Agreement or any of the other Loan Documents or any of its obligations thereunder, or the validity, priority, enforceability or the extent of Agent's Lien on any item of Collateral under the Loan Agreement or the other Loan Documents. If any Borrower, any Guarantor, or any of their respective successors, assigns, or officers, directors, employees, agents or attorneys, or any Person acting for or on behalf of, or claiming through it violate the foregoing covenant, such Person, 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 such Releasee as a result of such violation.

(c) **CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER; JUDICIAL REFERENCE PROVISION. THIS AMENDMENT SHALL BE SUBJECT TO THE PROVISIONS REGARDING CHOICE OF LAW AND VENUE, JURY TRIAL WAIVER AND JUDICIAL REFERENCE PROVISION SET FORTH IN SECTION 10.15 OF THE LOAN AGREEMENT, AND SUCH PROVISIONS ARE INCORPORATED HEREIN BY THIS REFERENCE, *MUTATIS MUTANDIS*.**

(d) Amendments. This Amendment cannot be altered, amended, changed or modified in any respect except in accordance with Section 10.5 of the Loan Agreement.

(e) Counterpart Execution. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Amendment. Delivery of an executed counterpart of this Amendment by telefacsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by telefacsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Amendment, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment.

(f) Effect on Loan Documents. The Loan Agreement, as amended hereby, and each of the other Loan Documents shall be and remain in full force and effect in accordance with their respective terms and hereby are ratified and confirmed in all respects. The execution, delivery, and performance of this Amendment shall not operate, except as expressly set forth herein, as a modification or waiver of any right, power, or remedy of Agent or any Lender under the Loan Agreement or any other Loan Document. Except for the amendments to the Loan Agreement expressly set forth herein, the Loan Agreement and the other Loan Documents shall remain unchanged and in full force and effect. To the extent that any terms or provisions of this Amendment conflict with those of the Loan Agreement or the other Loan Documents, the terms and provisions of this Amendment shall control.

(g) Upon and after the effectiveness of this Amendment, each reference in the Loan Agreement to “this Agreement”, “hereunder”, “herein”, “hereof” or words of like import referring to the Loan Agreement, and each reference in the other Loan Documents to “the Loan Agreement”, “thereunder”, “therein”, “thereof” or words of like import referring to the Loan Agreement, shall mean and be a reference to the Loan Agreement as modified and amended hereby.

(h) To the extent that any of the terms and conditions in any of the Loan Documents shall contradict or be in conflict with any of the terms or conditions of the Loan Agreement, after giving effect to this Amendment, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Loan Agreement as modified [or amended] hereby.

(i) This Amendment is a Loan Document.

(j) Loan Agreement and the other Loan Documents constitute the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersede any and all prior or contemporaneous amendments or understandings with respect to the subject matter hereof, whether express or implied, oral or written.

(k) Integration. This Amendment, together with the other Loan Documents, incorporates all negotiations of the parties hereto with respect to the subject matter hereof and is the final expression and agreement of the parties hereto with respect to the subject matter hereof.

(l) Reaffirmation of Obligations. Each Borrower hereby (a) acknowledges and reaffirms its obligations owing to Agent and Lender, and (b) agrees that each of the Loan Documents to which it is a party is and shall remain in full force and effect. Each Borrower hereby (i) further ratifies and reaffirms the validity and enforceability of all of the Liens and security interests heretofore granted, pursuant to and in connection with the Loan Agreement or any other Loan Document to Agent, on behalf and for the benefit of Lender as collateral security for the obligations under the Loan Documents in accordance with their respective terms, and (ii) acknowledges that all of such Liens and security interests, and all Collateral heretofore pledged as security for such obligations, continue to be and remain collateral for such obligations from and after the date hereof (including, without limitation, from after giving effect to this Amendment).

(m) Ratification. Each Borrower hereby restates, ratifies and reaffirms each and every term and condition set forth in the Loan Agreement and the Loan Documents effective as of the date hereof and as modified hereby.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

Agent:

**GREAT ROCK CAPITAL PARTNERS
MANAGEMENT, LLC,**

By: /s/ Stuart Armstrong
Stuart Armstrong
Authorized Signatory

Lender:

**GREAT ROCK CAPITAL PARTNERS
MANAGEMENT, LLC,**

By: /s/ Stuart Armstrong
Stuart Armstrong
Authorized Signatory

SYPRIS SOLUTIONS, INC.

By: /s/ Jeffrey T. Gill
Name: Jeffrey T. Gill
Its: President & CEO

SYPRIS DATA SYSTEMS, INC.

By: /s/ Jeffrey T. Gill
Name: Jeffrey T. Gill
Its: Chairman of the Board

SYPRIS ELECTRONICS, LLC

By: /s/ Jeffrey T. Gill
Name: Jeffrey T. Gill
Its: Chairman of the Board

SYPRIS TECHNOLOGIES, INC.

By: /s/ Jeffrey T. Gill
Name: Jeffrey T. Gill
Its: Chairman of the Board & President

SYPRIS TECHNOLOGIES NORTHERN, INC.

By: /s/ Jeffrey T. Gill
Name: Jeffrey T. Gill
Its: Chairman of the Board & President

SYPRIS TECHNOLOGIES SOUTHERN, INC.

By: /s/ Jeffrey T. Gill
Name: Jeffrey T. Gill
Its: Chairman of the Board & President

SYPRIS TECHNOLOGIES INTERNATIONAL, INC.

By: /s/ Jeffrey T. Gill
Name: Jeffrey T. Gill
Its: Chairman of the Board & President

SYPRIS TECHNOLOGIES KENTON, INC

By: /s/ Jeffrey T. Gill
Name: Jeffrey T. Gill
Its: Chairman of the Board & President

SYPRIS TECHNOLOGIES MARION, LLC

By: /s/ Jeffrey T. Gill
Name: Jeffrey T. Gill
Its: Chairman of the Board & President

**SYPRIS TECHNOLOGIES MEXICAN HOLDINGS,
LLC**

By: /s/ Jeffrey T. Gill
Name: Jeffrey T. Gill
Its: Chairman of the Board & President

THIS INSTRUMENT, AND THE RIGHTS AND OBLIGATIONS EVIDENCED HEREBY, ARE SUBORDINATE IN THE MANNER AND TO THE EXTENT SET FORTH IN THAT CERTAIN THIRD AMENDED AND RESTATED SUBORDINATION AGREEMENT DATED FEBRUARY 25, 2016 BETWEEN SIENA LENDING GROUP LLC, AS LENDER, AND GILL FAMILY CAPITAL MANAGEMENT, INC., AND CONSENTED TO BY THE BORROWERS DEFINED THEREIN.

THIS INSTRUMENT, AND THE RIGHTS AND OBLIGATIONS EVIDENCED HEREBY, ARE SUBORDINATE IN THE MANNER AND TO THE EXTENT SET FORTH IN THAT CERTAIN AMENDED AND RESTATED SUBORDINATION AGREEMENT DATED FEBRUARY 25, 2016 BETWEEN GREAT ROCK CAPITAL PARTNERS MANAGEMENT, LLC, AS AGENT, AND GILL FAMILY CAPITAL MANAGEMENT, INC., AND CONSENTED TO BY THE BORROWERS DEFINED THEREIN.

AMENDED AND RESTATED PROMISSORY NOTE

This Amended and Restated Promissory Note represents an amendment and restatement of, and not a novation of, that certain Amended and Restated Promissory Note made by Makers in favor of the Lender dated effective October 30, 2015, as heretofore amended, restated, modified and supplemented from time to time, in the maximum principal amount of \$5,500,000.00.

\$6,500,000.00

Louisville, Kentucky
February 25, 2016

FOR VALUE RECEIVED, each of the undersigned, **SYPRIS SOLUTIONS, INC.**, a Delaware corporation ("Solutions"), **SYPRIS TECHNOLOGIES, INC.**, a Delaware corporation ("Technologies"), **SYPRIS ELECTRONICS, LLC**, a Delaware limited liability company ("Electronics"), **SYPRIS DATA SYSTEMS, INC.**, a Delaware corporation ("Data Systems"), **SYPRIS TECHNOLOGIES MARION, LLC**, a Delaware limited liability company, **SYPRIS TECHNOLOGIES KENTON, INC.**, a Delaware corporation, **SYPRIS TECHNOLOGIES MEXICAN HOLDINGS, LLC**, a Delaware limited liability company, **SYPRIS TECHNOLOGIES NORTHERN, INC.**, a Delaware corporation, **SYPRIS TECHNOLOGIES SOUTHERN, INC.**, a Delaware corporation, and **SYPRIS TECHNOLOGIES INTERNATIONAL, INC.**, a Delaware corporation (each a "Maker" and collectively, the "Makers"), hereby jointly and severally promise and agree to pay to the order of **GILL FAMILY CAPITAL MANAGEMENT, INC.**, a Delaware corporation with principal office and place of business at 101 Bullitt Lane, Suite 450, Louisville, Kentucky 40222 (the "Lender"), the principal sum of up to SIX MILLION FIVE HUNDRED THOUSAND DOLLARS (\$6,500,000.00) (the "Loan"), together with interest thereon as provided below. The terms and provisions of this Amended and Restated Promissory Note (this "Note") are as follows:

1. Calculation of Interest. From the date hereof to and until January 30, 2019, which date shall be the maturity date of this Note (the "Maturity Date"), the outstanding principal balance of this Note shall bear interest at the fixed rate per annum equal to eight percent (8.00%).
 2. Payment of Principal and Interest. The entire unpaid principal balance of and all accrued and unpaid interest on this Note, together with all other amounts due and owing under this Note, shall be due and payable in full on the Maturity Date.
 3. Interest Calculated on 30-Day Month. All accrued interest on this Note shall be calculated on the basis of the actual number of days elapsed over twelve (12) assumed months consisting of thirty (30) days each.
-

4. Default Rate. Commencing five (5) days after written notice from the Lender (by facsimile transmission or otherwise) to the Makers to the effect that any installment of principal and/or accrued interest on this Note is overdue (provided such notice shall be given no earlier than five (5) days after the due date of any such installment), such overdue installment of principal and/or accrued interest, provided it remains unpaid, shall commence to bear interest at the ten percent (10%) per annum (the "Default Rate"), and such overdue installment of principal and/or accrued interest together with all interest accrued thereon at the rate set forth herein shall continue to be immediately due and payable in full to the Lender. In the event the Lender accelerates the maturity date of this Note due to the occurrence of any Event of Default hereunder, the entire unpaid principal balance of this Note together with all accrued and unpaid interest thereon shall, beginning five (5) days after notice of acceleration of the maturity date of this Note has been given to the Makers, commence to bear interest at the Default Rate, and all such unpaid principal together with all interest accrued and unpaid thereon, including, without limitation, all interest accrued and accruing thereon as provided in this sentence, shall continue to be immediately due and payable in full to the Lender.

5. Place of Payment. All payments of principal and interest on this Note shall be made to the Lender in legal tender of the United States of America at its offices located at 101 Bullitt Lane, Suite 450, Louisville, Kentucky 40222, or to such other person or such other place as may be designated in writing by the Lender.

6. Security Agreements; Mortgages; Security for Note; Subordination Agreement. This Note is secured by, among other instruments, each of the following: [i] that certain Amended and Restated Security Agreement dated as of February 25, 2016 by and between the Makers and the Lender (as amended from time to time, the "General Security Agreement"), [ii] that certain Amended and Restated Patent Security Agreement dated as of February 25, 2016 by and among Technologies, Electronics and the Lender (as amended from time to time, the "Patent Security Agreement"), [iii] that certain Amended and Restated Trademark Security Agreement dated as of February 25, 2016 by and between Electronics and the Lender (as amended from time to time, the "Amended and Restated Electronics Trademark Security Agreement"), [iv] that certain Amended and Restated Trademark Security Agreement dated as of February 25, 2016 by and among Solutions, Technologies and the Lender (as amended from time to time, the "Amended and Restated Trademark Security Agreement") (the General Security Agreement, the Patent Security Agreement, the Amended and Restated Electronics Trademark Security Agreement and the Amended and Restated Trademark Security Agreement are collectively referred to herein as the "Security Agreements"), and [v] that certain Amended and Restated Mortgage and Security Agreement with Assignment of Rents and Fixture Financing Statement dated as of February 25, 2016 made by Technologies for the benefit of Lender with respect to the Property described therein (as amended from time to time, collectively, the "Mortgage") (the Security Agreements, Mortgage, and this Note may be referred to individually as a "Loan Instrument" and collectively as the "Loan Instruments"). This Note is subject to the respective terms and provisions of (i) that certain Third Amended and Restated Subordination Agreement of even date herewith by and between the Lender and Siena Lending Group LLC ("Siena"), as consented to by the Makers (the "Siena Subordination Agreement"), and (ii) that certain Amended and Restated Subordination Agreement of even date herewith by and between the Lender and Great Rock Capital Partners Management, LLC, as Agent ("Great Rock"), as consented to by the Makers (the "Great Rock Subordination Agreement") (Siena and Great Rock are each referred to herein individually as a "Senior Lender" and collectively as the "Senior Lenders") (the Siena Subordination Agreement and the Great Rock Subordination Agreement are each referred to herein individually as a "Subordination Agreement" and collectively as the "Subordination Agreements").

7 . Representations and Warranties. Each Maker hereby jointly and severally represents and warrants to the Lender, as follows, which representations and warranties shall survive the execution and delivery of this Note and the making of the disbursement of Loan proceeds hereunder:

7.1 Maker's Existence. Each Maker is a duly organized or incorporated and validly existing corporation or limited liability company, as applicable, in good standing under the laws of the State of Delaware and has all requisite authority to own its property and to carry on its business as presently conducted. Each Maker is duly qualified to transact business and is validly existing and in good standing as a foreign entity in every foreign jurisdiction where the failure to so qualify would materially and adversely affect such Maker's business or its properties.

7.2 Authority of Maker. The obtaining of the Loan by each Maker from the Lender and the execution, delivery and performance by each Maker of this Note, the Security Agreements, the Mortgages and the other Loan Instruments to which it is a party are within the organizational powers of each Maker, have been duly authorized by all of the Directors or Members of such Maker, are not in contravention of the Certificate of Incorporation, Certificate of Formation, Bylaws or Operating Agreement of such Maker, as applicable, or the terms of any indenture, agreement or undertaking to which such Maker is a party or by which it or any of its property is bound, and do not contravene the provisions of, or constitute a default under, or result in the creation of any lien (except as expressly contemplated herein) upon the property of such Maker under any indenture, mortgage, contract or other agreement to which such Maker is a party or by which it or any of its properties is bound. Each Maker is duly qualified to do business as a foreign limited liability company in each state in which it is so required to be qualified.

7.3 Taxes. Each Maker has filed or caused to be filed all federal, state and local tax returns which, to the knowledge of its Members or Directors, are required to be filed, and each Maker has paid or caused to be paid all taxes as shown on such returns, on any assessment received by such Maker. Each Maker has established reserves which are believed to be adequate for the payment of additional taxes for years that have not been audited by the respective tax authorities.

7.4 Enforceability. This Note, the Security Agreements, the Mortgages and the other Loan Instruments to which any Maker is a party constitute valid and legally binding obligations of each such Maker, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency or similar laws affecting the rights of creditors generally and to general principles of equity, whether asserted in an action at law or in equity.

8. Affirmative Covenants. Each Maker hereby jointly and severally agrees that until the Loan and other secured indebtedness has been paid in full to the Lender and this Note has been terminated, each Maker, shall perform and observe all of the following provisions:

8.1 Financial Statements. Each Maker shall furnish to the Lender all financial statements and other financial information in form and at the times required to be furnished to either Senior Lender under its respective Loan Agreement (as defined in either Subordination Agreement).

8.2 Inspection. Each Maker covenants that it will permit the Lender and its employees and agents, at the Lender's expense (unless an Event of Default or Unmatured Event of Default has occurred hereunder, in which event the same shall be at the expense of said Maker) to examine corporate books and financial records of said Maker, and to discuss the affairs, finances and accounts of the Maker at such reasonable times and as often as the Lender may reasonably request.

8.3 Maker's Existence. Each Maker shall preserve its existence as a limited liability company or corporation, as applicable, under the laws of the State of Delaware.

8.4 Further Assurances. Each Maker shall execute and deliver to the Lender all agreements, documents and instruments, shall pay all filing fees and taxes in connection therewith and shall take such further actions as the Lender may reasonably request or as may be necessary or appropriate to effectuate the intent of this Note and the other Loan Instruments.

8.5 Notice of Default. The Makers shall promptly notify the Lender in writing of the occurrence of any Event of Default, specifying in connection with such notification all actions proposed to be taken to remedy such circumstance.

8.6 Notice of Legal Proceedings. The Makers shall, promptly upon becoming aware of the existence thereof, notify the Lender in writing of the institution of any litigation, legal proceeding, or dispute with any person or tribunal, that might materially and adversely affect the condition, financial or otherwise, or the earnings, affairs, business prospects or properties of any Maker.

8.7 Maintenance of Qualification and Assets. Each Maker shall at all times maintain: (i) its qualification to transact business and good standing as a foreign entity in all jurisdictions where the failure to so qualify would materially and adversely affect the nature of its properties or the conduct of its businesses; and (ii) all franchises, licenses, rights and privileges necessary for the proper conduct of its businesses.

8.8 Payment of Taxes and Claims. Each Maker shall pay all taxes imposed upon it or upon any of its properties or with respect to its franchises, business, income or profits before any material penalty or interest accrues thereon. Each Maker shall also pay all material claims (including without limitation claims for labor, services, materials and supplies) for sums which have or shall become due and payable and which by law have or might become a vendors lien or a mechanics, laborers', materialmen's, statutory or other lien affecting any of its properties; provided, however, that the respective Maker shall not be required to pay any such taxes or claims if (i) the amount, applicability or validity thereof is being contested in good faith by appropriate legal proceedings promptly initiated and diligently conducted and (ii) each Maker shall have set aside on its books reserves (segregated to the extent required by generally accepted accounting principles) adequate with respect thereto.

9. Acceleration; Offset; Special Rights Relating to Collateral. Each of the following events shall constitute an “Event of Default” under this Note: (a) the Makers shall fail to pay the principal of and/or any accrued interest on this Note when due and such failure shall continue for more than five (5) days after such due date; (b) a representation contained herein or in any of the Security Agreements, Mortgages or other Loan Instruments shall be untrue or any Maker shall violate any of the other terms or covenants contained in this Note or in any of the Security Agreements, Mortgages or other Loan Instruments and such failure shall continue for a period of thirty (30) days after receipt by such Maker of notice thereof from the Lender; (c) any Maker shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code or any other federal, state or foreign bankruptcy, insolvency, receivership, liquidation or similar law, (ii) consent to the institution of, or fail to contravene in a timely and appropriate manner, in any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally, to pay its debts as they become due, or (vii) take any action for the purpose of effecting any of the foregoing; (d) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of said Maker or of a substantial part of the property or assets of said Maker under Title 11 of the United States Code or any other federal, state or foreign bankruptcy, insolvency, receivership, liquidation or similar, law or (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official of said Maker, or of a substantial part of the property or assets of said Maker; and any such proceeding or petition shall continue undismissed for sixty (60) consecutive days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for sixty (60) consecutive days; then, and in each such event (other than an event described in subsections (c) or (d) above); or (e) if there occurs any other “Event of Default” as defined in the Security Agreements, the Mortgages, any of the other Loan Instruments or in either Loan Agreement (as defined in either Subordination Agreement) or any of the other agreements or documents executed in connection with the Senior Debt (as defined in either Subordination Agreement) and the same continues past any applicable grace period. After the occurrence and continuation of any Event of Default, the Lender shall have full power and authority at any time or times to exercise, at its sole option, all or any one or more of the rights and remedies of a secured party under the Uniform Commercial Code of the Commonwealth of Kentucky (the “Kentucky UCC”), the Uniform Commercial Code of the State of Delaware (the “Delaware UCC”) and/or all other applicable laws, including without limitation, declare the entire unpaid principal balance of and all accrued and unpaid interest on this Note to be, whereupon the same shall be, immediately due and payable in full to the Lender (unless the Event of Default is of the type referred to in subsection (c) or (d) above, in which event the entire unpaid principal balance of and all accrued and unpaid interest on this Note shall automatically be due and payable in full to the Lender without notice or demand). If any Event of Default shall occur and be continuing, the Lender shall have the right then, or at any time thereafter, to set off against, and appropriate and apply toward the payment of the unpaid principal of and/or accrued and unpaid interest on this Note in such order as the Lender may select in its sole and absolute discretion, whether or not this Note shall then have matured or be due and payable and whether or not the Lender has declared this Note to be in default and immediately due and payable, any and all deposit balances and other sums and indebtedness and other property then held or owed by the Lender to or for the credit or account of the Makers, and in and on all of which the Makers hereby grant the Lender a first priority security interest in and lien on to secure the payment of this Note, all without prior notice to or demand upon the Makers or any other Person, all such prior notices and demands being hereby expressly waived by the Makers. Any requirement of the Kentucky UCC or the Delaware UCC for reasonable notice shall be met if such notice is mailed, postage pre-paid, to the Makers at least five (5) days prior to the time of the event given rise to the requirement of notice. Notice shall be mailed to the address of the Makers as shown on the records of the Lender maintained with respect to the Loan. The Lender shall have no responsibility for the collection or protection of the Collateral or any part thereof or to exercise (or give notice to the Makers of) any option, privilege or right with respect to the Collateral, all of which are waived by the Makers. The Lender, at its option, may transfer or register all or any part of the Collateral into its or its nominee’s name without any indication of security interest, without notice in either before or after the maturity of this Note. The Lender may transfer this Note, and deliver the Collateral to the transferee, and the transferee shall become vested with all powers and rights given to the Lender with respect to the Collateral.

10. Rights Under Security Instruments; Cumulative Rights. Upon the occurrence of any Event of Default, the Lender shall have all of the rights and remedies under this Note, the Mortgages, the Security Agreements, the other Loan Instruments and at law or in equity. All of the rights and remedies of the Lender upon the occurrence of an Event of Default hereunder shall be cumulative to the greatest extent permitted by law.

11. Indemnity. The Makers shall jointly and severally indemnify and hold harmless the Lender, its successors, assigns, officers, shareholders, agents and employees, from and against any and all claims, actions, suits, proceedings, costs, expenses, damages, fines, penalties and liabilities, including, without limitation, reasonable attorneys' fees and costs, arising out of, connected with or resulting from (a) this Note or any of the other Loan Instruments, (b) the Lender's preservation or attempted preservation of any of the collateral taken pursuant to any of the Loan Instruments, and/or (c) any failure of the security interests and liens granted to the Lender pursuant to the Loan Instruments to be or to remain perfected or to have the priority as contemplated herein and in the Loan Instrument; provided, however, the Makers shall not have any obligation to indemnify the Lender for any such claims, actions, suits, proceedings, costs, expenses, damages, fines, penalties and/or liabilities to the extent the same have been caused by or have arisen solely and completely from any gross negligence or willful misconduct committed by the Lender. At the Lender's request, the Makers shall, at their own cost and expense, defend or cause to be defended any and all such actions or suits that may be brought against the Lender and, in any event, shall satisfy, pay and discharge any and all judgments, awards, penalties, costs and fines that may be recovered against the Lender in any such action, plus all attorneys' fees and costs related thereto to the extent permitted by applicable law; provided, however, that the Lender shall give the Makers (to the extent the Lender seeks indemnification from the Makers under this section) prompt written notice of any such claim, demand or suit after the Lender has received written notice thereof, and the Lender shall not settle any such claim, demand or suit, if the Lender seeks indemnification therefor from the Makers, without first giving notice to the Makers of the Lender's desire to settle and obtaining the consent of the Makers to the same, which consent the Makers hereby agree not to unreasonably withhold. All obligations of the Makers under this section shall survive the payment of the Note.

12. Invalidity. If any part of this Note shall be adjudged invalid or unenforceable, whether in general or in any particular circumstance, then such partial invalidity or enforcement shall not cause the remainder of this Note to be or to become invalid or unenforceable, and if a provision hereof is held invalid or unenforceable, and if a provision hereof is held invalid or unenforceable in one or more of its applications, the Lender and the Makers hereby agree that said provision shall remain in effect in all valid applications that are severable from the invalid or unenforceable application or applications.

13. Assignment. This Note may not be assigned by any or all of the Makers. This Note and the other Loan Instruments may be assigned by the Lender. All rights of the Lender hereunder shall inure to the benefit of its successors and assigns, and all obligations, covenants and agreements of the Makers shall bind its successors and assigns, if any.

14. Entire Agreement. This Note and the other Loan Instruments constitute the entire agreement between the Lender and the Makers with respect to the subject matter hereof.

15. Costs and Expenses. The Makers jointly and severally agree to pay: (a) the reasonable fees of Lender's counsel, including all out-of-pocket expenses incurred by such counsel, including costs incurred on behalf of the Lender in the negotiation, preparation, printing, documentation, review and execution of this Note and other Loan Instruments, and (b) all other charges, out-of-pocket costs and expenses incurred by the Lender or Lender's counsel including, without limitation, including all documentary stamp or other tax liabilities, recording fees and costs of lien searches, certified documents and flood zone verifications. All obligations of the Makers under this section shall survive the termination or cancellation of this Note for any reason whatsoever.

16. No Third Party Beneficiaries. All conditions of the obligations of the Lender to disburse the proceeds of the Loan hereunder are imposed solely and exclusively for the benefit of the Lender and its successors and assigns and the Makers, and no other Person shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that the Lender will refuse to disburse proceeds of the Loan in the absence of strict compliance with any or all of such conditions, and no other Person shall, under any circumstances, be deemed to be beneficiary of such conditions, any or all of which may be freely waived in whole or in part by the Lender at any time in its sole and absolute discretion.

17. Amendments. No amendment, modification, or supplement to this Note or the other Loan Instruments, or to any other document or instrument executed or issued by any of the parties hereto in connection with the transactions contemplated herein, shall be binding unless executed in writing by all parties hereto or thereto; and this provisions of this Note and the other Loan Instruments shall not be subject to waiver by any party and shall be strictly enforced.

18. Role of the Lender. Notwithstanding any of the terms or conditions hereof or of the other Loan Instruments to the contrary, the Lender shall not have, and by its execution and acceptance of this Note hereby expressly disclaims, any obligation or responsibility for the management, conduct or operation of the business and affairs of any of the Makers. Any term or condition hereof, or of any of the other Loan Instruments, permitting the Lender to take or refrain from taking any action with respect to the Makers or the collateral shall be deemed solely to permit the Lender to audit and review the management, operation and conduct of the business and affairs of the Makers and to maintain and preserve the security given by the Makers to the Lender, for the secured obligations, and may not be relied upon by any other Person. Further, the Lender shall not have, has not assumed, and by its execution and acceptance of this Note and the other Loan Instruments hereby expressly disclaims, any liability or responsibility for the payment or performance of any indebtedness or obligation of the Makers, and no term or condition hereof, or of any of the other Loan Instruments, shall be construed otherwise.

19. No Implied Waivers; Time is of the Essence. The failure of the Lender to exercise any of its rights, powers and/or remedies shall not constitute a waiver of the right to exercise the same at that or any other time. All rights and remedies of the Lender for an Event of Default hereunder and/or under the other Loan Instruments, shall be cumulative to the greatest extent permitted by law. Time shall be of the essence in (i) the payment of all installments of principal of and accrued interest on this Note, and (ii) the performance of the Makers' other obligations hereunder and under the Security Agreements, Mortgages and the other Loan Instruments.

20. Attorneys' Fees. If there is any Event of Default under this Note, the Security Agreements, the Mortgages and/or the other Loan Instruments which is not timely cured, and this Note is placed in the hands of any attorney for collection, or is collected through any court, including any bankruptcy court, the Makers promise and agree to pay to the Lender its reasonable attorneys' fees, court costs and other expenses incurred in collecting or attempting to collect or securing or attempting to secure this Note or enforcing the Lender's rights hereunder and under the Security Agreements, Mortgages and the other Loan Instruments.

21. Prepayment. This Note may be prepaid at any time, in whole or in part, without penalty or premium.

22. Governing Law; Jurisdiction. This Note and all of the rights and remedies of the holder hereof shall be governed by, and construed in accordance with, the laws of the Commonwealth of Kentucky without regard to conflicts of law principles. THE MAKERS SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF KENTUCKY AND OF ANY KENTUCKY STATE COURT SETTING IN JEFFERSON COUNTY, KENTUCKY FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS NOTE, THE SECURITY AGREEMENTS, MORTGAGES OR ANY OF THE OTHER LOAN INSTRUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

23. Waivers. The Makers hereby waive presentment, demand, notice of dishonor, protest, notice of protest and nonpayment, and further waives all exemptions to which it may now or hereafter be entitled to under the laws of this or any other state or of the United States. The Lender shall have the right to grant the Makers any extension of time for payment of this Note or any other indulgence or forbearance whatsoever, and may release any security for the payment of this Note if any, as applicable, in every instance without the consent of the Makers and without in any way affecting the liability of the Makers hereunder and without waiving any rights the Lender may have hereunder or by virtue of the laws of the Commonwealth of Kentucky or any other state or of the United States.

24. Legal Rate of Interest. Nothing herein contained shall be construed or so operate as to require payment of interest at a rate greater than the highest permitted contract rate under applicable law, or to make any payment or to do any act contrary to applicable law. To this end, if during the course of any litigation involving the enforceability of the obligations represented by this Note, a court having jurisdiction of the subject matter or of the parties to said litigation shall determine that either the interest rate as set forth herein, or the effect of said rate in relation to the particular circumstances of default resulting in said litigation, are separately or collectively usurious, then the interest rate set forth herein shall be reduced, or the operation and effect thereof ameliorated, to achieve the highest interest rate or charge which shall not be usurious. As an example of such an amelioration, in the event the indebtedness represented by this Note is declared due by the Lender prior to maturity, and the total amount of interest paid causes interest to exceed the highest rate permitted by law, such interest rate shall be recalculated at the highest rate which shall not be usurious and any excess paid over such recalculated interest rate shall be credited to the unpaid principal of this Note.

25. Captions. The section headings of this Note are inserted herein solely for convenience of reference and shall not affect the construction or interpretation of the provisions hereof.

26. WAIVER OF JURY TRIAL. THE MAKERS HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY (AFTER ACTUAL CONSULTATION OR THE OPPORTUNITY TO HAVE CONSULTATION WITH LEGAL COUNSEL) WAIVE THE RIGHT EACH MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON THIS NOTE, THE SECURITY AGREEMENTS, MORTGAGES OR ANY OF THE OTHER LOAN INSTRUMENTS, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THE NOTE, THE LOAN OR ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION THEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE LENDER IN MAKING THE LOAN TO THE MAKERS. THE PROVISIONS OF THIS SECTION MAY ONLY BE MODIFIED BY A WRITTEN INSTRUMENT EXECUTED BY THE MAKERS AND THE LENDER.

IN WITNESS WHEREOF, the Makers agree to each of the terms set forth above and has executed this Note as of the 25th day of February, 2016.

Sypris Solutions, Inc.,
a Delaware corporation

By: /s/ Jeffrey T. Gill

Title: President & CEO

Sypris Technologies, Inc.,
a Delaware corporation

By: /s/ Jeffrey T. Gill

Title: Chairman of the Board & President

Sypris Electronics, LLC,
a Delaware limited liability company

By: /s/ Jeffrey T. Gill

Title: Chairman of the Board

SYPRIS DATA SYSTEMS, INC.,
a Delaware corporation

By: /s/ Jeffrey T. Gill

Title: Chairman of the Board

SYPRIS TECHNOLOGIES MARION, LLC,
a Delaware limited liability company

By: /s/ Jeffrey T. Gill

Title: Chairman of the Board & President

SYPRIS TECHNOLOGIES KENTON, INC.,
a Delaware corporation

By: /s/ Jeffrey T. Gill

Title: Chairman of the Board & President

**SYPRIS TECHNOLOGIES MEXICAN
HOLDINGS, LLC,** a Delaware limited liability company

By: /s/ Jeffrey T. Gill

Title: Chairman of the Board & President

SYPRIS TECHNOLOGIES NORTHERN, INC.,
a Delaware corporation

By: /s/ Jeffrey T. Gill

Title: Chairman of the Board & President

SYPRIS TECHNOLOGIES SOUTHERN, INC.,
a Delaware corporation

By: /s/ Jeffrey T. Gill

Title: Chairman of the Board & President

**SYPRIS TECHNOLOGIES INTERNATIONAL,
INC.,** a Delaware corporation

By: /s/ Jeffrey T. Gill

Title: Chairman of the Board & President

(the "Makers")

To TENANT’S KNOWLEDGE, the portion of the PROPERTY leased by the TENANT pursuant to this AGREEMENT, has all the licenses, permits certificates of occupancy and government approvals required for this portion’s operation in accordance to the Environmental Laws same which covers the use and occupancy of this portion pursuant to its Permitted Use, including without limitation, the land use permits and the corresponding construction license and authorized blueprints. A copy of the licenses and permits that TENANT has are hereto attached under Exhibit 4

Español	English
CONTRATO DE ARRENDAMIENTO	LEASE AGREEMENT
QUE CELEBRAN	ENTERED INTO BY AND BETWEEN
PROMOTORA Y DESARROLLADORA PULSO INMOBILIARIO, S.C.	PROMOTORA Y DESARROLLADORA PULSO INMOBILIARIO, S.C.
Y	AND
SYPRIS TECHNOLOGIES MÉXICO, S. DE R.L. DE C.V.	SYPRIS TECHNOLOGIES MÉXICO, S. DE R.L. DE C.V.
CONTRATO DE ARRENDAMIENTO (EL “CONTRATO”), QUE CELEBRAN POR UNA PARTE PROMOTORA Y DESARROLLADORA PULSO INMOBILIARIO, S.C., REPRESENTADA LEGALMENTE POR EL SEÑOR DAVID KAMKHAJI AMBE, (EL “ARRENDADOR”), Y POR LA OTRA PARTE SYPRIS TECHNOLOGIES MÉXICO, S. DE R.L. DE C.V., REPRESENTADA LEGALMENTE EN ÉSTE ACTO POR EL SEÑOR JOSÉ ANTONIO RODRÍGUEZ ESCOBAR (EL “ARRENDATARIO”) Y SYPRIS TECHNOLOGIES INC, REPRESENTADA POR EL SEÑOR JOHN R. MCGEENEY (OBLIGADO SOLIDARIO Y CONJUNTAMENTE CON EL ARRENDADOR, Y EL ARRENDATARIO “LAS PARTES”), QUIENES SE SUJETAN AL TENOR DE LOS SIGUIENTES ANTECEDENTES, DECLARACIONES Y CLÁUSULAS:	LEASE AGREEMENT (HEREINAFTER CALLED THE AGREEMENT), ENTERED INTO BY AND BETWEEN PROMOTORA Y DESARROLLADORA PULSO INMOBILIARIO, S.C., LEGALLY REPRESENTED BY MR. MARTIN OLALDE GONZÁLEZ (HEREINAFTER CALLED THE LANDLORD) AND SYPRIS TECHNOLOGIES MÉXICO, S. DE R.L. DE C.V. LEGALLY REPRESENTED IN THIS ACT BY MR. JOSÉ ANTONIO RODRÍGUEZ ESCOBAR (HEREINAFTER CALLED THE TENANT, AND SYPRIS TECHNOLOGIES INC, REPRESENTED IN THIS ACT BY MR JOHN R. MCGEENEY (GUARANTOR AND, COLLECTIVELY WITH THE LANDLORD, AND TENANT THE PARTIES), UNDER THE FOLLOWING BACKGROUND STATEMENT, RECITALS, AND CLAUSES:
ANTECEDENTES	BACKGROUND STATEMENT
ÚNICO. Con fecha 29 de enero de 2016, Promotora y Desarrolladora Pulso Inmobiliario, S.C. con el carácter de “Comprador” y Sypris Technologies México, S. de R.L. de C.V., con el carácter de “Vendedor”, celebraron un contrato de compraventa privado respecto del Inmueble ubicado en Av. Industrias Químicas número 200, Zona Industrial 50071, Toluca, Estado de México con una superficie aproximada de 98,681 m2 (noventa y ocho mil ciento cuarenta y nueve metros cuadrados).	SINGLE. On January 29, 2016, Promotora y Desarrolladora Pulso Inmobiliario, S.C. as the “Buyer” and Sypris Technologies México, S. de R.L. de C.V., as the “Seller”, signed a private purchase and sale agreement for the property located at Av. Industrias Químicas number 200, Zona Industrial 50071 Toluca, Estado de México with an area measuring approximately 98,681 m2 (ninety-eight thousand one hundred forty-nine square meters).
DECLARACIONES	REPRESENTATIONS
I. Declara el “ARRENDADOR”, de manera expresa y bajo protesta de decir verdad, que:	I. The LANDLORD expressly affirms that:

<p>a. Es una sociedad legalmente constituida conforme a las leyes mexicanas mediante escritura pública número 46,148 de fecha 17 de marzo de 2005, pasada ante la fe del Notario Público número 11 del Distrito Federal, Licenciado Carlos Alejandro Durán Loera, debidamente inscrita ante el Registro Público de la Propiedad y del Comercio en el Distrito Federal bajo el folio mercantil número 76,217 de fecha 11 de octubre de 2006.</p>	<p>a. It is a business corporation duly incorporated under Mexican law according to public instrument number 46,148 granted as witnessed by Carlos Alejandro Durán Loera, Attorney at Law and Notary Public number 11 of the Federal District on March 17, 2005, and recorded in the Public Registry of Property and Commerce (Registro Público de la Propiedad y del Comercio) of the Federal District under commercial folio number 76,217 on October 11, 2006.</p>
<p>b. Está legalmente facultada para obligarse en los términos del presente Contrato, por así estar previsto en sus estatutos sociales.</p>	<p>b. It is legally authorized to bind itself to the terms of this Agreement, as established in the company's corporate bylaws.</p>
<p>c. Tiene facultades suficientes para celebrar el presente Contrato, según consta en la escritura pública número 17,380, de fecha 5 de febrero de 2009 otorgado ante la fe del Notario Público número 235, del Distrito Federal, el Licenciado Fernando Dávila Rebollar, facultades que al día de hoy no le han sido revocadas, ni limitadas de manera alguna.</p>	<p>c. It has sufficient power and authority to enter into this Agreement, as confirmed in public instrument number 17,380 granted as witnessed by Fernando Dávila Rebollar, Notary Public number 235 of the Federal District, on February 5, 2009, and that the powers it exercises have not been revoked, suspended or limited in any way.</p>
<p>d. Tiene su domicilio ubicado en la Av. Paseo de las Palmas número 239 piso 6, en la colonia Lomas de Chapultepec, delegación Miguel Hidalgo, código postal 11,000 en México, Distrito Federal</p>	<p>d. Its business address is Av. Paseo de las Palmas number 239 floor 6 in Colonia Lomas de Chapultepec, Delegación Miguel Hidalgo, 11000 in the Federal District.</p>
<p>e. Está inscrito ante la Secretaría de Hacienda y Crédito Público, con el Registro Federal de Contribuyentes número PDP050317728.</p>	<p>e. It is registered with the Ministry of Finance and Public Credit under Federal Taxpayer number PDP050317728.</p>
<p>f. Es su interés otorgar en arrendamiento al "ARRENDATARIO" en forma exclusiva, de conformidad con los lineamientos y términos establecidos en el presente Contrato, 36,783 m2 (treinta y seis mil setecientos ochenta y tres metros cuadrados) de la superficie total del inmueble descrito en el Antecedente Primero del presente documento, de los cuales, aproximadamente 20,000 m2 (veinte mil metros cuadrados) corresponden a la planta de manufactura y bodega y aproximadamente 16,000 m2 (dieciséis mil metros cuadrados) de terreno (en lo sucesivo el "Inmueble").</p>	<p>f. It wants to lease to the TENANT exclusively, and in accordance with the guidelines and terms set forth in this Agreement, 36,783 m2 (thirty-six thousand seven hundred and eighty three square meters) of the total area of the property described in the Single Recital of this Agreement, of which approximately 20,000 m2 (twenty thousand square meters) correspond to the manufacturing plant and warehouse and approximately 16,000 m2 (sixteen thousand square meters) are vacant land (hereinafter called the "Property").</p>

<p>g. (i) cuenta con las autorizaciones, facultades e instrucciones necesarias para la celebración del presente Contrato, ya sea corporativas, fiduciarias, contractuales, así como de cualquier autoridad o de cualquier otro tipo; (ii) la celebración de este Contrato no constituye ni genera incumplimiento alguno respecto a cualquier obligación con algún tercero; (iii) no se ha iniciado y no tiene conocimiento de que se pretenda iniciar procedimiento de cualquier índole que pueda afectar el cumplimiento del presente Contrato; (iv) no existe alguna acción, demanda, investigación o procedimiento administrativo, ya sea que se encuentre pendiente y no tiene conocimiento de que se pretenda iniciar uno de estos que pueda afectar al cumplimiento de las obligaciones asumidas en este Contrato; (v) no ha celebrado ni prometido celebrar contrato alguno por el cual pueda afectar las obligaciones asumidas en este Contrato; y (vi) no existe convenio, acción, litigio o procedimiento alguno en el que sea parte o que lo afecte o que pueda tener como consecuencias que no cumpla con sus obligaciones contraídas en los términos y condiciones establecidas en el presente Contrato.</p>	<p>g. (i) It has the authorizations, powers, and instructions required to sign this Agreement, including corporate, fiduciary, and contractual powers of attorney, and all authority of any other type; (ii) signing this Agreement does not constitute or generate breach of any third party obligation; (iii) no proceedings have been filed and it has no knowledge of any proceedings of any type that anyone might be planning to file that could affect compliance with this Agreement; (iv) there are no claims, complaints, investigations or administrative proceedings pending or knowledge of any procedure that may be filed in the future, that may affect the obligations assumed under this Agreement; (v) it has not entered into or promised to enter into any agreement which could affect the obligations stemming from this Agreement and (vi) there are no agreements, actions, lawsuits or proceedings involving or that could result in consequences that would lead to breach of his obligations assumed under the terms and conditions set forth in this Agreement.</p>
<p>II. Declara el "ARRENDATARIO", de manera expresa y bajo protesta de decir verdad, que:</p>	<p>II. The TENANT expressly affirms that:</p>
<p>a. Es una sociedad legalmente constituida conforme a las leyes mexicanas mediante escritura pública número 18,114 de fecha 20 de Mayo de 2004, pasada ante la fe del Lic. Ángel Gilberto Adame López, Notario Público número 233 del Distrito Federal, debidamente inscrita ante el Registro Público de la Propiedad y del Comercio del Estado de México bajo el folio mercantil: Libro Primero, Volumen 45, Partida 554 el 7 de Septiembre de 2004.</p>	<p>a. It is a business corporation duly incorporated under Mexican law according to public instrument number 18,114 granted on May 20, 2004, as witnessed by Mr. Ángel Gilberto Adame López, Attorney at Law and Notary Public number 233 of Mexico City, and recorded in the Public Registry of Property and Commerce of the Federal District under commercial folio Book First, Volume 45, Issue 554 on September 7, 2004.</p>
<p>b. Está legalmente facultada para obligarse en los términos del presente Contrato, por así estar previsto sus estatutos sociales.</p>	<p>b. It is legally authorized to bind itself to the terms of this Agreement, as established in the company's corporate bylaws.</p>
<p>c. El representante legal tiene facultades suficientes para celebrar el presente Contrato, según consta en la escritura pública número 70,795, de fecha 3 de diciembre de 2015, otorgado ante la fe del Lic. Erik Namur Campesino número 94 del Distrito Federal.</p>	<p>c. Its legal representative has sufficient power and authority to enter into this Agreement, as confirmed in public instrument number 70,795 granted on December 3, 2015, as witnessed by Mr. Erik Namur Campesino, Attorney at Law and Notary Public number 94 of Mexico City.</p>

d. Tiene su domicilio ubicado en Industrias Químicas 200, Zona Industrial 50071, Toluca, Estado de México.	d. Its business address is Industrias Químicas 200, Zona Industrial, 50071 Toluca, Estado de México.
e. Está inscrito ante la Secretaría de Hacienda y Crédito Público, con el Registro Federal de Contribuyentes número STM 040520 GU1.	e. It is registered with the Ministry of Finance and Public Credit under Federal Taxpayer number STM 040520 GU1.
f. Es su interés recibir en arrendamiento, de conformidad con los lineamientos y términos establecidos en el presente Contrato, el Inmueble y que conoce las condiciones en las que se encuentra actualmente el Inmueble.	f. It wishes to lease the Property under the terms and conditions established in this Agreement and is familiar with the Property and its current condition.
g. (i) cuenta con las autorizaciones, facultades e instrucciones necesarias para la celebración del presente Contrato, ya sea corporativas, fiduciarias, contractuales, así como de cualquier autoridad o de cualquier otro tipo; (ii) la celebración de este Contrato no constituye ni genera incumplimiento alguno respecto a cualquier obligación con algún tercero; (iii) no se ha iniciado y no tiene conocimiento de que se pretenda iniciar procedimiento de cualquier índole que pueda afectar el cumplimiento del presente Contrato; (iv) no existe alguna acción, demanda, investigación o procedimiento administrativo, ya sea que se encuentre pendiente y no tiene conocimiento de que se pretenda iniciar uno de estos que pueda afectar al cumplimiento de las obligaciones asumidas en este Contrato; (v) no ha celebrado ni prometido celebrar contrato alguno por el cual pueda afectar las obligaciones asumidas en este Contrato; y (vi) no existe convenio, acción, litigio o procedimiento alguno en el que sea parte o que lo afecte o que pueda tener como consecuencias que no cumpla con sus obligaciones contraídas en los términos y condiciones establecidas en el presente Contrato.	g. (i) it has the authorizations, powers, and instructions required to sign this Agreement, including corporate, fiduciary, and contractual powers of attorney, and all authority of any other type; (ii) signing this Agreement does not constitute or generate breach of any third party obligation; (iii) no proceedings have been filed and it has no knowledge of any proceedings of any type that anyone might be planning to file that could affect compliance with this Agreement; (iv) there are no claims, complaints, investigations or administrative proceedings pending or knowledge of any procedure that may be filed in the future, that may affect the obligations assumed under this Agreement; (v) it has not entered into or promised to enter into any agreement which could affect the obligations stemming from this Agreement and (vi) there are no agreements, actions, lawsuits or proceedings involving or that are likely to result in consequences that would lead to breach of his obligations assumed under the terms and conditions set forth in this Agreement.
h. Es económicamente capaz y solvente, para cumplir con las obligaciones que asume en virtud del presente Contrato.	h. It has the financial solvency needed to comply with the obligations assumed under this Agreement.

i. Tiene actividades apegadas a la ley y dedicarse únicamente a fines legales comunes en las prácticas de mercado; que los recursos que obtiene y que destinará para el cumplimiento de este Contrato son y en todo momento serán de origen lícito.	i. It is engaged in legal activities compliant with the law in accordance with customary industry practices, and the resources it obtains and allocates to comply with the terms of this Agreement are and will always be of a lawful origin.
j. Los flujos económicos que destinará para el cumplimiento del presente instrumento, provienen de sus operaciones normales y que no se encuentra en los supuestos establecidos en el artículo 8 de la Ley de Extinción de Dominio, publicada el día 29 de mayo de 2009, deslindando de cualquier responsabilidad al “ARRENDADOR”, en la actualización de los supuestos previstos en dicha ley.	j. The cash flows it will allocate to the implementation of this instrument, come from normal operations and it is not involved in any of the assumptions described in Article 8 of the In Rem Forfeiture Act, published on May 29, 2009, clearing the LANDLORD any liability in updating of the assumptions provided for in the Act.
k. Conoce el estado de conservación del Inmueble así como de las construcciones, oficinas y bodegas existentes.	k. Acknowledges the condition of the Property and the constructions, offices and existing warehouses.
III. Las Partes se reconocen mutuamente la personalidad que ostentan para la celebración del presente Contrato.	III. The Parties mutually acknowledge each other's legal capacity to enter into this Agreement.
IV. Las Partes declaran que es su voluntad celebrar el presente Contrato, por lo que no se encuentra afectado de error, dolo, violencia o cualquier otro vicio del consentimiento, por lo que los contratantes se sujetan a las siguientes:	IV. The Parties state that they wish to enter into this Agreement and that no error, fraud, violence, or any other vice of consent have been involved in this Agreement. Therefore, the contracting parties voluntarily agree to the following:
<u>CLÁUSULAS</u>	<u>CLAUSES</u>
PRIMERA. OBJETO.	ONE. INTENT OF LEASE.
El “ARRENDADOR” da en arrendamiento al “ARRENDATARIO” y éste recibe de conformidad y a su entera satisfacción uso y goce temporal del Inmueble descrito en el inciso f) del capítulo de Declaraciones del “ARRENDADOR”, con todas las condiciones, características, y especificaciones que se describen en el <i>Anexo Uno</i> del presente Contrato.	The LANDLORD leases to the TENANT, and it receives in conformity and to its satisfaction for temporary possession of use, the Property described in paragraph f) of the LANDLORD'S Recitals subject to all of the conditions, characteristics and specifications described in <i>Exhibit One</i> of this Agreement.
Las Partes acuerdan que la vigencia y exigibilidad del presente Contrato se encuentra sujeta al cumplimiento de la siguiente condición suspensiva: que las Partes celebren un contrato de compraventa y que sea formalizado mediante el otorgamiento de una escritura pública mediante el cual el ARRENDADOR adquiera la propiedad del INMUEBLE de parte del ARRENDATARIO.	The parties agree that the validity and enforceability of this agreement is subject to the fulfillment of the following suspensive condition: that the parties execute a purchase and sale agreement over the PROPERTY and that it is formalized through the granting of a public deed, whereby the LESSOR acquires ownership of the PROPERTY from the LESSEE.

SEGUNDA. DESTINO DEL INMUEBLE.	TWO. USE OF PROPERTY.
Los contratantes convienen que el uso y destino del arrendamiento del Inmueble, referido en la Cláusula anterior, será única y exclusivamente para Planta Industrial, Bodega y Oficinas, o cualesquiera otros usos relacionados a los mismos (el “Destino del Inmueble”).	The contracting Parties agree that the leased Property mentioned in the Clause above will be used as an Industrial Plant, Warehouse, and Offices and any other reasonably related uses (the <u>Permitted Use</u>).
En caso de que el “ARRENDATARIO” destine el Inmueble a un uso distinto al “Destino del Inmueble”, el “ARRENDADOR” le otorgará un Periodo de Cura (según dicho término se define más adelante) para que realice las actividades conforme al “Destino del Inmueble”.	Should TENANT use the Property for another purpose than the Permitted Use, the LANDLORD will grant it a Cure Period (as such term is defined below) to perform the activities described as the Permitted Use.
TERCERA. RENTA MENSUAL	THREE. MONTHLY RENT
Los contratantes convienen que, salvo por el periodo inicial que será considerado irregular, el “ARRENDATARIO” tiene la obligación de pagar por concepto de renta mensual (la “Renta”), la cantidad de USD\$78,000.00 (setenta y ocho mil dólares 00/100 Moneda de Curso Legal de los Estados Unidos de América), más el Impuesto al Valor Agregado, o su equivalente en Moneda Nacional al tipo de cambio publicado por el Banco de México en el Diario Oficial de la Federación para solventar obligaciones denominadas en moneda extranjera pagaderas en la República Mexicana, a la fecha de pago correspondiente, la cual se actualizará conforme a lo previsto en la Cláusula Quinta, y que pagará por mensualidades adelantadas, dentro de los 10 (diez) primeros días naturales de cada mes el “ARRENDATARIO” al “ARRENDADOR” en el domicilio señalado por éste último en el capítulo de Declaraciones del presente Contrato o mediante transferencia electrónica a las cuentas señaladas en la Cláusula Cuarta siguiente.	Subject to the provisions of this lease, the TENANT will pay a base rent (the <u>Rent</u>) payable per month of \$78,000.00 USD (seventy eight thousand 00/100 dollars, legal currency of the United States of America) plus the value added tax (VAT) or its equivalent in national currency at the exchange rate published by the Central Bank of Mexico in the Federal Official Gazette to settle liabilities denominated in foreign currency, payable in Mexico, on the date of payment, which will be restated as established in Clause Five, and paid on or before the tenth (10th) day of each and every month of the term of this Lease to the LANDLORD by the TENANT at the address specified by the LANDLORD under the Recitals of this Agreement or by electronic wire transfer to the accounts specified in Clause Four below.
Asimismo, el “ARRENDADOR” se obliga a otorgar al “ARRENDATARIO” la factura correspondiente respecto de las cantidades recibidas por concepto de Renta en cumplimiento con todos los requisitos que la normatividad aplicable exija.	The LANDLORD also agrees to give the TENANT the corresponding invoice to cover the Rent amounts in compliance with all statutory requirements established by the applicable regulations.

CUARTA. PAGOS	FOUR. PAYMENTS
Los pagos a que se refiere la Cláusula Tercera deberán hacerse puntualmente los días que se indican en el primer párrafo de dicha cláusula, en la Ciudad de México, Distrito Federal, precisamente en el domicilio señalado por el "ARRENDADOR", en el capítulo de Declaraciones del presente Contrato.	The amount described in Clause Three above must be promptly paid on the date indicated in the first paragraph of Clause Three, in the Federal District, at the address specified by the LANDLORD under the Recitals of this Agreement.
Asimismo, el "ARRENDATARIO" podrá cumplir con su obligación de pago de la Renta, realizando dicho pago mediante transferencia bancaria puntualmente en cualquiera de las siguientes cuentas:	The TENANT shall also be able to fulfill its obligation to pay the rent, realizing that timely payment by bank transfer to any one of the following accounts:
Depósito en Dólares:	Deposit in U.S. Dollars:
BENEFICIARIO: BANCA MIFEL SA INT BCA MULT GFM	BENEFICIARY: BANCA MIFEL SA INT BCA MULT GFM
BANCO: JP MORGAN CHASE	BANK: JP MORGAN CHASE
CUENTA: 001-1-61120	ACCOUNT: 001-1-61120
ABA: 021000021	ABA: 021000021
Depósito en Pesos Moneda Nacional:	Deposit in Pesos, legal currency of the United Mexican States:
BENEFICIARIO: BANCA MIFEL SA FIDEICOMISO NUMERO 1682/2013	BENEFICIARY: BANCA MIFEL SA FIDEICOMISO NUMERO 1682/2013
BANCO: BANCA MIFEL SA	BANK: BANCA MIFEL SA
CUENTA: 01600086789	ACCOUNT: 01600086789
CLABE: 042 180 01600086789 8	CLABE (18-digit interbank code): 042 180 01600086789 8
El "ARRENDATARIO" se obliga desde este momento a entregar al "ARRENDADOR" siempre que éste así se lo solicite por escrito, copia de los comprobantes que acrediten el depósito o transferencia correspondiente. En caso de que el pago se realice por vía de transferencia electrónica, se considerarán hechos los pagos hasta el momento en que los recursos efectivamente ingresen a la cuenta del "ARRENDADOR". Las cuentas anteriormente indicadas podrán ser sustituidas por otra, para lo cual bastará una notificación por escrito del "ARRENDADOR" al "ARRENDATARIO", con por lo menos 10 (diez) días hábiles de anticipación a que se deba cumplir con la obligación de pago.	The TENANT hereby agrees to give the LANDLORD copies of the deposit slips confirming the corresponding deposit or transfer, solely at its written request. Should the rent be paid by wire transfer, the payments will not be deemed as made until the funds are actually in the LANDLORD'S account. The aforesaid accounts may be replaced by another, in which case a written notice from the LANDLORD to the TENANT shall suffice when sent at least ten (10) business days in advance of the due date.
QUINTA. INCREMENTOS DE RENTA	FIVE. RENT INCREASES
Los contratantes convienen que la Renta pactada será incrementada de la siguiente manera:	The Contracting Parties agree that the base rent will be increased as follows:

<p>A partir del mes 13 (trece) contado a partir de la fecha de celebración del presente Contrato, el valor de la Renta precisada en la Cláusula Tercera, se actualizará y se incrementará anualmente, de conformidad y en la misma proporción en que haya aumentado el porcentaje de inflación de los Estados Unidos de América, para lo cual se tomará como base el CPI (<i>Consumer Price Index for all Urban Consumers, U.S. City Average, all Items</i>, publicado por el <i>Bureau of Labor Statistics - U.S. Department of Labor</i>, de los Estados Unidos de América) o en su caso el Índice que lo sustituya, durante los últimos 12 (doce) meses anteriores, y el cual estará topado al 2.5%. Para el caso que el CPI en cualquier año sea superior al 5% (cinco por ciento), en dicho supuesto el incremento se hará adicionando un 50% (cincuenta por ciento) por la parte en que exceda el mencionado incremento al 5% (cinco por ciento). El incremento anual de la Renta se realizará tomando como base, la Renta del mes inmediato anterior a la fecha del aumento.</p>	<p>As of the 13 (thirteenth) month from the date of execution of this Agreement, the value of the Rent specified in Clause Three, will be amended and increased annually in accordance with and in the same proportion as the annual percentage increase in inflation reported in the United States of America based on the CPI (<i>Consumer Price Index for all Urban Consumers, U.S. City Average, all Items</i>, published by the <i>Bureau of Labor Statistics - U.S. Department of Labor</i>) or the Index replacing it for the past 12 (twelve) months, and which shall be capped at 2.5%. In the case that the CPI in any year exceeds 5 % (five percent) in that event will be increased by adding a 50 % (fifty percent) for the part that exceeds the aforementioned increase 5% (five percent) The annual Rent increase is based on the rent of the month immediately before the date of the increase.</p>
<p>SEXTA. INTERÉS MORATORIO</p>	<p>SIX. DEFAULT INTEREST</p>
<p>Para el caso de que el “ARRENDATARIO” no pague la Renta dentro del término pactado en la Cláusula Tercera del presente Contrato o cualquier otra cantidad a su cargo, y no subsane el incumplimiento en un plazo de 5 (cinco) días naturales contados a partir de la fecha en que el “ARRENDADOR” notifique por escrito al “ARRENDATARIO” el incumplimiento, éste pagará a favor del “ARRENDADOR” la cantidad equivalente al 1% uno por ciento), de manera mensual, sobre los saldos insolutos, por concepto de intereses moratorios los cuales se calcularán sobre los días efectivamente vencidos transcurridos de la mora, desde su constitución en mora y hasta su total liquidación.</p>	<p>If the TENANT does not pay the rent due under the terms of the lease within the term established in Clause Three of this Agreement, and fails to remedy the breach within five (5) calendar days from the date on which the LANDLORD sends a written notice to the TENANT of the breach, it shall pay the LANDLORD an amount equal to 1% (one percent) monthly, on the unpaid balances, as the default interest calculated for the period from the due date to and including the date of full payment.</p>
<p>SÉPTIMA. PAGO INTEGRAL DE LA RENTA MENSUAL</p>	<p>SEVEN. FULL PAYMENT OF THE MONTHLY RENT</p>
<p>Toda Renta deberá ser pagada mensualmente de manera íntegra, aun cuando el “ARRENDATARIO” sólo ocupe el Inmueble parte del mes.</p>	<p>The monthly rent must be paid in full, even if the TENANT only occupies the Property part of the month.</p>

El "ARRENDATARIO" gozará de un plazo de gracia de tres meses, los cuales serán exclusivamente los siguientes: (i) al mes 13; (ii) al mes 49 y (iii) al mes 120, todos contados a partir de la fecha de celebración del presente Contrato. En dichos meses, el "ARRENDATARIO" no tendrá obligación del pago de la Renta.	The TENANT shall have a grace period of three months, described exclusively as follows: (i) month 13; (ii) month 49, and (iii) month 120, effective on the Agreement execution date. The TENANT will have no obligation to pay the rent those months.
Las Partes acuerdan que la primera fecha de pago de la Renta corresponderá al periodo 23 de febrero de 2016 al 31 de marzo de 2016. Por tratarse de un periodo irregular las Partes acuerdan que el monto de la Renta este periodo será de \$ US\$96,200.00 (noventa y seis mil doscientos Dólares 00/100) y se deberá pagar en los términos señalados en la Cláusula Tercera.	The parties agree that the first date of payment of the Lease shall be for the period of February 23, 2016 to March 31, 2016. Because it is an irregular period the parties agree that the amount of income this period will be \$ US\$96,200.00 (ninety six thousand two hundred Dollars 00/100) and must be paid on the terms laid down in the third clause.
OCTAVA. DURACIÓN Y VIGENCIA	EIGHT. TERM
La Vigencia del arrendamiento será por un plazo forzoso para ambas Partes de 10 (diez) años, contados a partir de la fecha de celebración del presente Contrato (el " <u>Término Inicial</u> ").	The term of the Lease shall be binding on both Parties for ten (10) years from the Agreement execution date (the <u>Initial Term</u>).
Al término de la Vigencia del Término Inicial del presente Contrato y al término de la primera <u>Prórroga</u> , y siempre y cuando el "ARRENDATARIO" esté al corriente de todas y cada una de las obligaciones contraídas en el presente Contrato o se ponga al corriente dentro del Período de Cura establecido, el "ARRENDATARIO" tendrá la opción de prorrogar la Vigencia de este Contrato, por 2 (dos) periodos adicionales y sucesivos, de 5 (cinco) años cada uno, los cuales una vez ejercidos por el "ARRENDATARIO" serán forzosos para las Partes, en los mismos términos y condiciones pactados en este Contrato, incluyendo la actualización anual del monto de la Renta con base en la última renta mensual entonces vigente al momento del inicio de la Prórroga (la " <u>Prórroga</u> " o " <u>Prórrogas</u> ", según corresponda).	At the end of the Initial Term of this Agreement, and the first five-year Extension, and as long as the TENANT is aware of each and every one of its obligations under this Agreement or updates its position during the cure period established, the TENANT will have the option to extend the term of this Agreement for two (2) additional successive periods of five (5) years each, which once exercised by the TENANT shall be binding on the Parties in the same terms and conditions established in this Agreement, including the annual update of the lease amount based on the last monthly rent then in force at the start of the extension (the <u>Extension</u> or <u>Extensions</u> , as appropriate).

<p>Sin perjuicio de lo anterior, las Partes convienen que previo al vencimiento del Término Inicial o de cualquiera de sus Prórrogas, el "ARRENDATARIO" tendrá el derecho de prorrogar el presente Contrato hasta por un plazo de 6 (seis) meses más a partir de la terminación de la vigencia del Término Inicial del arrendamiento o de las Prórrogas correspondientes, durante el cual realizará la desocupación del mismo, y deberá seguir pagando el precio total de la Renta vigente en ese momento, con la correspondiente actualización anual en su caso, tal y como se refiere la Cláusula Quinta del presente Contrato. Para efecto de lo establecido en el presente párrafo, el "ARRENDATARIO" deberá notificar por escrito al "ARRENDADOR" su deseo de prorrogar este Contrato cuando menos con 180 (ciento ochenta) días antes del vencimiento del plazo inicial o de cualquiera de sus Prórrogas.</p>	<p>Without prejudice to the foregoing, the Parties agree that before the expiration of the Initial Term or any of its Extensions, the TENANT shall have the right to extend this Agreement for a term of six (6) months from the end of the Initial Term of this lease or the corresponding Extensions when it must vacate the Property, and keep paying the full price of the rent current at the time, with the corresponding annual update as described in Clause Five of this Agreement, if applicable. For purposes of the terms outlined in this paragraph, the TENANT shall notify the LANDLORD in writing of its desire to extend this Agreement at least 180 (one hundred eighty) days before expiration of the Initial Term or any of its Extensions.</p>
<p>Los contratantes acuerdan en que, en caso que el Termino Inicial junto con sus Prórrogas excedan del plazo máximo estipulado en el artículo 2,398 del Código Civil del Distrito Federal, las Partes celebrarán un nuevo contrato de arrendamiento, bajo los mismos términos y condiciones salvo el Monto de la Renta, el cual será acordado según las condiciones del mercado en dicho tiempo.</p>	<p>The Contracting Parties agree that, if the Initial Term together with the extensions exceed the maximum term stipulated in Article 2,398 of the Civil Code of the Federal District, the Parties shall enter into a new lease under the same terms and conditions except for the amount of Rent, which shall be agreed based on market conditions at that time.</p>
<p>NOVENA. ENTREGA DEL INMUEBLE Y POSESIÓN</p>	<p>NINE. SURRENDER AND POSSESSION OF PROPERTY</p>
<p>El "ARRENDATARIO" recibe del "ARRENDADOR" en este acto el Inmueble. La entrega del Inmueble se realiza de conformidad a lo descrito en el Acta de Entrega que se firma por las Partes de total conformidad y satisfacción, y se agrega al presente Contrato como <i>Anexo Dos</i>, estando enterado y conforme con las condiciones en las que actualmente se encuentra el Inmueble.</p>	<p>The TENANT receives the Property from the LANDLORD in this act. Surrender of the premises is based on the Surrender Record signed by the Parties confirming full compliance and satisfaction, and attached to this Agreement as <i>Exhibit Two</i>, being fully aware and accepting the Property's current conditions.</p>
<p>DÉCIMA. ACONDICIONAMIENTO DEL INMUEBLE</p>	<p>TEN. TENANT IMPROVEMENTS</p>
<p>Una vez que el "ARRENDADOR" entregue el Inmueble conforme a lo previsto en este Contrato, y las Partes firmen el acta de entrega correspondiente, el "ARRENDATARIO" asume la obligación de ejecutar, por su exclusiva cuenta y cargo, todos y cada uno de los trabajos necesarios a efecto de acondicionar, remodelar y/o decorar el Inmueble, en el entendido que cualquier tipo de modificación substancial, adecuación, obra o mejora que, durante la vigencia del presente Contrato desee realizar el "ARRENDATARIO", deberá obtener la previa autorización por escrito del "ARRENDADOR", el cual no podrá ser negada injustificadamente. No obstante lo anterior, cualesquiera mejoras, modificaciones o remodelaciones menores no requerirán la autorización previa del ARRENDADOR, siempre que dichas modificaciones no afectan o alteren el estado del INMUEBLE.</p>	<p>Once the LANDLORD surrenders the Property as established in this Agreement, and the Parties sign the corresponding Surrender Record, the TENANT shall assume the obligation to carry out, at its sole expense, each and every one of the works needed to condition, remodel and/or decorate the premises, with the understanding that the TENANT will obtain written permission from the LANDLORD before making any substantial changes, adaptations, improvements during the term of this Agreement, which may not be unreasonably withheld. Notwithstanding the foregoing, minor improvements, renovations or remodeling of the Property will not require the prior authorization of the LANDLORD, provided however, that such modifications will not alter or affect the PROPERTY.</p>

<p>Las Obras, mejoras y adecuaciones del “ARRENDATARIO” se sujetarán al proyecto que presente, y en su caso, autorice por escrito el “ARRENDADOR”, siempre y cuando éstas no interfieran o dañe la parte estructural o mecánica del Inmueble ni del resto de la superficie donde se ubica el Inmueble (“Obras del Arrendatario”). Dicho proyecto deberá ser entregado al “ARRENDADOR” por lo menos dentro de los 15 (quince) días naturales previos a la fecha en que pretenda comenzar su realización, para que el “ARRENDADOR” otorgue su consentimiento o proponga modificaciones al mismo. El ARRENDADOR deberá dar respuesta respecto al proyecto dentro de los 15 (quince) días siguientes a la recepción de la solicitud por el ARRENDATARIO, la falta de respuesta del ARRENDADOR se entenderá como aceptación tácita.</p>	<p>The works, improvements and changes made by the TENANT will be subject to the remodeling project presented by the TENANT to this end, and will be authorized in writing by the LANDLORD, when appropriate, as long as they do not interfere with or damage the structural or mechanical properties of the premises or the rest of the Property (“Tenant’s Works”). The remodeling project must be delivered to the LANDLORD at least 15 (fifteen) calendar days before the date on which it intends to begin its implementation, so the LANDLORD can approve or suggest changes to the proposed project. LANDLORD must respond to the submitted project within 15 (fifteen) days after such request by TENANT, if LANDLORD does not respond within the period provided above, it is understood that the project will be authorized implicitly.</p>
<p>El “ARRENDATARIO” tendrá derecho de elegir, bajo su propia responsabilidad, a su propio arquitecto, ingenieros, contratistas y subcontratistas para llevar a cabo las modificaciones y obras necesarias a las instalaciones existentes en el Inmueble.</p>	<p>The TENANT shall have the right to choose, under its sole responsibility, the architect, engineers, contractors and subcontractors to make the changes and work on the existing facilities on the Property.</p>

<p>Las Partes acuerdan que, el "ARRENDADOR" realizará las obras descritas en el <u>Anexo Tres</u> en el Inmueble otorgando el "ARRENDATARIO" en este acto, el libre acceso al personal y maquinaria necesaria para realizar dichas obras en cualquier momento. El "ARRENDADOR" deberá obtener a su costa, en caso de ser necesario, todas las licencias, permisos y autorizaciones que sean necesarias para las obras que directamente vaya a realizar el "ARRENDADOR" conforme al <u>Anexo Tres</u>. El "ARRENDATARIO" desocupará dentro de los 90 (noventa) días siguientes a la firma de la escritura pública mediante la cual se formaliza la compraventa del INMUEBLE la porción de la planta de forja que el "ARRENDADOR" planea demoler.</p>	<p>The Parties agree that the LANDLORD will perform the works described in <u>Exhibit Three</u> on the Property; therefore, the TENANT hereby grants the LANDLORD and its personnel free access to perform the works with the required machinery at any time. The LANDLORD will obtain at his expense if needed, all licenses, permits and authorizations needed to carry out directly the Landlord's works according with <u>Exhibit Three</u>. TENANT will vacate within 90 (ninety) days after closing of the title deed before a notary public by which the sale of the PROPERTY is formalized, the portion of the forging plant which LANDLORD plans to demolish.</p>
<p>El "ARRENDATARIO" deberá obtener a su costa todas las licencias, permisos y autorizaciones que sean necesarias para las Obras del Arrendatario, incluyendo, sin limitación, cualquier impacto en la capacidad del ARRENDATARIO para continuar operando su negocio.</p>	<p>The TENANT will obtain at his expense, all licenses, permits and authorizations needed to carry out the Tenant's Works, including without limitation, any impact on Tenant's ability to continue to operate its business.</p>
<p>El "ARRENDATARIO" ejecutará las Obras del Arrendatario en el Inmueble en cumplimiento del proyecto que haya aprobado el "ARRENDADOR", utilizando exclusivamente materiales de primera calidad.</p>	<p>The TENANT will execute the Tenant's Works on the Property pursuant to the project approved by the LANDLORD, using only quality materials.</p>
<p>En todos los casos, el "ARRENDATARIO" asume la obligación de indemnizar al "ARRENDADOR" por los daños y perjuicios que se ocasionen a las instalaciones del Inmueble, por las Obras del Arrendatario.</p>	<p>In all cases, the TENANT assumes the obligation to indemnify the LANDLORD for the damages caused to the Property by the Tenant's Works.</p>

<p>El "ARRENDADOR" tendrá, en todo momento, el derecho de verificar pero sin interferir u obstaculizar las actividades del "ARRENDATARIO" y/o sus contratistas, previa notificación por escrito al "ARRENDATARIO", que las obras de acondicionamiento y decoración del Inmueble se realizan de conformidad con el proyecto que le autorizó al "ARRENDATARIO", y en caso de que la obra no se lleve al cabo de conformidad a lo autorizado, el "ARRENDADOR", podrá solicitar, por escrito e indicando claramente los incumplimientos respecto del proyecto y adjuntando las correspondientes pruebas, las modificaciones en los trabajos que estime necesarios para que se cumpla con el proyecto autorizado, en el entendido de que el "ARRENDATARIO" tendrá 30 (treinta) días naturales para hacer las rectificaciones correspondientes o, si estima que los trabajos realizados cumplen con el proyecto autorizado, el "ARRENDATARIO" responderá por escrito dentro de ese plazo con las aclaraciones que justifiquen que los trabajos cumplen con el proyecto autorizado. En caso de que la obra no se lleve al cabo de conformidad a lo autorizado, El "ARRENDADOR" podrá, sin necesidad de resolución judicial, exigir al "ARRENDATARIO" que se suspendan, deshagan, destruyan o realicen todas las modificaciones necesarias para hacer que el Inmueble a las condiciones que se requieran para apegarse a lo autorizado.</p>	<p>The LANDLORD shall always have the right to verify that the renovation and decoration done on the premises is carried out in accordance with the authorized project, without interfering or obstructing the activities performed by the TENANT and/or its contractors, and upon sending written notice to the TENANT. If the work is not carried out in accordance with the authorized project, the LANDLORD may send the TENANT a written notice, clearly indicating the breaches to the project and attaching supporting documentation, and the changes to the work that it considers necessary to comply with the approved project, with the understanding that the TENANT will have 30 (thirty) calendar days to make the necessary corrections or, if it believes that the work carried out complies with the approved project, to respond in writing with the explanations needed to justify that the work meets the terms approved for the project. If the work is not line with the authorized project, the LANDLORD may order the TENANT to suspend, undo, destroy or make any necessary changes to return the Property to the conditions required to comply with the authorized project.</p>
<p>El "ARRENDATARIO" será el único patrón y responsable frente al "ARRENDADOR" y terceros, de todo el personal que ocupe y contrate para la ejecución de las Obras del Arrendatario que realice, siendo responsable por todas las obligaciones derivadas de las leyes aplicables en materia de trabajo y seguridad social, obligándose en consecuencia el "ARRENDATARIO" a sacar en paz y a salvo al "ARRENDADOR" de cualquier responsabilidad que por tal motivo se le quisiera imputar. Asimismo, el "ARRENDADOR" continuará siendo responsable por todas las obligaciones derivadas de las leyes aplicables en materia de trabajo y seguridad social y a sacar en paz y a salvo al "ARRENDATARIO" de cualquier responsabilidad respecto de las obras que realice en el Inmueble, referidas en el <u>Anexo Tres</u> del presente Contrato incluyendo, sin limitación, cualquier impacto en la capacidad del ARRENDATARIO para continuar operando su negocio y que sea causado únicamente por la proximidad al negocio del ARRENDATARIO (como actualmente funciona) a cualesquiera usos posteriores de la propiedad adyacente descrita en el Antecedente Primero, lo anterior en la medida que el ARRENDATARIO no incumpla cualquier ley o disposición administrativa aplicable (por ejemplo, si (a) el uso de los ARRENDATARIO de su equipo existente de "martillo" cumple con las regulaciones de ruido aplicables antes de la fecha del presente Contrato, entonces (b) el ARRENDADOR proporcionará suficientes materiales de insonorización en los trabajos del ARRENDADOR conforme al Anexo 3 según sea necesario para asegurar que las operaciones cumplan después de la terminación de las obras del ARRENDADOR conforme al Anexo 3).</p>	<p>The TENANT will be the sole employer liable to the LANDLORD and third parties, for all of the workers it hires to carry out the Tenant's Works, and shall be the only party responsible for all labor and social security obligations, and as such, the TENANT agrees to hold harmless the LANDLORD from any liability brought against it concerning the Tenant's Works performed on the property. Conversely, the LANDLORD will continue to remain liable for all labor and social security obligations and shall hold the TENANT harmless from any liability concerning the LANDLORD's works, and listed in <i>Exhibit Three</i> of this Agreement, including, without limitation, any impact on the ability of the TENANT to continue operating its business caused solely by the proximity of the TENANT's business (as currently operated) to any subsequent uses of the adjacent property described in the Single Recital, the foregoing to the extent that TENTANT does not infringe any applicable laws (for example, if (a) the TENANT's use of its existing "hammer" equipment complies with applicable noise regulations before the date of this Agreement, then (b) LANDLORD shall provide sufficient soundproofing materials in Landlord's works per Exhibit 3 as necessary to ensure that the same operations will comply after the completion of such works).</p>

DECIMA PRIMERA. RENUNCIAS	ELEVEN. WAIVERS AND DISCLAIMERS
En caso que El "ARRENDATARIO" continúe sin oposición en el uso y goce del inmueble, una vez vencido el Termino Inicial y sus Prórrogas, las Partes acuerdan que no será aplicable el artículo 2487 del Código Civil del Distrito Federal, por lo que el "ARRENDADOR" podrá exigir la entrega del Inmueble, sujetándose a lo establecido en el artículo 2442.	Should the TENANT continue to occupy and enjoy use of the premises without opposition, after expiration of the Initial Term and its Extensions, the Parties agree that the terms set forth in Article 2487 of the Civil Code of the Federal District shall not apply, so the LANDLORD may demand surrender of the Property, under Article 2442.
El "ARRENDATARIO" renuncia en este acto al derecho de preferencia que le concede los artículos 2447 y 2448-J del Código Civil del Distrito Federal.	The TENANT hereby waives the preemptive right granted by Articles 2447 and 2448-J of the Civil Code of the Federal District.
Asimismo las Partes también renuncian al derecho de la Teoría de Imprevisión previsto en los artículos 1796 y 1796 Bis del Código Civil para el Distrito Federal.	The Parties will also waive their right to the doctrine of unforeseen difficulties established in Articles 1796 y 1796 Bis of the Civil Code for the Federal District.
DÉCIMA SEGUNDA. CESI" N	TWELVE. ASSIGNMENT
Salvo lo previsto en el siguiente párrafo, el "ARRENDATARIO" no podrá subarrendar, traspasar, pasar, ceder o de cualquier otra forma enajenar los derechos derivados del presente Contrato, ya sea de manera parcial o total, a un tercero, distinto a una afiliada o subsidiaria del ARRENDATARIO, excepto que cuente con el previo consentimiento otorgado por escrito por el "ARRENDADOR" y no podrá ser negado sin causa justificada.	Except as provided in the following paragraph, the TENANT may not sublet, transfer, assign or otherwise dispose of all or part of the rights under this Agreement, other than to a TENANT'S affiliate or subsidiary, unless it has the written consent of the LANDLORD. Such consent is not to be unreasonably withheld.

El "ARRENDATARIO" podrá, mediante aviso por escrito al "ARRENDADOR" con por lo menos 15 (quince) días de anticipación, pero sin necesidad de su consentimiento, ceder, subarrendar o compartir la ocupación con una sociedad o entidad afiliada o subsidiaria del "ARRENDATARIO" quienes se sujetarán a todos y cada uno de los términos establecidos en el presente Contrato y el "ARRENDATARIO" garantizará, como obligado solidario o fiador, las obligaciones que derivan del presente Contrato.	The TENANT may assign, sublet or share occupation of the Property with a subsidiary or affiliate upon written notice to the LANDLORD sent at least 15 (fifteen) days in advance, although without need for its consent, and the subsidiary or affiliate shall be subject to each and every one of the terms of this Agreement, and the TENANT shall guarantee the obligations under this Agreement as guarantor or joint and several obligor.
Una vez celebrado el Contrato para subarrendar, traspasar, pasar, ceder o de cualquier otra forma enajenar los derechos derivados del presente Contrato el "ARRENDATARIO" dentro de los 10 (diez) días naturales siguientes deberá notificar al "ARRENDADOR" la celebración de dicho Contrato, anexando copia del documento en el que conste lo anterior.	Once the contract to sublease, transfer, assign or otherwise dispose of the rights under this Agreement is entered into, the TENANT will have ten (10) calendar days to notify the LANDLORD of the execution of the contract, attaching a copy of the document attesting the above.
El "ARRENDADOR", en cualquier momento podrá traspasar, pasar, ceder o de cualquier otra forma enajenar los derechos derivados del presente Contrato, y los derechos de cobro del mismo, sin afectar o modificar ninguno de sus términos, incluyendo sus accesorios tales como hipoteca, fianza, prenda o cualquier otro privilegio con el que, en su caso, se cuente, ya sea de manera parcial o total, así como, enajenar, hipotecar o gravar de cualquier forma el Inmueble, sin necesidad del consentimiento del "ARRENDATARIO".	The LANDLORD may transfer or assign or otherwise dispose of the rights under this Agreement, at any time, and the receivables thereof without affecting or changing any of its terms, including accessories such as a mortgage, deposit, pledge or any other privilege considered, either partially or totally, as the sale, mortgage or encumbrance of the property without need for consent from the TENANT.
DÉCIMA TERCERA. ABONOS	THIRTEEN. PAYMENTS
Aunque el "ARRENDADOR" reciba las rentas en fechas distintas a las estipuladas, o reciba abonos a cuenta de las mismas, no se entenderá modificado este Contrato en cualquiera de sus partes.	Although the LANDLORD might receive payment of the lease amounts on dates and in accounts other than those stipulated in the Agreement, it will not be deemed to amend any part of this instrument.
DÉCIMA CUARTA. OBLIGACIONES DEL ARRENDATARIO	FOURTEEN. OBLIGATIONS OF THE TENANT
El "ARRENDATARIO" se obliga expresamente a:	The TENANT expressly agrees:
14.1. En cualquier momento, permitir la inspección del Inmueble a cualquier persona autorizada por el "ARRENDADOR", sin más limitaciones que la consistente en que la inspección se verifique en días y horas hábiles y que se haya notificado por escrito al "ARRENDATARIO" de tal visita de inspección con cuando menos 2 (dos) días hábiles de anticipación.	14.1. To allow anyone authorized by the LANDLORD to inspect the Property at any time, with no limitations other than confirming the inspection day and time sent to the TENANT in writing at least two (2) business days in advance.

14.2 No tener sustancias peligrosas, corrosivas, deletéreas e inflamables en el Inmueble salvo por aquéllas que por objeto de su negocio sea necesarias.	14.2 That it will not keep any dangerous, corrosive, harmful or flammable substances on the Property except those required by its line of business.
14.3 No tener en el Inmueble animales de ninguna clase y objetos que pudieran poner en peligro a personas.	14.3 That it will not keep any animals or objects on the Property that could be deemed a threat to individual health or safety.
14.4 No retener la renta en ningún caso, ni bajo ningún título, ni por falta de compostura que el "ARRENDADOR" dejará de hacer o por las que hiciere el "ARRENDATARIO", sino que pagará íntegramente la renta en la fecha estipulada. No obstante lo anterior, el ARRENDATARIO únicamente podrá retener la renta en los casos en que tenga que pagar reparaciones mayores, conforme a lo previsto en la Cláusula Décima Sexta	14.4 That it will not withhold payment of rent under any circumstances or under any title, or for repairs done or not by the LANDLORD, but shall pay the full lease amount on the stipulated date. Notwithstanding the foregoing, TENANT may withhold payment of rent only when it must pay out of its own pocket for any major repairs, as provided in Clause Sixteen.
14.5 No ejecutar sin consentimiento del "ARRENDADOR", otorgado previamente por escrito, obra, adecuación o modificación substancial o mayor alguna en el Inmueble. Todas las obras que el "ARRENDATARIO" ejecute en el Inmueble serán hechas con materiales de primera calidad y quedarán a beneficio del "ARRENDADOR", salvo en el caso de que el "ARRENDATARIO" decida removerlas al término de la Vigencia o de cualquiera de las Prórrogas correspondientes, en cuyo caso lo hará sin causar daños estructurales o permanentes al Inmueble y en caso de causarlos deberá realizar las reparaciones correspondientes para dejar el Inmueble en el estado que lo recibió, salvo por el deterioro causado por el uso y desgaste del mismo.	14.5 Not to do any substantial, major work or make any substantial, major changes to the Property without consent from the LANDLORD, which must be granted in advance and in writing. All of the works and improvements that the TENANT does to the Property shall be done with quality materials and shall remain on the Property for the LANDLORD to use, unless the TENANT decides to remove them at the end of the Term or any of the corresponding extensions, in which case it must do so without causing structural or permanent damage to the Property. However, should the Property be damaged, the TENANT will return the Property to its original condition, less normal wear and tear.

<p>14.6 Celebrar directamente con quien corresponda, el contrato para el suministro de energía eléctrica, gas, agua, vigilancia, jardinería, pavimentación y demás servicios públicos o privados que resulten necesario para el Destino del Inmueble. El pago de dichos consumos será exclusivamente a cargo del "ARRENDATARIO".</p>	<p>14.6 Sign the corresponding utilities agreements including electricity, gas, water, safety and security, landscaping, paving and other public or private services required for the Permitted Use. The TENANT shall be responsible for the payment of all of such utilities.</p>
<p>No obstante lo anterior y sujeto a disponibilidad del volumen que se señala más adelante, el ARRENDADOR deberá proveer al ARRENDATARIO con un mínimo de 50,000 (cincuenta mil) metros cúbicos de agua de los pozos de agua ubicados en el Inmueble. Derivado de lo anterior, el ARRENDATARIO deberá pagar una cuota al ARRENDADOR conforme a las tarifas establecidas por la Comisión Nacional de Agua. Las PARTES se obligan a colaborar de buena fe para realizar los pagos derivados del uso de los pozos hasta que el título de concesión de los pozos se transfiera a nombre del ARRENDADOR, y cualquier otro servicio compartido. Sin embargo, el ARRENDADOR tiene la obligación de realizar todas las reparaciones (mayores y menores) a los pozos de agua, y también deberá tomar todas las medidas razonables, incluyendo el pago puntual de los pagos, según sea necesario, para mantener la Concesión de Agua en los volúmenes más altos permitidos por la ley.</p>	<p>Notwithstanding the foregoing, and subject to availability of the volume mentioned below, LANDLORD must provide TENANT with at least 50,000 (fifty thousand) cubic meters of water from the water wells located in the Property. As a result, TENANT must pay a fee to LANDLORD corresponding to the rates established by the National Water Commission. The PARTIES will cooperate in good faith with the payments of the water wells usage while the title of the water wells concession is being transferred to LANDLORD, and any other shared services. However, Landlord has the obligation to make all repairs (major and minor) to the water wells, and Landlord must take all reasonable actions, including the timely payment of fees due to the government as required to maintain the Water Concession at the highest volumes permitted by law.</p>
<p>14.7 Salvo en la medida causada por las obras del ARRENDADOR, referidas en el <u>Anexo Tres</u>, el "ARRENDATARIO", se obliga a obtener de las autoridades que correspondan los permisos y autorizaciones necesarios, a fin de poder operar y mantener abierto su negocio en el Inmueble, obligándose desde este momento a cumplir, con todas y cada una de las leyes y reglamentos que le sean aplicables; por lo que las obligaciones contraídas a cargo del "ARRENDATARIO" en virtud de este Contrato serán exigibles aún en el caso de que el Inmueble sea clausurado por las autoridades, para este caso el "ARRENDATARIO" se obliga a sacar y mantener a salvo el bien Inmueble, obligándose a cubrir todos los honorarios, multas y gastos que por este motivo se causen, salvo en la medida causada por las obras del ARRENDADOR, referidas en el <u>Anexo Tres</u>.</p>	<p>14.7 Except to the extent caused by the Landlord's works, per Exhibit Three, the TENANT agrees to obtain from the applicable authorities the necessary permits and authorizations needed to operate and maintain its business on the property, hereby agreeing to comply with all applicable laws and regulations. Therefore, except to the extent caused by the Landlord's works, per Exhibit Three, the obligations of the TENANT under this Agreement shall be due even if the Property is shut down by the authorities, in which case the TENANT agrees to hold harmless the Property and to cover all related fees, fines and costs incurred.</p>

<p>14.8 El "ARRENDATARIO" se obliga a tener y mantener dentro del Inmueble, sistemas contra incendios en el marco de la normatividad aplicable en este aspecto, señalando de forma enunciativa más no limitativa los siguientes: extintores, detectores de humo, sistemas de rociadores, señalización, rutas de evacuación y los que la normatividad marque en su momento.</p>	<p>14.8 The TENANT agrees to install and keep in the building, firefighting systems under the applicable regulations in this regard, including but not limited to fire extinguishers, smoke detectors, sprinkler systems, signage, evacuation routes and those established by the applicable regulations in force at the time.</p>
<p>14.9 Salvo en la medida causada por las obras del ARRENDADOR, referidas en el <i>Anexo Tres</i>, a sacar a salvo y en paz a "ARRENDADOR", "ARRENDATARIO" y/o sus dependientes y/o empleados y/o clientes dentro del Inmueble, respondiendo de los daños y perjuicios que se le pudieran causar al "ARRENDADOR".</p>	<p>14.9 Except to the extent caused by the Landlord's works, per Exhibit Three, the TENANT agrees to hold harmless the LANDLORD for any illegal activities performed by the Tenant and/or its subsidiaries and/or employees and/or customers in the Property, responding for the damages caused to the LANDLORD.</p>
<p>14.10 No llevar a cabo, entre otras, las siguientes prácticas (i) realizar cualquier actividad como pagos, transferencias, ofertas, promesas, concesiones, beneficios, ya sea directa o indirectamente, la cual implique o tenga como propósito o efecto la corrupción, el soborno, la extorsión, la facilidad de pagos o cualquier otro hecho ilícito para obtener o retener un negocio, una ventaja comercial o un inadecuado desempeño de cualquier función o actividad en relación con cualquier empleado, entidad, candidato, proveedor o funcionario de cualquier entidad pública o privada; y (ii) usar cualquier relación del "ARRENDADOR" para tratar de ocultar las fuentes de fondos obtenidos de forma ilegal.</p>	<p>14.10 That it will not engage in the following practices, among others: (i) perform any activity such as payments, transfers, offers, promises, concessions, benefits, either directly or indirectly, that imply or intended for the purposes or effects of corruption, bribery, extortion, ease of payment or any other illegal act to obtain or retain business, a commercial advantage or the inadequate performance of any function or activity with respect to any employee, organization, candidate, supplier or officer of any public or private entity; and (ii) use any of the LANDLORD'S relations to try to conceal the source of funds obtained illegally.</p>
<p>DÉCIMA QUINTA. IMPUESTOS</p>	<p>FIFTEEN. TAXES</p>
<p>Las Partes se obligan a cubrir a su cargo los impuestos que se generen con motivo de este Contrato y que por su naturaleza le correspondan, quedando convenido expresamente que en caso de que se dicten nuevas leyes impositivas, se modifiquen las actuales, o por cualquier circunstancia se agregue o altere el impuesto a pagar con motivo del presente Contrato, dicha variación o nueva imposición, continuará a cargo de la parte que por su naturaleza le correspondiera conforme a la legislación aplicable.</p>	<p>The Parties agree to cover all of their corresponding taxes resulting from this Agreement, and expressly agree that in the event that new tax laws are enacted, or the current laws are modified, or for any reason that could add or alter the tax payable by reason of this Agreement, such a change or new taxation will continue to be covered by the respective party that corresponds to such by its nature under the applicable law.</p>
<p>El "ARRENDADOR" por su parte será responsable del pago del impuesto predial del Inmueble, y los inmuebles sobre los que se encuentran construidos, así como todos aquellos impuestos que por ley deba cubrir.</p>	<p>The LANDLORD, in turn, is responsible for paying the property taxes on the land and buildings on the Property, as well as all other taxes established by law.</p>

DÉCIMA SEXTA. OBRAS, MEJORAS Y REPARACIONES	SIXTEEN. WORKS, IMPROVEMENTS, AND REPAIRS
El "ARRENDATARIO", acepta lo ordenado por el artículo 2444 del Código Civil del Distrito Federal, siendo de su exclusiva cuenta las reparaciones que sean necesarias en las instalaciones del Inmueble, o por deterioros provocados por el mal uso del "ARRENDATARIO" al Inmueble que fueran directamente imputables al "ARRENDATARIO".	The TENANT agrees to comply with the provisions outlined in Article 2444 of the Civil Code of the Federal District, being solely liable for making the necessary repairs on the premises or for the damage caused to the Property by misuse directly attributable to the TENANT.
Durante la vigencia de este Contrato, el "ARRENDADOR" únicamente asume la obligación de dar mantenimiento o realizar reparaciones mayores que sean necesarias para el buen funcionamiento y conservación del Inmueble. Se entenderán por reparaciones mayores aquellas que no se deriven del uso y desgaste ordinario y habitual del Inmueble, incluyendo, pero sin limitar, cimientos de construcción, paredes de construcción, techos, conductos de gas, agua, y electricidad. Cualquier otro tipo de reparación o mantenimiento, será a cargo exclusivo sin derecho a reembolso o indemnización a cargo del "ARRENDATARIO". Las Partes acuerdan que el "ARRENDADOR" no será responsable de reparaciones y/o mantenimiento (mayor o menor) de los equipos y/o maquinaria que sean propiedad del Arrendatario.	During the term of this Agreement, the LANDLORD only assumes the obligation to perform the maintenance or major repairs required to ensure the proper operation and maintenance of the Property. Major repairs will be understood by those not derived from ordinary use and wear and tear of the Property, including but not limited to, building foundations, building walls, roofs, gas lines, plumbing lines, electrical power lines to the buildings, and concrete structures. Any other type of repair or maintenance shall be the exclusive and sole liability of the TENANT without any right to a refund or compensation. The Parties agree the LANDLORD will not be responsible for repairs and/or maintenance (ordinary or extraordinary) of equipment and/or machinery owned by the TENANT.
En caso que el Inmueble requiera alguna reparación mayor referida en el párrafo anterior el "ARRENDATARIO" se obliga a notificar por escrito al "ARRENDADOR" en un plazo máximo de 24 horas contados a partir de la fecha en que tenga conocimiento de la reparación requerida, y el "ARRENDADOR" se obliga a realizar dichas reparaciones en un plazo de 20 (veinte) días naturales a partir de la fecha de la recepción de dicha notificación, salvo que la magnitud y naturaleza de dichas reparaciones requiera de un plazo mayor; salvo que la falta de llevar a cabo dichas mejoras limite al ARRENDATARIO llevar a cabo los Usos Permitidos, por lo que dichas reparaciones deban completarse en un plazo menor.	If the Property requires any of the major repairs referred to in the preceding paragraph, the TENANT shall be bound to notify the LANDLORD in writing within 24 hours from the time it learns of the required repair, and the LANDLORD shall be bound to make the repairs within 20 (twenty) calendar days from the date of receipt of such notice, unless the extent and nature of such repairs, require a longer period; unless the failure to make such repairs would prevent TENANT from performing the Permitted Uses and would reasonably require that such repairs must be completed in a shorter period.

<p>Exclusivamente en el supuesto que el "ARRENDADOR" no dé respuesta a la reparación mayor al término del plazo de 20 (veinte) días, se entenderá que el "ARRENDADOR" ha otorgado su consentimiento para que el "ARRENDATARIO" realice dichas reparaciones, y el "ARRENDADOR" acuerda en reembolsar al "ARRENDATARIO" el pago incurrido por el "ARRENDATARIO" debidamente comprobados y justificados, renunciando en este acto al derecho establecido en el artículo 2490 fracción I del Código Civil del Distrito Federal.</p>	<p>Exclusively on the assumption that the LANDLORD does not respond to the request for major repairs within the 20-day period, the Parties shall understand that the LANDLORD consents to have the TENANT make such repairs, and the LANDLORD agrees to reimburse the TENANT for the payments incurred upon duly providing the justification and support documentation, hereby waiving its rights established in Article 2490 of the Civil Code of the Federal District.</p>
<p>Las Partes convienen en que todas las obras, mejoras y reparaciones permanentes que se hagan al Inmueble (salvo reparaciones mayores, conforme a los casos previstos en esta Clausula y salvo obras del "ARRENDADOR" por <u>Anexo Tres</u>) serán hechas, por cuenta y a costa del "ARRENDATARIO", sin que tenga derecho a compensación o remuneración alguna.</p>	<p>The Parties agree that all works, improvements and permanent repairs to the Property (except for any major repairs, as provided in this Clause, and except for the Landlord's works per Exhibit Three) will be made on behalf of and at the expense of TENANT, without being entitled to compensation or remuneration.</p>
<p>Al término del presente Contrato, el "ARRENDATARIO" devolverá al "ARRENDADOR" el Inmueble en buen estado, salvo por el uso y desgaste normal, y salvo reparaciones mayores, y todas las obras, mejoras, adaptaciones e instalaciones que hubiere efectuado, permanecerán en el Inmueble y quedarán a beneficio del "ARRENDADOR", salvo que puedan ser removidas sin causar daños estructurales o permanentes al Inmueble o que de causarse sean reparados, y sin obligación alguna de indemnizar, remunerar o reembolsar su valor, renunciado el "ARRENDATARIO" a lo anterior.</p>	<p>At the end of this Agreement, the TENANT will return to the LANDLORD the property in good condition, less normal wear and tear, and except for major repairs, and all of the works, improvements, adaptations and installations built will remain in the property and for the LANDLORD, unless they can be removed without causing structural or permanent damage to the Property, or if caused, they must be repaired, without obligation to compensate or reimburse the TENANT for their value.</p>
<p>DECIMA SÉPTIMA. MANTENIMIENTO</p>	<p>SEVENTEEN. MAINTENANCE</p>
<p>El "ARRENDATARIO" se obliga a mantener limpio y en buenas condiciones los servicios e instalaciones existentes en el Inmueble así como aquéllas que de tiempo en tiempo llegue a contratar o modificar en el mismo, siendo a su cargo exclusivo los gastos que esto genere.</p>	<p>The TENANT agrees to keep the services and facilities on the Property clean and in good shape, as well as those that it may contract or change, from time to time, and shall cover the costs involved solely at its expense.</p>

DECIMA OCTAVA. DEPÓSITO EN GARANTÍA	EIGHTEEN. SECURITY DEPOSIT
El "ARRENDATARIO" se obliga a la firma de este Contrato, a entregar al "ARRENDADOR", por concepto de Depósito en Garantía la cantidad equivalente a 2 (dos) meses de Renta.	The TENANT agrees, upon signing this Agreement, to give the LANDLORD a Security Deposit equal to two (2) months' rent.
El Depósito en Garantía aquí pactado, al momento de la total desocupación y entrega al "ARRENDADOR" del Inmueble, se aplicará únicamente para reparar o pagar cualquier adeudo a cargo del "ARRENDATARIO". En el caso de que no exista la necesidad de hacer cualquier reparación o de pagar cargo alguno pendiente, la cantidad aquí establecida le será devuelta al "ARRENDATARIO", cuarenta y cinco días calendario después de la desocupación y entrega del Inmueble al "ARRENDADOR" de manera personal o bien, vía transferencia electrónica de fondos a la cuenta bancaria que en su momento le indique por escrito el "ARRENDATARIO" a "ARRENDADOR", sin que dichas cantidades generen intereses a favor del "ARRENDATARIO".	The Security Deposit herein established, shall be applied solely to repair or pay any debt left by the TENANT upon surrender of the Property. If there is no need to make any repairs or pay any outstanding charges, the amount set forth herein will be returned to the TENANT 45 (forty-five) calendar days after it surrenders the property to the LANDLORD. Such amount shall be paid in person or through a wire transfer to the bank account number provided by the TENANT to the LANDLORD in writing, without generating interest for the TENANT.
La cantidad aquí establecida deberá ser actualizada por el "ARRENDATARIO" de manera proporcional en que aumente el valor de la renta mensual, al momento en que suceda dicho aumento, y no generará fruto, interés o producto alguno a favor del "ARRENDATARIO".	The amount stated herein must be updated by the TENANT in proportion to the increase in the value of the monthly rent at the time this increase happens, and will not produce results, interest or any product for the TENANT.
DÉCIMA NOVENA. PACTO PARA UTILIZAR EL DEPÓSITO EN GARANTÍA	NINETEEN. AGREEMENT TO USE THE SECURITY DEPOSIT
El "ARRENDATARIO" autoriza desde este momento al "ARRENDADOR", para que, previa notificación por escrito por parte del "ARRENDADOR" al "ARRENDATARIO", disponga del Depósito en Garantía, a fin de aplicarlas al pago de cualquier reparación o adeudo a cargo del "ARRENDATARIO", por lo que estará en posibilidad de disponer del dinero como mejor convenga a sus intereses de conformidad con la presente cláusula y siempre que demuestre fehacientemente la aplicación de dichos pagos.	The TENANT hereby authorizes the LANDLORD to use the Security Deposit upon written notice by the LANDLORD, to apply it to pay for any repairs or debts charged to the TENANT. Therefore, it will be in a position to use the money as best suits its interests in accordance with this clause and upon providing clear evidence of the implementation of such payments.

VIGÉSIMA. DECLARACIONES AMBIENTALES.	TWENTIETH. ENVIROMENTAL REPRESENTATIONS.
<p>Al CONOCIMIENTO DEL ARRENDATARIO, la fracción del INMUEBLE que ésta arrendará a través del presente CONTRATO, cuenta con todos los permisos, licencias y autorizaciones necesarios o requeridos de conformidad con la Legislación Ambiental mismas que amparan el uso y operación de dicha porción de conformidad con el Destino del Inmueble incluyendo, sin limitación alguna, los permisos de uso de suelo y su correspondiente licencia de construcción y planos autorizados. Copia de las licencias y de los permisos con los que cuenta el ARRENDATARIO se adjuntan al presente Contrato como Anexo 4.</p> <p>Compensación:</p> <p>El ARRENDATARIO será responsable frente al ARRENDADOR de todas las pérdidas en las que la primera incurra, ocasionadas por el incumplimiento de las disposiciones previstas en la Legislación Ambiental vigente en México, en las que haya incurrido directamente o a través de cualesquiera de los usuarios a los que le haya permitido la entrada o uso de la fracción del INMUEBLE que el ARRENDATARIO arrendará a través del CONTRATO DE ARRENDAMIENTO SYPRIS durante el tiempo en el que fue propietaria de éste y hasta la terminación del CONTRATO DE ARRENDAMIENTO SYPRIS, incluyendo, pero no limitándose, a la presencia de cualquier Sustancia Peligrosa, sobre, dentro o cerca del INMUEBLE siempre que se excedan los límites máximos permisibles previstos por la Legislación Ambiental vigente en México al momento de celebración del presente contrato.</p> <p>El ARRENDATARIO cubrirá todos los costos, razonables, justificables y que sean consecuencia directa de alguno de los incumplimientos referidos en el primer párrafo de esta cláusula y sacará al ARRENDADOR en paz y a salvo de cualquier juicio, reclamación, denuncia o procedimiento que tenga por objeto reclamarle la responsabilidad por dichos incumplimientos, indemnizándola de cualquier daño, perjuicio, costo, gasto (incluyendo costos razonables de la defensa) en el que incurra para su defensa.</p>	<p>To TENANT'S KNOWLEDGE, the portion of the PROPERTY leased by the TENANT pursuant to this AGREEMENT, has all the licenses, permits certificates of occupancy and government approvals required for this portion's operation in accordance to the Environmental Laws same which covers the use and occupancy of this portion pursuant to its Permitted Use, including without limitation, the land use permits and the corresponding construction license and authorized blueprints. A copy of the licenses and permits that TENANT has are hereto attached under Exhibit 4</p> <p>Indemnity:</p> <p>TENANT will be responsible before LANDLORD of all losses incurred in by the first, resulting from the violation to the dispositions foreseen in the Environmental Laws currently in force in Mexico, incurred in directly or through any of the users to which entrance or use of the portion of the PROPERTY leased by TENANT through the SYPRIS LEASE AGREEMENT, was allowed by him during the time he was the owner and until the Termination of the SYPRIS LEASE AGREEMENT, including without limitation, the presence of any Hazardous Substance, on, within or nearby the PROPERTY as long as the maximum permissible levels foreseen by the Environmental Laws, in force in Mexico at the moment of execution of the present, are exceeded.</p> <p>TENANT will cover all costs, reasonable, justifiable and resulting directly from any of the violations referred to in the first paragraph of the present clause and will hold LANDLORD harmless from any suit, claim, complaint or procedure whose purpose is to claim the liability for said violations, covering any compensation for any damage, loss, costs, expenses (including reasonable costs of defense) incurred in for his defense.</p>

<p>Sobre cualquier terminación de presente Contrato o al vencimiento del término de presente Contrato o cualquier Prórroga, las Partes cumplirán y acuerden un plan de investigación ambiental a realizar por el consultor seleccionado por el ARRENDATARIO y razonablemente aceptable al ARRENDADOR. En el supuesto de que el consultor identificara algún tipo de contaminación en la porción arrendada de la PROPIEDAD, que sea responsabilidad del ARRENDATARIO, los trabajos de remediación serán ejecutados por el VENDEDOR de conformidad con las siguientes condiciones:</p>	<p>Upon any termination of this Agreement or the expiration of the term of this Agreement or any Extension, the Parties shall meet and mutually agree upon a plan of environmental investigation to be conducted by consultant selected by TENANT and reasonably acceptable to LANDLORD. In the event such consultant were to find any pollution in the leased portion of the PROPERTY, for which TENANT is responsible, the remediation actions that must be carried out will be executed by TENANT based on the following conditions:</p>
<p>(a) las obligaciones de remediación, en virtud del presente contrato, serán las mismas que los requisitos mínimos previstos en la Legislación Ambiental y en consecuencia, el ARRENDADOR no podrá exigir del ARRENDATARIO requisitos adicionales o el cumplimiento de límites más estrictos a los establecidos por la Legislación Ambiental;</p>	<p>(a) the remediation obligations under the agreement will be the same as the minimum requirements foreseen in the Environmental Laws and therefore LANDLORD under no circumstance can demand from TENANT additional requirements or stricter limits than the ones foreseen in the Environmental Laws;</p>
<p>(b) el ARRENDADOR otorgará pleno control al ARRENDATARIO del proceso de remediación y el ARRENDATARIO se compromete a informar regularmente al ARRENDADOR respecto a dicho proceso;</p>	<p>(b) LANDLORD will give full control of the remediation process to TENANT and TENANT agrees to inform LANDLORD regularly in regards to said process;</p>
<p>(c) las acciones de remediación se ejecutaran sobre la base de los procesos de remediación más rentables y eficientes que determine el ARRENDATARIO, de manera razonable, previa comunicación al ARRENDADOR;</p>	<p>(c) the remediation actions will be carried out based on the most cost-effective and efficient remediation processes as determined by TENANT in its reasonable judgment, prior communication to LANDLORD;</p>

<p>(d) en el supuesto en el que cualquier autoridad ambiental le requiera al ARRENDADOR información relacionada con el cumplimiento de la Legislación Ambiental respecto a la porción arrendada del INMUEBLE, el ARRENDADOR obtendrá consentimiento previo por parte del ARRENDATARIO de cualquier comunicación que debe presentarse o sostenerse con las autoridades ambientales mexicanas y el ARRENDATARIO se obliga a compartir sus comentarios en un plazo no mayor a dos días hábiles, contados a partir de que recibió la comunicación, así como a no retener injustificadamente su consentimiento a una comunicación propuesta.</p>	<p>(d) in the event that any environmental authority requests information from LANDLORD in regards to compliance with the Environmental Laws concerning the leased portion of the PROPERTY, LANDLORD will obtain the consent of TENANT prior to any proposed communication with the Mexican environmental authorities and TENANT obliges itself to present any comments in no more than two business days after receiving the communication and to not unreasonably withhold its consent from a proposed communication;</p>
<p>Definiciones:</p>	<p>Definitions:</p>
<p>Para efectos de este Contrato, Legislación Ambiental significara: Cualquier ley, reglamento, norma oficial mexicana, vigente y obligatoria en México a la fecha de la firma del presente contrato, que sean aplicadas por las autoridades ambientales federales, estatales y municipales.</p>	<p>For purposes of this Agreement, Environmental Laws shall mean: Any law, regulation, Mexican official standard, in force and mandatory in Mexico at the time of execution of the present agreement, enforced by the federal, state and municipal environmental authorities.</p>
<p>Para efectos de este Contrato, Sustancia Peligrosa significara: Toda sustancia, material o residuo calificado como peligroso por la Legislación Ambiental vigente en México, al momento de celebración del presente contrato, por sus características corrosivas, reactivas, explosivas, tóxicas, inflamables o biológico-infecciosas.</p>	<p>For purposes of this Agreement, Hazardous Substance shall mean: Any substance, material or residue classified as dangerous by the Environmental Law in force in Mexico at the time of execution of the present agreement, for its corrosive, reactive, explosive, toxic, flammable or biological-infectious characteristics.</p>
<p>VIGÉSIMA PRIMERA. RESCISIÓN</p>	<p>TWENTY ONE. RESCISSION</p>
<p>Será motivo de rescisión del presente Contrato, , las siguientes causas:</p>	<p>The following SHALL be grounds for termination of this Agreement:</p>
<p>21.1. Cualquier falta de cumplimiento puntual por alguna de las Partes a las obligaciones contraídas a su cargo por virtud de este Contrato.</p>	<p>21.1. Failure by either PARTY to fulfill their major obligations under this Agreement on due time.</p>
<p>21.2. Si el "ARRENDATARIO" no paga puntualmente la renta por 2 (dos) ocasiones consecutivas, en términos de lo pactado del presente Contrato.</p>	<p>21.2. If the TENANT fails to pay the rent two (2) consecutive times, regarding this Agreement.</p>
<p>21.3. Igualmente será causa de rescisión, por la otra Parte. si alguna Parte es declarada o solicita su declaración en Concurso Mercantil, Estado de Quiebra, Suspensión de Pagos o Insolvencia.</p>	<p>21.3. If either Party is declared or files for insolvency, commercial bankruptcy, or receivership, this will also be cause for termination by the other Party.</p>

<p>21.4. Si el “ARRENDATARIO” contraviene o deja de cumplir en cualquier forma, cualquiera de las obligaciones que adquiere con la firma del presente Contrato.</p>	<p>21.4. If the TENANT contravenes or fails to comply with any of the obligations acquired by signing this Agreement, in any form or manner.</p>
<p>21.5. Si cualquier autoridad competente clausura por más de 30 (treinta) días calendarios continuos el Inmueble (ya sea de manera parcial o total). Salvo por lo expresamente convenido en contrario en este Contrato, cualquier falta de cumplimiento tendrá como consecuencia la posibilidad de rescisión del presente Contrato, siempre y cuando la parte afectada haya notificado por escrito a la otra parte y ésta no haya subsanado su incumplimiento en un plazo no mayor a 45 (cuarenta y cinco) días naturales contados a partir de la recepción de dicha notificación, siempre y cuando el ARRENDATARIO hubiera realizado todos los esfuerzos razonables para cumplir dentro de dicho plazo, excepto por demoras de autoridades gubernamentales a cooperar en el cumplimiento (el “Periodo de Cura”). Expresamente las Partes excluyen de lo anterior, lo establecido en el inciso 21.2. de la presente cláusula, es decir, cualquier incumplimiento a la obligación de pago por concepto de pago de Renta por parte del “ARRENDATARIO”, no se hará notificación alguna y no habrá periodo alguno a fin de que se subsane el incumplimiento de cualquier obligación de pago.</p>	<p>21.5. If a competent authority closes the Property (either partially or completely) for more than 30 (thirty) calendar days. Except as expressly established to the contrary in this Agreement, failure to comply with any of its terms could lead to its termination, as long as the party concerned has been notified in writing by the other party, and it does not remedy the breach within a 45 (forty five) calendar days period from receipt of such notice, and as long as the TENANT has made all reasonable efforts to comply, excluding delays by governmental authorities to cooperate in such cure (“Cure Period”). The Parties expressly exclude from the above, the terms outlined in paragraph 21.2. of this clause; that is, breach of the lease payment obligation by the TENANT will not be subject to a notice, and there will be no period to remedy breach of this obligation.</p>
<p>VIGÉSIMA SEGUNDA. EXPROPIACION</p>	<p>TWENTY-TWO. EXPROPRIATION</p>
<p>En caso de expropiación del Inmueble, las Partes serán beneficiadas para todo lo relativo al presente Contrato en términos del Código Civil, la ley y decreto aplicable.</p>	<p>In the case of expropriation of the Property, the Parties will benefit from all matters relating to this Agreement regarding the Civil Code, the law and the applicable decree.</p>

VIGÉSIMA TERCERA. CONCURSO MERCANTIL	TWENTY-THREE. COMMERCIAL BANKRUPTCY
Las Partes convienen que en caso de que el "ARRENDATARIO" solicitara o se le demande o se le declare en Concurso Mercantil, durante la vigencia de éste arrendamiento, y en consecuencia se opte por la resolución del presente Contrato, el "ARRENDATARIO" deberá pagar a favor del "ARRENDADOR" por concepto total de indemnización, daños y perjuicios, el equivalente al valor del Precio de la Renta más el Impuesto al Valor Agregado que resulten pendientes para cumplir la vigencia pactada en el presente Contrato, esta indemnización en ningún caso podrá ser menor a 3 (tres) meses.	The Parties agree that if the TENANT files for commercial bankruptcy during the term of this lease, and the Parties opt for termination of this Agreement, the TENANT must pay the LANDLORD full compensation of damages and losses, equal to the value of the rental price plus the value added tax pending to fulfill the term established in this Agreement, which may never be less than three (3) months.
VIGÉSIMA CUARTA. VENCIMIENTO	TWENTY-FOUR. EXPIRATION
Salvo por acuerdo pactado por las Partes en el último párrafo de la cláusula Octava del presente Contrato, para el caso de que el "ARRENDATARIO" no desocupe y entregue el Inmueble materia del presente Contrato el día de su vencimiento, o en su caso el día de vencimiento de su Prórroga, la renta mensual se incrementará en un 100% (cien) por ciento, respecto al precio de la última renta mensual, más el impuesto que se genere.	Except for the agreement established by the Parties in the last paragraph of Clause Eight of this Agreement, if the TENANT does not vacate and surrender the Property object of this Agreement on the termination day, or on the extended date, if any, the lease amount will increase one hundred percent (by 100%) over the last monthly lease amount, plus the corresponding taxes.
VIGÉSIMA QUINTA. CUOTA DE SALIDA.	TWENTY-FIVE. OUTPUT QUOTA.
<p>Las partes convienen en que el presente Contrato se celebra por un plazo forzoso, por ello y sin perjuicio de lo convenido en la cláusula anterior, las partes pactan para el caso de que el "ARRENDATARIO" quiera dar por terminado anticipadamente el presente Contrato sin justificación, ello tendrá un costo de salida en virtud del plazo forzoso, de conformidad con lo siguiente:</p> <p>Si el presente Contrato se da por terminado anticipadamente por el "ARRENDATARIO", en cualquier momento sin justificación, el "ARRENDATARIO" deberá pagar a favor del "ARRENDADOR, la renta mensual por los meses que resten para cumplir el plazo forzoso del Contrato o la Prórroga.</p> <p>El ARRENDATARIO podrá acordar con una parte relacionada o con algún tercero la celebración de un contrato de subarrendamiento respecto del INMUEBLE sujeto a lo establecido en los siguientes incisos:</p> <p>(a) los términos de tal subarrendamiento deberán ser sustancialmente similares a los establecidos en este Contrato;</p> <p>(b) El ARRENDATARIO permanecerá obligado solidariamente con el subarrendatario de que se trate; y</p> <p>(c) el subarrendador que tome el lugar del ARRENDATARIO no podrá tener una ocupación ilícita, o utilizar el INMUEBLE para fines ilícitos, y el subarrendador no podrá ser competidor directo de algún otro inquilino del INMUEBLE.</p> <p>Si el ARRENDATARIO cumple con las condiciones establecidas en los párrafos anteriores, el ARRENDADOR, a través del presente, da su consentimiento para dicho subarrendamiento.</p>	<p>The parties agree that this Agreement is held by a forced run, therefore , subject to the agreement in the preceding clause , the parties agree that the case of the "TENANT" wants to take for early termination of this contract without justification, its output will cost under forced term in accordance with the following:</p> <p>If this Contract is terminated early by the "Lessee", at any time without justification, the "TENANT" will pay to the "LANDLORD," the monthly rent for the months remaining to fulfill the term of the Contract or Extension.</p> <p>However, in any case where the TENANT vacates the PROPERTY during the term or an Extension of the Contract, the TENANT will be entitled to arrange a sublease if:</p> <p>(a) the terms of such sublease are substantially the same as under this Contract;</p> <p>(b) the TENANT has agreed to remain jointly responsible for any difference between the rents due under this agreement and any lower amounts agreed or paid by the subtenant; and</p> <p>(c) the subtenant who replaces TENANT shall not have an illegal business, or shall not use the PROPERTY for illegal purposes; or shall not be a direct competitor to any other tenant in the PROPERTY.</p> <p>If the TENANT complies with the conditions described above, the LANDLORD hereby gives its consent to such subtenant.</p>

VEINTISEIS.- SEGURO	TWENTY-SIX.- INSURANCE
<p>El "ARRENDATARIO", se obliga a contratar, pagar y mantener vigente un seguro de responsabilidad civil y de contenidos, por los daños imputables al "ARRENDATARIO", que incluya actividades en el Inmueble por la cantidad mínima indicada de \$1'500,000.00 (un millón quinientos mil Dólares 00/100 Moneda de curso legal en los Estados Unidos de América). El "ARRENDATARIO" deberá cumplir con esta obligación dentro de un plazo máximo de 30 (treinta) días naturales contados a partir de la Entrega del Inmueble, igualmente en dicho plazo deberá entregar al "ARRENDADOR" el certificado o póliza del seguro así como los comprobantes del pago de la prima correspondiente; el seguro deberá mantenerse en vigor y por valores actualizados durante todo el tiempo que exista la relación contractual.</p>	<p>The TENANT shall maintain and carry during the term of this Agreement content and liability insurance for damages attributable to the TENANT, including activities performed on the Property for an amount not less than \$1'500,000.00. The TENANT shall comply with this obligation within a maximum period of 30 (thirty) calendar days from the surrender of the Property, and must also furnish the LANDLORD with a certificate of such insurance and the proof of payment of the premium, that shall remain in force and updated as long as the contractual relationship exists.</p>
<p>A su vez, el "ARRENDADOR" se obliga a contratar y mantener en vigor para el Inmueble, pólizas de seguro de responsabilidad civil durante la vigencia del presente Contrato por un monto suficiente, y otro seguro contra todo riesgo, en las condiciones y por los montos que se acostumbre para este tipo de Inmuebles.</p>	<p>On the other hand, the LANDLORD agrees to contract and insure the value of the Property with liability insurance during the term of this Agreement for a sufficient amount, plus another comprehensive insurance policy under the terms and the values used for this type of properties.</p>

Las pólizas de los seguros que contrate tanto el "ARRENDADOR" como el "ARRENDATARIO" deberán ser emitidas por una institución aseguradora debidamente reconocida y autorizada en México, en la inteligencia que dichas pólizas deberán permanecer vigentes durante todo el Término Inicial y cualquiera de sus prórrogas, en caso de haberlas.	The insurance policies to be contracted by both the LANDLORD and the TENANT shall be issued by an insurance company duly recognized and authorized to do business in Mexico, with the understanding that such policies must remain in force throughout the Initial Term and for the duration of its Extensions, if any.
VIGÉSIMA SÉPTIMA. RELACIONES CON TERCEROS	TWENTY-SEVEN. THIRD PARTY RELATIONS
Cada una de las Partes asume todas las obligaciones y responsabilidades de naturaleza laboral, fiscal, seguridad social, administrativa y de cualquier otra índole derivadas de las relaciones con sus trabajadores, dependientes, sindicatos, administradores, clientes, proveedores, gobierno, municipio, autoridades administrativas y hacendarías y otros terceros causahabientes suyos, obligándose a no perturbar a la otra parte ni a la sociedad que, en su caso, preste los servicios de administración y mantenimiento del Inmueble, así como de mantener y sacar en paz y a salvo a la otra parte, y/o a la persona que preste los servicios de administración y mantenimiento, por cualquier reclamación o demanda derivada de dichas relaciones.	Each Party shall assume all labor, fiscal, administrative and social security obligations and liabilities of any kind arising out of the relationships with their workers, employees, successors, unions, managers, customers, suppliers, government, municipality, administrative and tax authorities and others of their third parties, agreeing not to disturb the other party or company that provides Property management and maintenance services, where appropriate, and to hold harmless the other party and/or the person providing the maintenance and management services from any claim or lawsuit arising from such relationships.
Serán por cuenta de la parte que incumpla con las obligaciones previstas en esta cláusula, cualquier indemnización, daños o perjuicios causados a la otra parte y/o a la persona que preste los servicios de administración y mantenimiento por los motivos antes señalados, incluyendo gastos judiciales y honorarios de abogados.	The Party in breach of its obligations under this clause shall bear all costs for compensation or damages caused to the other party and/or the person providing the maintenance and management services for the reasons mentioned above, including court costs and attorney fees.
VIGÉSIMA OCTAVA. MODIFICACIONES	TWENTY-EIGHT. AMENDMENTS
Las Partes convienen en que ninguna modificación o renuncia de los términos del presente Contrato, obligará a los contratantes a menos que estas se hagan por escrito y sean debidamente firmadas de aceptación por las Partes.	The Parties agree that this Agreement cannot be amended except by written modification executed by the LANDLORD and TENANT in the same manner as this Agreement is executed.

VIGÉSIMA NOVENA. CASO FORTUITO O FUERZA MAYOR	TWENTY-NINE. FORCE MAJEURE OR ACTS OF GOD
El "ARRENDADOR" y el "ARRENDATARIO" se obligan a garantizar en forma recíproca el uso pacífico del Inmueble sujeto a las demás cláusulas de este Contrato.	The LANDLORD and TENANT agree to guarantee reciprocally quiet enjoyment of the Property, subject to the other provisions of this Agreement.
El "ARRENDADOR" y el "ARRENDATARIO" no será responsable por lesiones o daños que se causen por incendio, explosión, desprendimiento de materiales, vapor, gas, electricidad, lluvia, agua o fugas en las tuberías o instalaciones hidráulicas de otros locales y oficinas salvo en la medida causada por dicha Parte.	The LANDLORD and TENANT will not be liable for the injuries or damages caused by fire, explosion, release of materials, steam, gas, electricity, rain water or plumbing leaks or water installations in other offices or premises, except to the extent caused by such Party.
Las PARTES no asumirán responsabilidad alguna por daños y perjuicios ocasionados, directa o indirectamente, por casos fortuitos o de fuerza mayor, tales como actos u omisiones de terceros ajenos al Inmueble, actos populares, huelgas, mítines, invasiones, acciones militares, disposiciones gubernamentales de seguridad pública, o cualquier otro que pueda entenderse como caso fortuito o fuerza mayor.	The PARTIES do not assume liability for any direct or indirect damages caused by Acts of God or force majeure, such as acts or omissions of third parties outside of the property, popular acts, strikes, rallies, invasions, military actions, government regulations in the case of public safety, or any other that can be seen as an Act of God or force majeure.
Las PARTES no serán responsable por los daños, pérdidas, perjuicios o lucro cesante sufrido por la parte afectada por causas no imputables directamente las Partes, su personal, apoderados o factores.	The PARTIES shall not be liable for damages, losses, or lost profits suffered by the affected party for reasons not attributable directly to the Parties, its staff, agents or factors.
El "ARRENDADOR" no será responsable de la seguridad de los bienes que el "ARRENDATARIO" introduzca en el Inmueble.	The LANDLORD will not be liable for the safety of the TENANT'S goods that enter the property.
Para el caso de impedimento de uso del Inmueble, las Partes estarán a lo dispuesto en los artículos 2,431 y 2,432 del Código Civil del Distrito Federal.	In the case of impediment of use of the Property, the Parties shall abide by the provisions outlined in Articles 2,431 and 2,432 of the Civil Code of the Federal District.
TRIGÉSIMA. ENCABEZADOS	THIRTY. HEADINGS
Las Partes convienen en que los encabezados de las diversas cláusulas de éste Contrato, han sido puestos por motivos de conveniencia únicamente y no modifican definen, expanden o limitan ninguno de los términos o condiciones de este Contrato.	The Parties agree that the headings of the different clauses of this contract are included for convenience only and do not modify, define, expand or limit any of the terms or conditions of this Agreement.

TRIGÉSIMA PRIMERA. ANEXOS	THIRTY-ONE. EXHIBITS
Las Partes convienen en que los anexos que se agregan al presente Contrato debidamente rubricados y firmados por las Partes, son parte integral del mismo, por lo que nunca podrán interpretarse en forma aislada o separada a este Contrato.	The Parties agree that the Exhibits added to this Agreement duly initialed and signed by the Parties are an integral part of it, so they can never be interpreted in isolation or independently from this Agreement.
TRIGÉSIMA SEGUNDA. UNIDAD	THIRTY-TWO. THE WHOLE AGREEMENT
Las Partes convienen en que el presente Contrato que se celebra, consta de las distintas cláusulas que en él se pactan formando un todo integral, y ninguna de las cláusulas puede considerarse o interpretarse de manera aislada o independiente, por lo que en todo momento prevalecerá la intención de los aquí contratantes.	The Parties agree that this Agreement includes different clauses that are agreed to form a whole, and none of the clauses can be considered or understood in isolation or independently, so the intention herein established shall prevail at all times.
TRIGÉSIMA TERCERA. NOTIFICACIONES.	THIRTY-THREE. NOTICES.
Las Partes pactan, que todos los avisos y comunicaciones, incluidos los cambios de domicilio, deberán hacerse de manera fehaciente y por escrito a cada una de las Partes en los domicilios señalados en el capítulo de Declaraciones del presente Contrato.	The Parties agree that all notices and communications, including changes of address, must be sent in a reliable manner and in writing to each of the Parties at the addresses under the Recitals in this Agreement.
TRIGÉSIMA CUARTA. CONFIDENCIALIDAD	THIRTY-FOUR. CONFIDENTIALITY
Con excepción de que por cualquier ley, reglamento o tribunal de cualquier jurisdicción, requiera que la información sea divulgada, o por la necesidad de las Partes en los trámites de su operación, las Partes se obligan a realizar sus mayores esfuerzos para preservar en secreto toda la información relacionada con el presente Contrato, a mantener dicha información segura y protegida en contra de robo, daño, pérdida o acceso no autorizado a terceras personas y a no utilizar dicha información para cualquier propósito con excepción de los contemplados en el presente Instrumento.	Except if a law, regulation or court of any jurisdiction, requires that information be disclosed, or the Parties need to disclose it in a proceeding related to its operation, the Parties agree to make every effort to preserve secret all of the information related to this Agreement, and to keep such information secure and protected against theft, damage, loss or unauthorized access by third parties and not to use such information for any purpose other than as specified in this Instrument.
TRIGÉSIMA QUINTA. ACUERDO ÚNICO	TWENTY-FIVE. THE SOLE AGREEMENT
Las Partes convienen en que este Contrato es el único entendimiento de las Partes con relación a lo que se han querido obligar, por lo que anula cualquier otro contrato o acuerdo verbal o escrito celebrado con anterioridad.	The Parties agree that this Agreement is the only understanding of the Parties regarding the terms that they have tried to enforce, thereby annulling any other contract or verbal or written agreement signed before.

TRIGÉSIMA SEXTA. COMPETENCIA	THIRTY-SIX. JURISDICTION
Para la celebración, interpretación y cumplimiento de lo pactado en el presente Contrato, así como la solución de toda controversia que suscite con motivo de este Contrato, las Partes se someten única y exclusivamente a la Competencia, Jurisdicción y Leyes de los Tribunales de la Ciudad México, Distrito Federal, renunciando expresamente a cualquier otro fuero que por razón de su domicilio presente o futuro les pudiera corresponder conforme a su domicilio presente o futuro, o conforme a la Ley o por cualquier otra causa o razón pudiera corresponderles.	The Parties agree to submit exclusively to the law and jurisdiction of the Courts of the Federal District for the execution, interpretation and enforcement of this Agreement as well as all disputes that may arise as a result of this Agreement, expressly waiving their right to any other jurisdiction they may be entitled to by reason of their present or future domiciles or the Law or for any other cause or reason that may apply.
TRIGÉSIMA SÉPTIMA. VALIDEZ DE LAS DISPOSICIONES	THIRTY-SEVEN. VALIDITY OF THE PROVISIONS
Si cualquier disposición o disposiciones del presente Contrato es declarada inválida, ilegal o inejecutable, la validez, legalidad y ejecución del resto de las disposiciones no se verán afectadas o disminuidas en forma alguna.	If any term or provision of this Agreement becomes invalid, illegal or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not be affected or diminished in any way.
TRIGÉSIMA OCTAVA. SUBSISTENCIA DE RESPONSABILIDAD	THIRTY-EIGHT. SURVIVAL OF LIABILITY
No obstante, de la terminación del presente Contrato, ninguna de las Partes será liberada de responsabilidad u obligación alguna que ya se haya generado a la fecha de dicha terminación o que pueda generarse posteriormente con respecto a cualquier acto u omisión de dicha parte con anterioridad a la terminación de referencia. Esta responsabilidad tendrá como límite el plazo de prescripción que se establezcan en las leyes aplicables.	Notwithstanding the termination of this Agreement, neither Party shall be released from the liability or obligation generated from the date of such termination or that may subsequently be generated on any act or omission of such Party before the referenced termination. This liability shall be limited to the statute of limitations established by applicable law.
TRIGÉSIMA NOVENA. NO RENUNCIA	THIRTY-NINE. NO WAIVER
La falta por cualquiera de las Partes a requerir el cumplimiento de cualquier disposición de este Contrato no afectará el derecho de dicha parte al cumplimiento total de la misma en cualquier momento posterior, y la renuncia por cualquiera de las Partes a sus derechos derivados del incumplimiento de cualquier disposición del presente no constituirán una renuncia a derechos similares en el futuro o a renuncia a sus derechos derivados de cualquier otro incumplimiento, ni invalidarán dicha disposición.	Failure by either Party to demand performance of any provision of this Agreement shall not affect the right of that Party to full compliance with it at any time thereafter, and the waiver by either Party of its rights arising from a breach of any provision hereof shall not constitute a waiver of future similar rights or the waiver of rights arising from any breach or invalidate that provision.
CUADRAGÉSIMA. IDIOMA	FORTIETH. LANGUAGE.
El presente Contrato se suscribe en inglés y en español. Las Partes acuerdan que la versión en español prevalecerá para efectos de su interpretación, cumplimiento y ejecución.	The Parties sign this Agreement in the English and Spanish languages, and agree that the version in the Spanish language shall prevail for the purpose of interpretation, compliance, and enforcement.
<i>(El resto de la página se dejó intencionalmente en blanco – sigue hoja de firmas)</i>	<i>(The remainder of this page intentionally left blank - signature page follows)</i>

Leído y enterados los contratantes del alcance y valor del presente Contrato, y conformes con su contenido, y por no contener error, omisión, dolo, mala fe, o cualquier otro vicio en el consentimiento de las Partes, lo firman los contratantes por triplicado, quedando un ejemplar en posesión del "ARRENDATARIO" y dos en posesión del "ARRENDADOR", constante de 32 páginas, sin incluir sus anexos, en la Ciudad de México, Distrito Federal, el día 29 de enero de 2016.	Having read the scope and value of the Agreement and satisfied with its content, the Parties hereby agree to its terms because it does not contain errors, omissions, fraud, bad faith or any other in the consent of the Parties, so they sign three originals, one of which is kept by the LANDLORD, and two kept by the TENANT, consisting of 32 pages, without including its Exhibits in the Federal District on January 29, 2016.
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EL "ARRENDATARIO" SYPRIS TECHNOLOGIES MEXICO, S. DE R.L. DE C.V.	EL "ARRENDADOR" PROMOTORA Y DESARROLLADORA PULSO INMOBILIARIO, S.C.
Por: JOSE ANTONIO RODRIGUEZ ESCOBAR Cargo: Representante Legal	Por: DAVID KAMKHAJI AMBE Cargo: Representante Legal

OBLIGADO SOLIDARIO SYPRIS TECHNOLOGIES, INC.	TESTIGO
Por: JOHN R. MCGEENEY Cargo: Representante Legal	Por: Por su propio derecho

TESTIGO
Por: Por su propio derecho

La presente hoja de firmas corresponde al contrato de arrendamiento celebrado entre Promotora y Desarrolladora Pulso Inmobiliario, S.C., como arrendador, y Sypris Technologies México S. de R.L. de C.V. como arrendataria y Sypris Technologies, Inc, como obligado solidario.

This signature page is an integral part of the Lease Agreement signed by and between Promotora y Desarrolladora Pulso Inmobiliario, S.C., as the TENANT, and Sypris Technologies México S. de R.L. de C.V. as the LANDLORD, and Sypris Technologies, Inc as guarantor.

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Jeffrey T. Gill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sypris Solutions, 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(s) 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 report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal 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 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 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(s) 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 18, 2016

By: /s/ Jeffrey T. Gill
Jeffrey T. Gill
President & Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Anthony C. Allen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sypris Solutions, 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(s) 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 report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal 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 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 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(s) 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 18, 2016

By: /s/ Anthony C. Allen
Anthony C. Allen
Vice President & Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Sypris Solutions, Inc. (the Company) on Form 10-Q for the period ending April 3, 2016 as filed with the Securities and Exchange Commission on the date hereof (the Report), each of the undersigned hereby certifies, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of Sypris Solutions, Inc., that to his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 18, 2016

By: /s/ Jeffrey T. Gill
Jeffrey T. Gill
President & Chief Executive Officer

Date: May 18, 2016

By: /s/ Anthony C. Allen
Anthony C. Allen
Vice President & Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Sypris Solutions, Inc. and will be retained by Sypris Solutions, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-Q and shall not be considered filed as part of the Form 10-Q.

