



**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 September 28, 2008

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 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. (Check one):

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 October 24, 2008, the Registrant had 19,298,003 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		Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
	(Unaudited)		(Unaudited)	
Net revenue:				
Outsourced services	\$ 80,145	\$ 86,897	\$ 258,381	\$ 273,241
Products	20,012	17,623	58,388	58,965
Total net revenue	100,157	104,520	316,769	332,206
Cost of sales:				
Outsourced services	77,607	80,182	238,755	253,587
Products	15,895	13,866	47,556	48,439
Total cost of sales	93,502	94,048	286,311	302,026
Gross profit	6,655	10,472	30,458	30,180
Selling, general and administrative	10,431	10,369	31,485	29,740
Research and development	938	608	3,022	2,001
Amortization of intangible assets	42	129	171	457
Nonrecurring items	655	(4,835)	655	(3,281)
Operating (loss) income	(5,411)	4,201	(4,875)	1,263
Interest expense, net	1,093	991	3,068	2,624
Other expense (income), net	1,050	(26)	134	15
(Loss) income before income taxes	(7,554)	3,236	(8,077)	(1,376)
Income tax expense (benefit)	202	599	229	(1,467)
Net (loss) income	<u>\$ (7,756)</u>	<u>\$ 2,637</u>	<u>\$ (8,306)</u>	<u>\$ 91</u>
(Loss) earnings per common share:				
Basic	\$ (0.42)	\$ 0.14	\$ (0.45)	\$ 0.00
Diluted	\$ (0.42)	\$ 0.14	\$ (0.45)	\$ 0.00
Dividends declared per common share	\$ 0.03	\$ 0.03	\$ 0.09	\$ 0.09
Weighted average shares outstanding:				
Basic	18,369	18,314	18,354	18,196
Diluted	18,369	18,548	18,354	18,351

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

SYPRIS SOLUTIONS, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except for share data)

	September 28, 2008 (Unaudited)	December 31, 2007 (Note)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,552	\$ 14,622
Restricted cash	626	883
Accounts receivable, net	56,699	59,067
Inventory, net	68,587	71,789
Other current assets	34,768	107,132
Total current assets	175,232	253,493
Investment in marketable securities	18,164	—
Property, plant and equipment, net	126,130	137,104
Goodwill	14,277	14,277
Other assets	25,259	17,186
Total assets	<u>\$ 359,062</u>	<u>\$ 422,060</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 61,823	\$ 54,119
Accrued liabilities	25,134	41,933
Current portion of long-term debt	4,091	5,000
Total current liabilities	91,048	101,052
Long-term debt	60,909	60,000
Other liabilities	46,949	53,529
Total liabilities	198,906	214,581
Stockholders' equity:		
Preferred stock, par value \$0.01 per share, 975,150 shares authorized; no shares issued	—	—
Series A preferred stock, par value \$0.01 per share, 24,850 shares authorized; no shares issued	—	—
Common stock, non-voting, par value \$0.01 per share, 10,000,000 shares authorized; no shares issued	—	—
Common stock, par value \$0.01 per share, 30,000,000 shares authorized; 19,496,620 shares issued and 19,277,645 shares outstanding in 2008 and 19,205,247 shares issued and 19,078,440 shares outstanding in 2007	195	192
Additional paid-in capital	146,709	146,025
Retained earnings	55,385	65,402
Accumulated other comprehensive loss	(42,131)	(3,943)
Treasury stock, 218,975 and 126,807 shares in 2008 and 2007, respectively	(2)	(197)
Total stockholders' equity	160,156	207,479
Total liabilities and stockholders' equity	<u>\$ 359,062</u>	<u>\$ 422,060</u>

Note: The balance sheet at December 31, 2007 has been derived from the audited consolidated financial statements at that date but does not include all information and footnotes required by accounting principles generally accepted in the United States for a complete set of financial statements.

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

SYPRIS SOLUTIONS, INC.
CONSOLIDATED CASH FLOW STATEMENTS
(in thousands)

	Nine Months Ended	
	September 28, 2008	September 30, 2007
	(Unaudited)	
Cash flows from operating activities:		
Net (loss) income	\$ (8,306)	\$ 91
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	19,621	21,738
Noncash compensation expense	901	1,276
Other noncash items	(7,888)	(23,359)
Change in operating assets and liabilities:		
Accounts receivable	2,910	(5,377)
Inventory	1,916	(3,916)
Other current assets	6,230	(3,414)
Accounts payable	8,066	(3,221)
Accrued liabilities	(13,351)	12,897
Net cash provided by (used in) operating activities	<u>10,099</u>	<u>(3,285)</u>
Cash flows from investing activities:		
Capital expenditures, net	(9,484)	(5,118)
Proceeds from sale of assets	998	22
Changes in nonoperating assets and liabilities	<u>51</u>	<u>(267)</u>
Net cash used in investing activities	(8,435)	(5,363)
Cash flows from financing activities:		
Net change in debt under revolving credit agreements	—	20,000
Payments on Senior Notes	—	(25,000)
Debt modification costs	—	(885)
Cash dividends paid	(1,734)	(1,690)
Proceeds from issuance of common stock	—	168
Net cash used in financing activities	<u>(1,734)</u>	<u>(7,407)</u>
Net decrease in cash and cash equivalents	(70)	(16,055)
Cash and cash equivalents at beginning of period	14,622	32,400
Cash and cash equivalents at end of period	<u>\$ 14,552</u>	<u>\$ 16,345</u>

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

SYPRIS SOLUTIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Nature of Business

Sypris is a diversified provider of outsourced services and specialty products. The Company performs a wide range of manufacturing, engineering, design, testing, and other technical services, typically under multi-year, sole-source contracts with corporations and government agencies in the markets for truck components & assemblies, aerospace & defense electronics, and test & measurement equipment.

(2) Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of Sypris Solutions, Inc. and its wholly-owned subsidiaries (collectively, Sypris or the Company), and have been prepared by the Company in accordance with the rules and regulations of the Securities and Exchange Commission. All significant 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 and nine months ended September 28, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements, and notes thereto, for the year ended December 31, 2007 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 September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 157, *Fair Value Measurements*. The objective of SFAS No. 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. SFAS No. 157 was effective for the Company on January 1, 2008. However, in February 2008, the FASB released FASB Staff Position (FSP) SFAS No. 157-2, *Effective Date of FASB Statement No. 157*, which delayed the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The adoption of SFAS No. 157 for financial assets and liabilities did not have a material impact on the Company's consolidated financial statements. The adoption of SFAS No. 157 for non-financial assets and liabilities, effective January 1, 2009, is not expected to have a significant impact on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements — an amendment to ARB No. 51* (SFAS No. 160). SFAS No. 160 requires all entities to report noncontrolling interests in subsidiaries as equity in the consolidated financial statements, but separate from the equity of the parent company. The statement further requires that consolidated net income be reported at amounts attributable to the parent and the noncontrolling interest, rather than expensing the income attributable to the minority interest holder. This statement also requires that companies provide sufficient disclosures to clearly identify and distinguish between the interests of the parent company and the interests of the noncontrolling owners, including a disclosure on the face of the consolidated statements for income attributable to the noncontrolling interest holder. This statement is effective for fiscal years beginning on or after December 15, 2008. Early adoption is prohibited. The adoption of this statement is not expected to have a significant impact on the Company's consolidated financial statements.

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In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* (SFAS No. 161). SFAS No. 161 applies to all derivative instruments and nonderivative instruments that are designated and qualify as hedging instruments pursuant to paragraphs 37 and 42 of Statement 133, and related hedged items accounted for under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133). SFAS No. 161 requires entities to provide greater transparency through additional disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, results of operations, and cash flows. This statement is effective for fiscal years beginning on or after November 15, 2008. Early adoption is encouraged. The adoption of this statement is not expected to have a significant impact on the Company's disclosures included in its consolidated financial statements.

In April 2008, the FASB issued FASB Staff Position SFAS 142-3, *Determination of the Useful Life of Intangible Assets*, (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. FSP 142-3 is effective for fiscal years beginning after December 15, 2008. The Company is currently assessing the impact of FSP 142-3 on its consolidated financial position and results of operations.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS No. 162). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles in the United States. This statement is not expected to change existing practices but rather reduce the complexity of financial reporting. This statement will go into effect 60 days after the SEC approves related auditing rules.

In June 2008, the FASB issued FASB Staff Position EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. This FSP addresses whether instruments granted in share-based payment transactions may be participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing basic earnings per share (EPS) pursuant to the two-class method described in paragraphs 60 and 61 of SFAS No. 128, *Earnings Per Share*. A share-based payment award that contains a non-forfeitable right to receive cash when dividends are paid to common shareholders irrespective of whether that award ultimately vests or remains unvested shall be considered a participating security as these rights to dividends provide a non-contingent transfer of value to the holder of the share-based payment award. Accordingly, these awards should be included in the computation of basic EPS pursuant to the two-class method. The guidance in this FSP is effective for fiscal years beginning after December 15, 2008 and interim periods within those years. Early adoption is not permitted. All prior period EPS data will be adjusted retrospectively to reflect the provisions of the FSP. Under the terms of the Company's restricted stock awards, grantees are entitled to receive dividends on the unvested portions of their awards. There is no requirement to return these dividends in the event the unvested awards are forfeited in the future. Accordingly, this FSP will have an effect on the Company's EPS calculations and the Company will continue to evaluate the effects of this guidance.

(4) Dana Claim

On March 3, 2006, the Company's largest customer, Dana, and 40 of its U.S. subsidiaries, filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York. On July 24, 2007, the Company announced that its wholly-owned subsidiary, Sypris Technologies, Inc., entered into a comprehensive settlement agreement with Dana to resolve all outstanding disputes between the parties, terminate previously approved arbitration payments and enter into a new long-term supply contract running through 2014. In addition, Dana provided the Company with an allowed general unsecured non-priority claim in the amount of \$89,900,000, which was recorded by the Company at its estimated fair value of \$76,483,000 as of the August 7, 2007 settlement date.

On December 12, 2007 the bankruptcy court approved Dana's plan of reorganization. Pursuant to the terms included therein, the Company became entitled to receive an initial distribution of 3,090,408 shares of common stock in Dana Holding Corporation (DAN), the right to participate in additional distributions of reserved

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shares of common stock of DAN if certain disputed matters are ultimately resolved for less than Dana's reserves for those matters (estimated by the Company to represent an additional 739,000 shares) and the right to receive a distribution of cash. Dana emerged from bankruptcy on January 31, 2008, and on February 1, 2008, the newly issued shares of Dana Holding Corporation began trading on the New York Stock Exchange. On February 11, 2008, the Company received its initial distribution of common stock, and on March 18, 2008 the Company received its cash distribution totaling \$6,891,188. On April 21, 2008 and July 30, 2008, the Company received 114,536 and 152,506 of DAN common shares, respectively, representing approximately 36% of the total 739,000 additional common shares the Company expects to receive.

The aforementioned cash distribution was recorded as a reduction in the Company's \$76,483,000 recorded basis in the claim. Of the remaining \$69,592,000, \$56,162,000 was attributed to the initial distribution of shares received by the Company in February, 2008, \$2,081,000 was attributed to the shares received by the Company in April, 2008, and \$2,771,000 was attributed to the shares received by the Company in July, 2008. The remaining \$8,578,000 is attributed to the 472,000 of additional shares expected to be received by the Company as additional distributions. If the Company ultimately receives fewer additional shares than expected, these allocations would be adjusted on a pro rata basis.

The Company accounts for its common stock in DAN in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (SFAS No. 115). The Company accounts for its shares as available-for-sale securities with associated unrealized holding gains or losses reported as a component of other comprehensive loss or income. The Company has not sold any of its common stock in DAN, and at September 28, 2008, the basis and fair value of the Company's holdings of DAN common stock amounted to \$61,015,000 and \$18,164,000, respectively. Unrealized holding losses recorded in other comprehensive loss totaled \$38,673,000, net of income taxes of \$4,178,000. See Note 6 for further information.

The Company believes that the price for Dana's common stock at September 28, 2008 is temporarily depressed. A number of market issues including sub-prime lending practices, tightening credit markets and recession concerns have driven market prices down. A substantial portion of the owners of DAN stock were contractually restricted from trading those shares through July of 2008, while many equity mutual funds remained restricted from purchasing stock in businesses that have recently emerged from bankruptcy. The automotive sector has been under considerable scrutiny due to bankruptcies, sharply declining light vehicle sales and significant losses recorded by major companies within the sector. At September 28, 2008, the Company believed that these negative factors were likely to begin to improve in the near term and that it possessed the ability and intent to hold its shares of Dana common stock until a full recovery of the current carrying value occurs. However, there can be no assurance that, under applicable accounting principles, unrealized holding losses will not be deemed "other-than-temporary" and be recognized through the Company's statement of operations in future periods, which could materially adversely affect the Company's business, results of operations and financial condition.

At September 28, 2008, the Company's right to participate in additional distributions of DAN common stock, presently estimated to be 472,000 additional shares, was carried at \$8,578,000 in other assets. Had these shares been received at September 28, 2008, the Company would have recorded an additional \$5,101,000 unrealized holding loss to other comprehensive loss, net of income taxes of \$923,000. See Note 14 for further information.

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(5) (Loss) Earnings Per Common Share

There were no adjustments required to be made to net (loss) income for purposes of computing basic and diluted (loss) earnings per common share. A reconciliation of the weighted average shares outstanding used in the calculation of basic and diluted (loss) earnings per common share is as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
	(Unaudited)		(Unaudited)	
Shares used to compute basic (loss) earnings per common share	18,369	18,314	18,354	18,196
Dilutive effect of equity awards	—	234	—	155
Shares used to compute diluted (loss) earnings per common share	<u>18,369</u>	<u>18,548</u>	<u>18,354</u>	<u>18,351</u>

(6) Investment in Marketable Securities

The valuation of our investment in DAN, a marketable security accounted for pursuant to SFAS No. 115, is classified as available-for-sale and measured at fair value as determined by a quoted market price. The related unrealized holding losses are currently excluded from operations and recorded in accumulated other comprehensive loss on the consolidated balance sheets. At September 28, 2008, the Company owned 3,357,450 shares of DAN with a market value of \$5.41 per share, which resulted in an unrealized loss of \$38,673,000, net of a deferred tax benefit of \$4,178,000, included in accumulated other comprehensive loss as of such date. The deferred tax benefit is net of a valuation allowance of \$2,387,000 associated with the unrealized capital loss portion for our foreign subsidiary, as the Company has no assurance of generating capital gains in the future in order to realize the tax benefit. The deferred tax benefit associated with the unrealized loss for our domestic operations has been fully reserved. At September 28, 2008, this decline was considered by the Company to be temporary (see Note 4). Realized gains and losses and declines in value judged to be other-than-temporary will be included in other expense (income), if and when recorded. In accordance with SFAS No. 157, the fair value of DAN shares was valued based on quoted market prices in active markets for identical shares.

The following table summarizes marketable securities as of September 28, 2008 (in thousands):

	Basis	Gross Unrealized Gain/(Loss)	Gross Realized Gain/(Loss)	Fair Value At Quoted Prices in Active Markets (Level 1)
Investment in marketable securities	\$61,015	\$ (42,851)	\$ —	\$ 18,164

(7) Inventory

Inventory consisted of the following (in thousands):

	September 28, 2008	December 31, 2007
	(Unaudited)	
Raw materials, including perishable tooling of \$896 and \$1,129 in 2008 and 2007, respectively	\$ 19,201	\$ 21,140
Work in process	12,380	12,815
Finished goods	7,076	7,439
Costs relating to long-term contracts and programs, net of amounts attributed to revenue recognized to date	37,103	39,936
Progress payments related to long-term contracts and programs	(1,531)	(2,565)
Reserve for excess and obsolete inventory	(5,642)	(6,976)
	<u>\$ 68,587</u>	<u>\$ 71,789</u>

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(8) Segment Data

The Company is organized into two business groups, the Industrial Group and the Electronics Group. The Industrial Group is one reportable business segment, while the Electronics Group includes two reportable business segments, Aerospace & Defense and Test & Measurement. 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		Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
	(Unaudited)		(Unaudited)	
Net revenue from unaffiliated customers:				
Industrial Group	\$ 57,969	\$ 67,595	\$ 196,884	\$ 220,186
Aerospace & Defense	28,123	23,604	78,558	72,655
Test & Measurement	14,065	13,321	41,327	39,365
Electronics Group	42,188	36,925	119,885	112,020
	<u>\$ 100,157</u>	<u>\$ 104,520</u>	<u>\$ 316,769</u>	<u>\$ 332,206</u>
Gross profit:				
Industrial Group	\$ 306	\$ 4,713	\$ 12,468	\$ 13,782
Aerospace & Defense	2,841	2,471	7,377	6,403
Test & Measurement	3,508	3,288	10,613	9,995
Electronics Group	6,349	5,759	17,990	16,398
	<u>\$ 6,655</u>	<u>\$ 10,472</u>	<u>\$ 30,458</u>	<u>\$ 30,180</u>
Operating (loss) income:				
Industrial Group	\$ (2,487)	\$ 8,271	\$ 4,125	\$ 12,622
Aerospace & Defense	(1,599)	(660)	(4,344)	(3,548)
Test & Measurement	606	311	1,954	1,709
Electronics Group	(993)	(349)	(2,390)	(1,839)
General, corporate and other	(1,931)	(3,721)	(6,610)	(9,520)
	<u>\$ (5,411)</u>	<u>\$ 4,201</u>	<u>\$ (4,875)</u>	<u>\$ 1,263</u>
			September 28, 2008	December 31, 2007
			(Unaudited)	
Total assets:				
Industrial Group			\$ 213,494	\$ 264,182
Aerospace & Defense			95,058	108,189
Test & Measurement			31,026	30,337
Electronics Group			126,084	138,526
General, corporate and other			19,484	19,352
			<u>\$ 359,062</u>	<u>\$ 422,060</u>

(9) Commitments and Contingencies

The provision for estimated warranty costs is recorded at the time of sale and periodically adjusted to reflect actual experience. A summary of changes in the warranty accrual, which is included in accrued liabilities in the accompanying balance sheets, is as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
Balance at the beginning of the period	\$ 476	\$ 226	\$ 522	\$ 242
Accruals for warranties for products sold in the period	167	154	468	344
Fulfillment of warranty obligations	(220)	(143)	(542)	(349)
Revisions of estimated obligations	—	—	(25)	—
Balance at the end of the period	\$ 423	\$ 237	\$ 423	\$ 237

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.

As of September 28, 2008, the Company had outstanding purchase commitments of approximately \$32,851,000, primarily for the acquisition of inventory and manufacturing equipment. As of September 28, 2008, the Company also had outstanding letters of credit approximating \$1,896,000 primarily under a captive insurance program.

(10) 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 expects to generate income in 2008 from its foreign operations, which are taxed at a 28% statutory rate. The Company expects to generate a loss in 2008 from its domestic operations, which are subject to a federal statutory rate of 35%. It is anticipated that the Company will record a valuation allowance against a large portion of the deferred tax asset generated by the domestic operating loss. Reconciling items between the federal statutory rate and the effective tax rate include state income taxes, valuation allowances, provision to return differences and 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 SFAS No. 109, *Accounting for Income Taxes* (SFAS No. 109). 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. SFAS No. 109 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 the Company's current forecast, a valuation allowance of \$4,067,000 was recorded through earnings for the nine months ended September 28, 2008; however,

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there can be no assurances that the Company's forecasts are now, or in the future will be, accurate or that other factors impacting this deferred tax asset will not materially and adversely affect its business, results of operations and financial condition.

The Company's Mexican subsidiary is currently under a routine audit by the Mexican Servicio de Administracion Tributaria (SAT), the Mexican taxing authority, for the periods from May 27, 2004 through July 20, 2007. Proposed audit adjustments, if any, could significantly impact the Company's operating results.

(11) Employee Benefit Plans

Pension benefit consisted of the following (in thousands):

	Three Months Ended		Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
	(Unaudited)		(Unaudited)	
Service cost	\$ 4	\$ 14	\$ 54	\$ 70
Interest cost on projected benefit obligation	549	525	1,709	1,621
Net amortizations, deferrals and other costs	1	24	55	126
Expected return on plan assets	(800)	(777)	(2,426)	(2,327)
	<u>\$ (246)</u>	<u>\$ (214)</u>	<u>\$ (608)</u>	<u>\$ (510)</u>

(12) Other Comprehensive Loss

The Company's accumulated other comprehensive loss consists of the accumulated net unrealized losses on available-for-sale securities, employee benefit related adjustments and foreign currency translation adjustments.

The components of comprehensive (loss) income, net of tax, are as follows for the periods indicated (in thousands):

	Three Months Ended		Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
	(Unaudited)		(Unaudited)	
Net (loss) income	\$ (7,756)	\$ 2,637	\$ (8,306)	\$ 91
Other comprehensive loss:				
Unrealized loss on available-for-sale securities, net of tax of \$276 and \$4,178 for the three and nine months ended September 28, 2008, respectively	(1,799)	—	(38,673)	—
Foreign currency translation adjustments	(1,885)	(294)	485	(422)
Total comprehensive (loss) income	<u>\$ (11,440)</u>	<u>\$ 2,343</u>	<u>\$ (46,494)</u>	<u>\$ (331)</u>

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

	September 28, 2008 <u>(Unaudited)</u>	December 31, 2007 <u></u>
Foreign currency translation adjustments	\$ 1,012	\$ 527
Unrealized loss on available-for-sale securities, net of tax	(38,673)	—
Employee benefit related adjustments, net of tax	(4,470)	(4,470)
Accumulated other comprehensive loss	<u>\$ (42,131)</u>	<u>\$ (3,943)</u>

On September 28, 2008 the Company was in compliance with its debt covenants. Such covenants include minimum net worth requirements exclusive of charges to accumulated other comprehensive loss. If the unrealized loss on available-for-sale securities related to the Company's investment in DAN common stock (see Notes 4 and 6) had been recorded through earnings at September 28, 2008, a violation of the minimum net worth covenant would have resulted.

(13) Nonrecurring Items

Nonrecurring items in 2008 include severance and information technology costs related to the decision to merge Sypris Electronics and Sypris Data Systems into a single organization within the Aerospace & Defense segment. Nonrecurring items in 2007 include the gain recognized as part of the Dana settlement agreement offset by the write-off of certain accounts receivable and other assets, legal and professional fees incurred as a result of the Dana Bankruptcy filing and other transaction related costs.

(14) Subsequent Events

On October 10, 2008, the Company received 384,931 common shares of DAN representing approximately 82% of the total 472,000 additional common shares the Company expected to receive as of September 28, 2008 (see Note 4). The Company expects to receive approximately 87,000 additional shares of future distributions, subject to certain settlements by the Dana Corporation bankruptcy estate.

On October 10, 2008, the Board of Directors approved a plan to close the Company's Kenton, Ohio facility. The Kenton, Ohio facility currently employs approximately 117 people. The plan includes the relocation of certain production to the Company's Morganton, North Carolina facility which will begin to transition during the fourth quarter of 2008. Transition of the operation is expected to be completed by the second quarter of 2009.

Since September 28, 2008, the Dow Jones Industrial average has fallen from 11,143 to as low as 8,176 on October 27, 2008. A number of major financial institutions have failed, merged or received involuntary infusions of cash from the United States Treasury Department. The environment for obtaining commercial loans and other forms of debt financing has changed dramatically. Given the rapid pace of regulatory change as well as economic volatility, we are continuing to evaluate the ultimate impact of these developments on our financial condition, estimates, reserves or other aspects of our businesses.

As of November 3, 2008, the closing price for DAN common stock was \$2.09 per share. Should the price for DAN stock remain at the November 3, 2008 price and the decline in value be considered "other-than-temporary", the Company would be required to take a charge of \$56.3 million, net of \$5.3 million of income taxes, through its results of operations. Such a charge would likely result in a violation of the Company's minimum net worth covenants under its Revolving Credit Facility and Senior Notes as of December 31, 2008, based on current financial projections. In the event of such an occurrence, the Company would seek a waiver from its current creditors. There can be no assurance that in such an event a waiver could be obtained from the Company's current creditors or if so it would be on terms satisfactory to the Company.

On October 27, 2008, the Company gave notice of its intent to terminate the lease of its 26,300 square foot facility in San Dimas, California. Under the terms of the lease, the Company had a one-time right to terminate the lease at its mid-point in exchange for a \$915,000 termination fee. The termination fee, payable in June 2009, will be recorded as a charge to the statement of operations in the fourth quarter consistent with requirements of SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The tables presented below, which compare our results of operations for the three and nine month periods from 2008 to 2007, present the results for each period, the change in those results from 2008 to 2007 in both dollars and percentage change and the results for each period as a percentage of net revenue. The columns present the following:

- The first two data columns in the tables 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 tables 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 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."

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Three Months Ended September 28, 2008 Compared to Three Months Ended September 30, 2007

	Three Months Ended		Year Over Year Change	Year Over Year Percentage Change	Results as Percentage of Net Revenue for the Three Months Ended	
	Sept. 28, 2008	Sept. 30, 2007	Favorable (Unfavorable)	Favorable (Unfavorable)	Sept. 28, 2008	Sept. 30, 2007
(in thousands, except percentage data)						
Net revenue:						
Industrial Group	\$ 57,969	\$ 67,595	\$ (9,626)	(14.2)%	57.9%	64.7%
Aerospace & Defense	28,123	23,604	4,519	19.1	28.1	22.6
Test & Measurement	14,065	13,321	744	5.6	14.0	12.7
Electronics Group	42,188	36,925	5,263	14.3	42.1	35.3
Total	100,157	104,520	(4,363)	(4.2)	100.0	100.0
Cost of sales:						
Industrial Group	57,663	62,882	5,219	8.3	99.5	93.0
Aerospace & Defense	25,282	21,133	(4,149)	(19.6)	89.9	89.5
Test & Measurement	10,557	10,033	(524)	(5.2)	75.1	75.3
Electronics Group	35,839	31,166	(4,673)	(15.0)	85.0	84.4
Total	93,502	94,048	546	0.6	93.4	90.0
Gross profit:						
Industrial Group	306	4,713	(4,407)	(93.5)	0.5	7.0
Aerospace & Defense	2,841	2,471	370	15.0	10.1	10.5
Test & Measurement	3,508	3,288	220	6.7	24.9	24.7
Electronics Group	6,349	5,759	590	10.2	15.0	15.6
Total	6,655	10,472	(3,817)	(36.4)	6.6	10.0
Selling, general and administrative	10,431	10,369	(62)	(0.6)	10.4	9.9
Research and development	938	608	(330)	(54.3)	0.9	0.6
Amortization of intangible assets	42	129	87	67.4	—	0.1
Nonrecurring expense	655	(4,835)	(5,490)	NM	0.7	(4.6)
Operating (loss) income	(5,411)	4,201	(9,612)	NM	(5.4)	4.0
Interest expense, net	1,093	991	(102)	(10.3)	1.1	0.9
Other expense (income), net	1,050	(26)	(1,076)	NM	1.0	—
(Loss) income before income taxes	(7,554)	3,236	(10,790)	NM	(7.5)	3.1
Income tax expense	202	599	397	66.3	0.2	0.6
Net (loss) income	\$ (7,756)	\$ 2,637	\$ (10,393)	NM	(7.7)%	2.5%

Nine Months Ended September 28, 2008 Compared to Nine Months Ended September 30, 2007

	Nine Months Ended		Year Over Year Change	Year Over Year Percentage Change	Results as Percentage of Net Revenue for the Nine Months Ended	
	Sept. 28, 2008	Sept. 30, 2007	Favorable (Unfavorable)	Favorable (Unfavorable)	Sept. 28, 2008	Sept. 30, 2007
Net revenue:						
Industrial Group	\$ 196,884	\$ 220,186	\$ (23,302)	(10.6)%	62.2%	66.3%
Aerospace & Defense	78,558	72,655	5,903	8.1	24.8	21.9
Test & Measurement	41,327	39,365	1,962	5.0	13.0	11.8
Electronics Group	119,885	112,020	7,865	7.0	37.8	33.7
Total	316,769	332,206	(15,437)	(4.6)	100.0	100.0
Cost of sales:						
Industrial Group	184,416	206,404	21,988	10.7	93.7	93.7
Aerospace & Defense	71,181	66,252	(4,929)	(7.4)	90.6	91.2
Test & Measurement	30,714	29,370	(1,344)	(4.6)	74.3	74.6
Electronics Group	101,895	95,622	(6,273)	(6.6)	85.0	85.4
Total	286,311	302,026	15,715	5.2	90.4	90.9
Gross profit:						
Industrial Group	12,468	13,782	(1,314)	(9.5)	6.3	6.3
Aerospace & Defense	7,377	6,403	974	15.2	9.4	8.8
Test & Measurement	10,613	9,995	618	6.2	25.7	25.4
Electronics Group	17,990	16,398	1,592	9.7	15.0	14.6
Total	30,458	30,180	278	0.9	9.6	9.1
Selling, general and administrative	31,485	29,740	(1,745)	(5.9)	9.9	9.0
Research and development	3,022	2,001	(1,021)	(51.0)	1.0	0.6
Amortization of intangible assets	171	457	286	62.6	—	0.1
Nonrecurring items	655	(3,281)	(3,936)	NM	0.2	(1.0)
Operating (loss) income	(4,875)	1,263	(6,138)	NM	(1.5)	0.4
Interest expense, net	3,068	2,624	(444)	(16.9)	1.0	0.8
Other expense, net	134	15	(119)	(793.3)	—	—
Loss before income taxes	(8,077)	(1,376)	(6,701)	(487.0)	(2.5)	(0.4)
Income tax expense (benefit)	229	(1,467)	(1,696)	(115.6)	0.1	(0.4)
Net (loss) income	\$ (8,306)	\$ 91	\$ (8,397)	NM	(2.6)%	— %

Backlog. At September 28, 2008, backlog for our Aerospace & Defense segment decreased \$2.7 million to \$102.0 million from \$104.7 million at September 30, 2007, on a 2% decrease in net orders to \$81.4 million in the nine months ended September 28, 2008 compared to \$83.1 million in net orders in the first nine months of 2007. Backlog for our Test & Measurement segment increased \$1.3 million to \$7.3 million at September 28, 2008, on \$40.9 million in net orders compared to \$39.8 million in net orders for the first nine months of 2007. We expect to convert approximately 84% of the Aerospace & Defense backlog and 100% of the Test & Measurement backlog at September 28, 2008 to revenue during the next twelve months.

Net Revenue. The Industrial Group derives its revenue from manufacturing services and product sales. Net revenue in the Industrial Group decreased \$9.6 million and \$23.3 million from the prior year third quarter and nine month periods, respectively. Depressed market conditions for light trucks, commercial vehicles and trailers have contributed to volume related reductions in net revenue of approximately \$12.9 million and \$40.5 million for the third quarter and nine month periods, respectively. Partially offsetting the volume change is an increase in steel prices, which is contractually passed through to customers under certain contracts, resulting in an increase in net revenue of \$5.6 million and \$14.6 million for the third quarter and nine month periods, respectively. The Industrial

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Group also realized a decrease in net revenue of \$2.3 million for the third quarter as a result of lower revenue from contractual settlements and pricing as compared to the prior year period. Net revenue for the nine months ended September 28, 2008 increased approximately \$2.6 million over the prior year as a result of contractual settlements with certain customers and other pricing related changes.

The Aerospace & Defense segment derives its revenue from product sales and technical outsourced services. Net revenue in the Aerospace & Defense segment increased \$4.5 million and \$5.9 million for the third quarter and nine month periods, respectively, primarily due to increased sales of link encryption products. Offsetting this was a reduction in sales of certain data recording products of \$0.9 million and \$4.5 million, respectively for the three and nine months ended September 28, 2008.

The Test & Measurement segment derives its revenue from technical services and product sales. Technical services revenue accounted for approximately 86% of total Test & Measurement revenue in the nine months of 2008 compared to 89% for the nine months of 2007. Test & Measurement segment net revenue increased \$0.7 million from the prior year third quarter primarily as a result of a \$0.9 million increase in sales of magnetic meters and sensors, partially offset by a \$0.4 million decrease in component screening services. Net revenue increased \$2.0 million for the nine months ended September 28, 2008 primarily due to a \$1.1 million increase in sales of magnetic meters and sensors and a \$0.8 million increase in calibration services.

Gross Profit. The Industrial Group's gross profit of \$0.3 million and \$12.5 million in the third quarter and nine month periods of 2008, respectively, decreased from \$4.7 million and \$13.8 million in the third quarter and nine month periods of 2007, respectively, primarily as a result of decreased sales volumes, higher utilities and higher labor and related costs. This was partially offset by various productivity improvements made during the periods.

The Industrial Group's gross profit as a percentage of revenue decreased to 0.5% from 7.0% for the third quarter of 2008 but remained flat at 6.3% for the nine month periods of 2008 and 2007, respectively. The depressed market conditions in the light truck, commercial vehicle and trailer markets are expected to continue into the fourth quarter of 2008, and we anticipate the corresponding volume decline for our business will result in lower net revenues and gross profits for the Industrial Group for the remainder of 2008.

The Aerospace & Defense segment's gross profit increased \$0.4 million and \$1.0 million for the third quarter and nine month periods of 2008, respectively, primarily due to increased revenues. Gross profit as a percentage of revenue in the third quarter of 2008 decreased to 10.1% from 10.5%. For the nine month periods ended, gross profit as a percentage of revenue improved to 9.4% in 2008 from 8.8% in 2007.

The Test & Measurement segment's gross profit increased 6.7% or \$0.2 million and 6.2% or \$0.6 million for the third quarter and nine month periods of 2008, respectively. The improvement in gross profit for both periods is primarily due to the increased sales volume and the impact of productivity initiatives partially offset by cost inflation. Gross profit as a percentage of revenue also increased to 24.9% and 25.7% for the third quarter and nine month periods of 2008 from 24.7% and 25.4% for the third quarter and nine month periods of 2007, respectively.

Selling, General and Administrative. Selling, general and administrative expense increased \$0.1 million and \$1.7 million for the third quarter and nine month periods of 2008, respectively, primarily due to higher labor and related costs.

Research and Development. Research and development costs during the third quarter and nine month periods ended September 28, 2008 increased from the prior year periods primarily due to new product development efforts for a next generation secured communications device within our Aerospace & Defense segment.

Nonrecurring Expense, Net. Nonrecurring items in 2008 include severance and information technology costs related to the decision to merge Sypris Electronics and Sypris Data Systems into a single organization within the Aerospace & Defense segment. Nonrecurring items in 2007 include the gain recognized as part of the Dana settlement agreement offset by the write-off of certain accounts receivable and other assets, legal and professional fees incurred as a result of the Dana Bankruptcy filing and other transaction related costs.

Interest Expense. Interest expense for the third quarter and nine months ended September 28, 2008 increased primarily due to an increase in the weighted average debt outstanding. Our weighted average debt

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outstanding increased to \$57.0 million and \$55.4 million for the third quarter and nine month periods of 2008, respectively, from \$50.8 million and \$52.3 million during the third quarter and nine month periods of 2007. The weighted average interest rate was 6.4% and 6.7% for the third quarter and nine month periods of 2008, respectively, compared to 7.3% and 6.6% for the third quarter and nine month periods of 2007.

Other Expense (Income), Net. Other expense, net increased \$1.1 million and \$0.1 million for the third quarter and nine month periods ended September 28, 2008, primarily due to foreign currency transaction losses of \$1.0 million and \$0.3 respectively, while such amounts in the prior year periods were not significant.

Income Taxes. The provision for income taxes in the third quarter and nine month periods of 2008 includes a valuation allowance on the deferred tax assets generated by domestic operating losses. The requirement for a valuation allowance limits the domestic tax benefit recognized in 2008 and, when combined with the tax expense recorded on the profitable Mexico operations, results in a tax expense on the consolidated pre-tax loss for the quarter and nine months ended September 28, 2008.

Liquidity, Capital Resources and Financial Condition

Net cash provided by operating activities was \$10.1 million in the first nine months of 2008, as compared to \$3.3 million net cash used in 2007. Accounts receivable decreased in 2008 and provided \$2.9 million, as a result of a continued emphasis on collections with significant customers. Inventory decreased in 2008 and provided \$1.9 million, primarily due to volume reductions in the Industrial Group. Other current assets decreased in 2008 and provided \$6.2 million, primarily due to a \$6.9 million receipt associated with the Dana settlement. Accounts payable increased in 2008 and provided \$8.1 million primarily due to the timing of disbursements for inventory and capital expenditures. Accrued liabilities decreased in 2008 and used \$13.4 million, primarily due to a \$9.5 million payment for the 2007 Mexico income tax liability. Other noncash items in 2008 include the amortization of deferred revenue attributable to the Dana settlement.

Net cash used in investing activities increased \$3.1 million to \$8.4 million for the first nine months of 2008, primarily due to higher capital expenditures.

Net cash used in financing activities was \$1.7 million in the first nine months of 2008, as compared to \$7.4 million in the first nine months of 2007, primarily due to additional payments on debt of \$5.0 million in the prior year period.

We had total borrowings under our Revolving Credit Agreement of \$35.0 million at September 28, 2008 and an unrestricted cash balance of \$14.6 million. Approximately \$2.8 million of the unrestricted cash balance relates to our Mexican subsidiaries. Maximum borrowings on the Revolving Credit Agreement are \$50.0 million, with \$50.0 million of additional borrowings available upon lead bank approval. Standby letters of credit up to a maximum of \$15.0 million may be issued under the Revolving Credit Agreement of which \$1.9 million were issued at September 28, 2008.

As of September 28, 2008, our principal commitment under the Revolving Credit Agreement is due in October 2009, while our principal commitment under the Senior Notes is \$4.1 million, \$15.0 million and \$10.9 million due in 2009, 2011 and 2012, respectively. We also had purchase commitments totaling approximately \$32.9 million at September 28, 2008, primarily for inventory and manufacturing equipment.

We believe that sufficient resources will be available to satisfy our cash requirements for at least the next twelve months. Our assessment of the availability of funds for the next twelve months is based in part on our intent to renegotiate our current Revolving Credit Agreement and Senior Notes or to retire both of these obligations in connection with the execution of new debt financing agreements. There can be no assurance that any additional required financing will be available through bank borrowings, debt or equity financings or otherwise, or that if such financing is available, it will be available on terms acceptable to us. If adequate funds are not available on acceptable terms, our business, consolidated results of operations and financial condition could be adversely affected.

On September 28, 2008 the Company was in compliance with its debt covenants. As of November 3, 2008, the closing price for DAN common stock was \$2.09 per share. Should the price for DAN stock remain at the

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November 3, 2008 price and the decline in value be considered “other-than-temporary”, the Company would be required to take a charge of \$56.3 million, net of \$5.3 million of income taxes, through its results of operations. Such a charge would likely result in a violation of the Company’s minimum net worth covenants under its Revolving Credit Agreement and Senior Notes as of December 31, 2008, based on current financial projections. In the event of such an occurrence, the Company would seek a waiver from its current creditors. There can be no assurance that in such an event a waiver could be obtained from the Company’s current creditors or if so it would be on terms satisfactory to the Company.

Cash requirements for periods beyond the next twelve months depend on our profitability, our ability to manage working capital requirements and our rate of growth. If we make significant acquisitions, if our largest customers experience financial difficulty, if we do not remain in compliance with applicable covenants in any debt or other financing obligations or if working capital and capital expenditure requirements exceed expected levels during the next twelve months or in subsequent periods, we may require additional external sources of capital. There can be no assurance that any additional required financing will be available through bank borrowings, debt or equity financings or otherwise, or that if such financing is available, it will be available on terms acceptable to us. If adequate funds are not available on acceptable terms, our business, consolidated results of operations and financial condition could be adversely affected.

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 in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007. There have been no significant changes in our critical accounting policies during the nine month period ended September 28, 2008, except for the treatment of securities impairment, for which our new policy is outlined below.

As of September 28, 2008, we accounted for all of our marketable securities as available-for-sale. We evaluate our available-for-sale securities for other-than-temporary impairment under SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (SFAS No. 115). SFAS No. 115 requires an investor to determine when an investment is considered impaired (i.e., the fair value is below its cost), evaluate whether the impairment is other-than-temporary (i.e., the investment value will not be recovered over its remaining life), and, if the impairment is other-than-temporary, recognize an impairment loss equal to the difference between the investment’s cost and its fair value. The guidance also includes accounting considerations subsequent to the recognition of other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments.

The Company’s available-for-sale securities are carried at estimated fair value, with any unrealized gains and losses, net of taxes, reported as accumulated other comprehensive income/loss in stockholders’ equity. The fair value of securities in the portfolio is based on published or securities dealers’ market values. The Company periodically reviews and evaluates the securities portfolio to determine if the decline in the fair value is other-than-temporary. If such a decline is deemed to be other-than-temporary, the security is written down to a new cost basis, and the resulting loss is charged to earnings. At September 28, 2008, the Company carried no other-than-temporarily impaired securities.

Forward-looking Statements

This quarterly report, 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 industries, business strategies, potential acquisitions or financial results and our views about developments beyond our control, including domestic or global economic conditions, trends and market developments. These statements are based on management’s views and assumptions at the time originally made, and 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

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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 ability to liquidate our equity interests in Dana Holding Corporation (NYSE:DAN) at satisfactory valuation levels¹; potential impairments, non-recoverability or write-offs of goodwill, assets or deferred costs, including deferred tax assets in the U.S.; fees, costs or other dilutive effects of refinancing, compliance with covenants in, or acceleration of, our loan and other debt agreements; costs and inefficiencies of restructuring our manufacturing capacity; breakdowns, relocations or major repairs of machinery and equipment; our inability to successfully launch new or next generation programs; the cost, 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; cost and availability of raw materials such as steel, component parts, natural gas or utilities; volatility of our customers' forecasts, financial conditions, market shares, product requirements or scheduling demands; cyclical or other downturns; adverse impacts of new technologies or other competitive pressures which increase our costs or erode our margins; failure to adequately insure or to identify environmental or other insurable risks; inventory valuation risks including obsolescence, shrinkage, theft, overstocking or underbilling; changes in government or other customer programs; reliance on major customers or suppliers, especially in the automotive or aerospace and defense electronics sectors; revised contract prices or estimates of major contract costs; dependence on, recruitment or retention of key employees; union negotiations; pension valuation, health care or other benefit costs; labor relations; strikes; risks of foreign operations; currency exchange rates; the costs and supply of debt, equity capital, or insurance (including the possibility that our common stock could cease to qualify for listing on the NASDAQ Stock Market due to a sustained decline in prices per share, or that any reverse stock split or other restructuring of our debt or equity financing could be accompanied by the deregistration of our common stock or other "going private" transactions); changes in licenses, security clearances, or other legal rights to operate, manage our work force or import and export as needed; weaknesses in internal controls; the costs of compliance with our auditing, regulatory or contractual obligations; regulatory actions or sanctions; disputes or litigation, involving customer, supplier, creditor, stockholder, product liability, asbestos-related or environmental claims; 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, 2007.

In this quarterly report, we may rely on and refer to information and statistics regarding the markets in which we compete. We obtained this information and these statistics from various third party sources and publications that are not produced for the purposes of securities offerings or reporting or economic analysis. We have not independently verified the data and cannot assure the accuracy of the data we have included.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to financial market risks, including changes in interest rates, foreign currency exchange rates and prices for equity securities.

Interest Rate Risk

All additional borrowings under our credit agreement bear interest at a variable rate based on the prime rate, the London Interbank Offered Rate ("LIBOR"), or certain alternative short-term rates, plus a margin (1.75% at September 28, 2008) based upon our leverage ratio. A change in interest rates of 100 basis points would result in additional interest expense of less than \$0.4 million on an annualized basis, based upon our debt outstanding at September 28, 2008. A change in fixed interest rates of 100 basis points would change the fair value of our Senior Notes by \$1.0 million. Inflation has not been a significant factor in our operations in any of the periods presented; however, there can be no assurances that the costs of steel will not adversely affect our working capital requirements and our associated interest costs, which could also increase the sensitivity of our results to changes in interest rates.

¹ *As of September 28, 2008, we had received distributions of approximately 3.4 million shares of DAN common stock. Due to market conditions and certain other factors, we believe that the recent trading prices of DAN common stock do not reflect its longer-term value. However, if we sell these shares at current prices or such prices otherwise reflect a decline in value which is deemed to be "other than temporary" or otherwise beyond our ability to hold these shares until their prices have recovered our business, results of operations, covenants in our loan and other debt agreements, cash flows and financial condition could be materially adversely impacted.*

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Foreign Exchange Risk

Fluctuations in foreign currency exchange rates have historically impacted our earnings only to the extent of remeasurement gains related to U.S. dollar denominated accounts of our foreign subsidiary, because the vast majority of our transactions are denominated in U.S. dollars. A one percent change in foreign currency exchange rates would result in remeasurement gain or loss of approximately \$0.2 million on an annualized basis, based upon the U.S. dollar denominated accounts of our foreign subsidiary at September 28, 2008. For the third quarter and nine months ended September 28, 2008, other income, net includes foreign currency transaction losses of \$1.0 million and \$0.3 million, respectively. Similar amounts for 2007 were not significant.

Equity Price Risk

With respect to our ownership of common stock in DAN, we are also subject to equity price risk. The Company received approximately 3.1 million shares of DAN common stock in its initial distribution from the bankruptcy estate on February 11, 2008 and received an additional 0.1 million and 0.2 million shares on April 21, 2008 and July 30, 2008, respectively. Subsequent distributions are anticipated following the resolution of disputed matters within the estate. The Company anticipates receiving approximately 0.4 million additional shares following the resolution of these matters. Based on these assumptions, a permanent change of \$1.00 per share in the value of DAN stock would change the fair value of our holdings September 28, 2008 by approximately \$3.8 million.

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 Chief 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

None.

ITEM 1A. RISK FACTORS

Our common stock is currently listed on the NASDAQ Global Market. In the future, the Company may not be able to meet the continued listing requirements of NASDAQ. The continued listing requirements on NASDAQ require, among other things, that the average closing price of common stock be not less than \$1.00 for 30 consecutive trading days. Since September 28, 2008, the Dow Jones Industrial average has fallen from 11,143 to as low as 8,176 on October 27, 2008. A number of major financial institutions have failed, merged or received involuntary infusions of cash from the United States Treasury Department. The environment for obtaining commercial loans and other forms of debt financing has changed dramatically. Given the rapid pace of regulatory change as well as economic volatility, we are continuing to evaluate the ultimate impact of these developments on our financial condition, estimates, reserves or other aspects of our businesses.

For additional information regarding factors that could affect the Company's results of operations, financial condition and cash flows, see the risk factors discussed in "MD&A—Forward-Looking Statements," in Part I—Item 2 of this Form 10-Q and in Part I—Item 1A of our Report on Form 10-K for the fiscal year ended December 31, 2007.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On August 1, 2008, and August 29, 2008, the restrictions on 17,000 and 4,310 restricted shares expired, respectively. As a result, 5,501 and 1,001 shares, respectively, were withheld by the Company for payment of employee payroll taxes related to such vesting. Common shares repurchased were immediately cancelled. The following table summarizes our repurchases during the third quarter ended September 28, 2008:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as a Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</u>
August 1, 2008	5,501	\$ 3.61	—	\$ —
August 29, 2008	1,001	\$ 2.25	—	\$ —

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
4.1	Notice of Removal of Rights Agent and Appointment of Successor Rights Agent and Amendment No. 1 to the Rights Agreement effective as of September 8, 2008.
10.1	Agreement to Sixth Renewal of Lease between Sweetwell Industries Associates, L.P. and Group Technologies Corporation dated August 13, 2008, regarding Tampa industrial park property.
31(i).1	CEO certification pursuant to Section 302 of Sarbanes - Oxley Act of 2002.
31(i).2	CFO certification pursuant to Section 302 of Sarbanes - Oxley Act of 2002.
32	CEO and CFO certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002.

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: November 5, 2008

By: _____
/s/ Brian A. Lutes
(Brian A. Lutes)
Vice President & Chief Financial Officer

Date: November 5, 2008

By: _____
/s/ M. Glen French
(M. Glen French)
Controller (Principal Accounting Officer)

SYPRIS SOLUTIONS, INC.
101 Bullitt Lane, Suite 450
Louisville, Kentucky 40222

August 18, 2008

National City Bank
Shareholder Services Administration
Suite 635, LOC 01-3116
629 Euclid Avenue
Cleveland, Ohio 44114
Attention: Rachel A. Leon, AVP

LaSalle Bank National Association
Corporate Trust Administration
135 S. LaSalle Street
Chicago, Illinois 60603

Re: Notice of Removal of Rights Agent and Appointment of Successor Rights Agent and Amendment No. 1 to the Rights Agreement (this "Amendment No. 1 to Rights Agreement").

Ladies and Gentlemen:

1. Pursuant to Section 22 of the Rights Agreement, dated as of October 23, 2001 (the "Rights Agreement") between Sypris Solutions, Inc. (the "Company") and LaSalle Bank National Association, as Rights Agent (the "Rights Agent"), the Company hereby provides notice of the Rights Agent's removal as rights agent pursuant to the Rights Agreement, which removal shall be effective as of September 5, 2008, and the Rights Agent hereby accepts and agrees to such removal, effective as of September 5, 2008, and waives the time periods, notice and other requirements for removal of the Rights Agent pursuant to the Rights Agreement by its countersignature to this Amendment No. 1 to Rights Agreement in the space provided below.

2. Pursuant to Section 22 of the Rights Agreement, the Company hereby appoints National City Bank ("NCB") as successor to the Rights Agent, as rights agent to act as agent for the Company in accordance with the terms and conditions of the Rights Agreement, which appointment will be effective as of September 8, 2008, and NCB hereby accepts such appointment, also effective as of September 8, 2008, by its countersignature to this Amendment No. 1 to Rights Agreement in the space provided below.

3. NCB and the Company agree to take all actions reasonably necessary to physically substitute the name and address of NCB in any legend appearing on any of the Company's unissued stock certificates, in place of the name and address of LaSalle, at the Company's reasonable expense.

4. Pursuant to Section 28 of the Rights Agreement, the Company, by resolution adopted by its Directors, and the Rights Agent hereby amend the Rights Agreement as follows, and NCB agrees to be bound thereby:

(a) Section 21(a) of the Rights Agreement is hereby amended and restated in its entirety as follows:

“(a) Before the Rights Agent acts or refrains from acting, and with the Company’s prior written consent which may not be unreasonably withheld, the Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the advice or opinion of such counsel shall be full and complete authorization and protection to the Rights Agent, and the Rights Agent shall incur no liability for or in respect of any action taken or omitted by it in good faith and in accordance with such advice or opinion.”

(b) Section 21(j) of the Rights Agreement is hereby further amended by adding the following language following the sixth sentence thereof:

“The costs and expenses involved in any dispute regarding the enforcement of these rights of indemnification will be paid by the non-prevailing party in such dispute.”

(c) Section 21(j) is hereby further amended by amending and restating the last sentence of Section 21(j) in its entirety as follows:

“The provisions of this Section 21 shall survive the resignation, substitution or removal of the Rights Agent and the termination of this Agreement.”

(d) The Company and NCB agree that the address and contact information set forth above for NCB will be the information for NCB for purposes of Section 25 of the Rights Agreement.

5. The Rights Agreement shall not otherwise be supplemented or amended by virtue of this Amendment No. 1 to Rights Agreement, but shall remain in full force and effect.

6. This Amendment No. 1 to Rights Agreement shall be deemed to be a contract made under the law of the State of Delaware and for all purposes will be governed by and construed in accordance with the law of such State applicable to contracts to be made and performed entirely within such State.

7. This Amendment No. 1 to Rights Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

8. Exhibit B to the Rights Agreement shall be deemed amended in a manner consistent with this Amendment No. 1 to Rights Agreement.

Very truly yours,

SYPRIS SOLUTIONS, INC.

By: /s/ John R. McGeeney

Name: John R. McGeeney

Title: General Counsel

Accepted and agreed to as of the date first written above:

LASALLE BANK NATIONAL ASSOCIATION

By: /s/ Gregory Malatia

Name: Gregory Malatia

Title: Senior Vice President

Accepted and agreed to as of the date first written above:

NATIONAL CITY BANK

By: /s/Rachel A. Leon

Name: Rachel A. Leon

Title: Assistant Vice President

FOURTH AMENDMENT TO LEASE AGREEMENT

THIS FOURTH AMENDMENT TO LEASE AGREEMENT (this "**Amendment**") is made and entered into by and between SWEETWELL INDUSTRIAL ASSOCIATES, L.P., a Delaware limited partnership ("**Landlord**") and SYPRIS ELECTRONICS, LLC, a Delaware limited liability company ("**Tenant**"). This Amendment is also being joined into by UNIVERSITY RESIDENCES-TAMPA, LLC, an Ohio limited liability company (the "**Developer**"), for the limited purposes set out in this Amendment and the attached Joinder of Developer of Released Land. This Amendment is effective on the date (the "**Effective Date**") that it is executed by the last of Landlord, Tenant and Developer.

WHEREAS, Tenant is the current lessee, and Landlord is the current lessor, under that certain Lease Agreement dated April 27, 1979 by and between John Hancock Mutual Life Insurance Company, as lessor, and Honeywell, Inc., as lessee, which Lease Agreement demises certain premises (the "**Demised Premises**") located in the City of Tampa, Hillsborough County, Florida and legally described on Page 1 of the Lease Agreement; the original Lease Agreement, as amended by First Amendment to Lease Agreement made as of the 25th day of October 1991 (the "**First Amendment**"), as further amended by Agreement Relating to Fourth Renewal of Lease last dated November 1, 2000 (the "**Second Amendment**"), as supplemented by that Letter Agreement between Landlord and Tenant dated August 30, 2006 (the "**Letter Agreement**"), and as further amended by Third Amendment to Lease Agreement made as of the 12th day of October 2006 (the "**Third Amendment**") is referred to in this Amendment as the "**Lease**"; and

WHEREAS, Landlord has requested the Reduction Amendment be entered into and the Land Release occur prior to the satisfaction of all the conditions for the Land Release, all as defined and set out in the Third Amendment, and Tenant is willing to allow the Land Release to occur prior to the satisfaction of all the conditions for the Land Release set out in the Third Amendment, on and subject to the terms and conditions of this Amendment.

NOW, THEREFORE, for and in consideration of the mutual promises and covenants contained herein, along with other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Recitals and Definitions.** The above Recitals are true and correct and are a part of this Amendment. Words used in this Amendment without definition, but which are defined in the Lease, have the same meaning in this Amendment as in the Lease.

2. **Reduction in Demised Premises.** The land legally described on Exhibit "A-1" and shown on Exhibit "A-2" to this Amendment is the Released Land and is hereby released from the Lease and removed from the Demised Premises. The Effective Date of this Amendment is the Land Release Date. Following the Effective Date, the land included in the Demised Premises shall be that land legally described on Exhibit "B-1" and shown on Exhibit "B-2" to this Amendment.

3. **Tenant Improvement Allowance.** The references to “thirty (30) months” in Section 5 of the Third Amendment are hereby changed to “forty-two (42) months” and the reference to “30-month” in Section 5 of the Third Amendment is hereby changed to “42-month”. Exhibit B to the Third Amendment is hereby replaced with Exhibit “X” attached to this Amendment.

4. **Landlord’s Work.** Landlord intends, acknowledges and confirms that, under the Third Amendment, Landlord is required to perform, at its cost and expense, all alterations and other work required to the Released Land or the Retained Land to allow the division of the Released Land and the Retained Land into separate ownership and to cause the Retained Land to be in compliance with all applicable Code Requirements (defined in the Third Amendment and referred to herein as the “**Landlord’s Work**”). A summary of the contemplated Landlord’s Work is set out on Exhibit “C-1” to this Amendment.

5. **Plans and Specifications for Landlord’s Work.** Prior to the Effective Date, Landlord and Tenant have agreed upon plans and specifications for the Landlord’s Work (as agreed upon, the “**Approved Plans**”). All work reflected on (or reasonably inferred from to achieve the results intended by) the Approved Plans shall be performed as part of Landlord’s Work. Three (3) full sets of the Approved Plans have been initialed by the Landlord, Tenant and Developer, and each has possession of one of the sets. The Approved Plans shall include a construction sequencing schedule for Landlord’s Work (the “**Construction Schedule**”). If following the agreement upon the Approved Plans it is reasonably determined that additional work is needed to achieve compliance with all applicable Code Requirements, the Approved Plans shall be amended in a manner reasonably determined by Tenant and Landlord to incorporate the additional required Landlord’s Work.

6. **Permits.** Landlord shall be responsible, at its cost and expense, to obtain all permits and approvals required for or in connection with the Landlord’s Work (collectively, the “**Permits**”). Landlord shall also be responsible to pay all fees, charges and other costs due or payable in connection with the Permits or the Landlord’s Work.

7. **Completion of Landlord’s Work.** Landlord shall complete the Landlord’s Work (i) in a good and workmanlike and high quality manner, (ii) in accordance with the Approved Plans, (iii) in accordance with all Code Requirements and the Permits, and (iv) in accordance with the Construction Schedule.

8. **Construction License.** Tenant hereby grants in favor of Landlord and the Developer the license to go upon the Demised Premises in order to perform the Landlord’s Work (the “**Right of Entry**”) in accordance with the terms and conditions of this Amendment.

9. **General Construction Standard.** Landlord covenants and agrees that the Landlord's Work will be performed using all commercially reasonable efforts and measures to maintain the security of Tenant's facility being operated on the Retained Land (the "**Sypris Facility**") and to minimize any inconvenience to Tenant and its customers, employees and other invitees.

10. **Specific Construction Requirements.**

(a) **Construction Coordination.** Landlord will coordinate all work on or impacting the Retained Land with Tenant's construction coordinator, as designated from time to time by Tenant ("**Tenant's Construction Coordinator**"). Tenant's Construction Coordinator is initially Dan Germond, whose phone number is (813) 972-6972. Landlord will at all times have a construction manager to coordinate the Landlord's Work and the work on the Released Land ("**Landlord's Construction Manager**"), who will be Tenant's primary contact for issues relative to the Landlord's Work and the work on the Released Land and will be available to address concerns that Tenant may have during construction. Landlord's Construction Manager is initially Dan Diciolla, whose phone number is (614) 623-4360 and whose e-mail address is dan.diciolla@edwardsccc.com. Landlord will notify Tenant's Construction Coordinator immediately upon any change in Landlord's Construction Manager. Without the intent of limiting the obligations of Landlord under this Amendment, Tenant acknowledges that it is contemplated that (i) the Landlord's Work Obligations (as defined in Section 16) will be performed by the Developer (as provided for in Section 16) and that Landlord's Construction Manager will in fact be an employee of Developer and not of Landlord, and (ii) Landlord will, in lieu of performing the Landlord's Work Obligations, cause Developer to perform the Landlord's Work Obligations.

(b) **Construction Fencing.** Landlord acknowledges the importance that the perimeter of the Retained Land being at all times secured due to the nature of the operations at the Sypris Facility. Prior to the commencement of any clearing, construction staging, earth work or other construction activities on the Released Land ("**Construction Commencement**"), Landlord shall cause a six (6) foot chain link construction fence to be erected around the Released Land and a portion of the Retained Land upon which certain Landlord's Work is to be performed (the "**Construction Fence**"). The Construction Fence shall be in the location set out on Exhibit "D-1". A portion of the Construction Fence, which runs from the Released Land across the 100' platted utility easement to the east of the Released Land (designated as the "**Easement Fence**" on Exhibit "D-1") shall be constructed to be permanent and shall remain to connect the Permanent Fence (as defined below) to the existing fence running along the east side of the 100 foot platted utility easement. The Easement Fence shall include a gate on each side and shall be in accordance with specifications approved by Tampa Electric Company, which approval Tenant agrees to coordinate. Tenant shall be responsible for the ongoing maintenance of the Easement Fence, subject to Landlord's obligation to correct Defects as provided for in Section 12 below.

(c) Permanent Fence. Before the occupancy of any building within the Released Land (the “**Initial Occupancy**”), Landlord shall construct a permanent opaque fence six feet (6’) in height along the perimeter of the Released Land (as shown on Exhibit “D-2”) in accordance with applicable Code Requirements and the specifications set out on Exhibit “D-3” (the “**Permanent Fence**”). The Permanent Fence shall be installed in accordance with the manufacturer’s recommendations and anchored as recommended by Landlord’s engineer given the applicable soil conditions. The Construction Fence shall be removed and the Permanent Fence shall be constructed in segments so that, at all times, there is a complete continuous fence along the northern and southern property lines of the Retained Land.

(d) Construction Activities. No portion of the Retained Land (other than that within the Construction Fence within which certain Landlord’s Work is to be performed) shall be used for construction access, construction staging or otherwise in connection with the development of the Released Land without the prior written consent of Tenant, which may be granted or denied in Tenant’s sole discretion.

(e) Liability Insurance. Landlord will carry (or cause to be carried) commercial general liability insurance covering liability in connection with the Landlord’s Work with a combined single limit of coverage of not less than \$3,000,000, which shall name Tenant as an additional insured.

(f) Construction Sequencing. Landlord’s Work will be sequenced in a manner to minimize the impact on the efficient and orderly operation of the Demised Premises and to minimize any inconvenience to Tenant’s customers, employees and other invitees.

(g) Drainage During Construction. In order to avoid any ponding or accumulation of water on the Retained Land resulting from the improvements and other work contemplated for the Released Land, prior to doing any work which would disrupt or interfere with the existing flow of surface water from the Retained Land onto the Released Land, Landlord will perform such work and install such facilities as may be required (which may involve the installation of drainage pipes connected to a temporary pond on the Released Land), so that, at all times, the flow of surface water off of the Retained Land is not interfered with (the “**Stormwater Control Measures**”). The Stormwater Control Measures will stay in place until the Industrial Collection Facilities and the Multi-Family Stormwater Retention Facilities (as such terms are defined in the Declaration referenced in Section 17 of this Amendment) are completed and operational.

(h) Construction Debris and Materials. Except with Tenant’s prior written consent (which may be granted or denied in Tenant’s sole discretion), Landlord shall use all

commercially reasonable efforts not to allow any trash, dirt, sand, debris or construction materials to be placed upon or to otherwise enter the Retained Land and any such trash, dirt, sand, debris or construction materials which become present on the Retained Land will be immediately removed by Landlord.

(i) **Indemnity.** Landlord agrees to indemnify, defend and hold Tenant harmless from and against any claims, damages, losses, costs and expenses (including, without limitation, attorneys fees) arising out of (i) the Landlord's Work, or (ii) Landlord's failure to comply with this Amendment, except to the extent any such claims, damages, losses, costs or expenses are caused by the active negligence or willful tortious acts or omissions of Tenant, or its agents, employees or contractors.

(j) **Liens.** Within thirty (30) days of a demand by Tenant (ten days if a foreclosure suit has been filed), Landlord will discharge by payment or bond any liens filed against the Demised Premises as a result of the Landlord's Work or any other work, service or materials contracted for in connection with the Landlord's Work or any work on the Released Land.

The foregoing work shall all be performed and complied with by Landlord as part of Landlord's Work.

11. **Completion of Work.** Landlord's Work shall be deemed completed (the "**Completion of Landlord's Work**") when (i) Landlord delivers to Tenant a certification of Landlord's Construction Manager and Landlord's general contractor that the Landlord's Work has been fully completed in accordance with Approved Plans; (ii) the Landlord's Work has been inspected by Tenant's Construction Coordinator and any items found to be incomplete or deficient have been fully corrected to Tenant's reasonable satisfaction; (iii) "as-built" plans for Landlord's Work have been provided to Tenant; (iv) Landlord has delivered to Tenant a title report for the Retained Land reflecting that no liens have been filed against the Retained Land arising out of the Landlord's Work and any Notice of Commencement that may encumber the Retained Land has been terminated; and (v) the Landlord's Work has otherwise been completed as required by this Amendment. Landlord shall cause the substantial completion of Landlord's Work to occur within two hundred twenty (220) days from Construction Commencement and the final Completion of Landlord Work to occur within thirty (30) days from substantial completion; provided that the foregoing dates shall be extended to the extent of delays in the Landlord's Work caused by fire, labor and material shortages that were not reasonably foreseeable, hurricanes, storms and other extreme weather (other than reasonably foreseeable rain events), and other similar reasonably unforeseen events (expressly excluding financial inability to perform) that are outside the reasonable control of Landlord and would typically be included in force majeure delays for commercial construction projects in the state of Florida.

12. **Correction of Defects.** If prior to the first anniversary of the Completion of Landlord's Work Tenant encounters or discovers any defects, omissions or deficiencies

(including a violation of the requirements of this Amendment) in the Landlord's Work (each, a "**Defect**"), Tenant may provide notice of the Defect to Landlord (a "**Defect Notice**"). Except to the extent caused by the negligence or wrongful acts of Tenant, or its agents, employees or contractors, Landlord agrees to cure and correct the Defect as soon as reasonably possible following the Defect Notice through the exercise of all commercially reasonable efforts.

13. **Declaration of Reciprocal Easements.** Prior to Construction Commencement, Landlord shall cause to be fully executed and recorded the Declaration of Covenants, Restrictions and Easements in the form agreed upon by Landlord, Tenant and Developer (the "**Declaration**") and notify Tenant that the Declaration has been recorded. The Declaration shall not be subject or subordinate to the lien of any mortgage.

14. **Self-Help.** If (i) any gap or deficiency develops in the Construction Fence which is not corrected on or before the second (2nd) day (excluding Sundays) following notice to Landlord's Construction Manager (which may be by e-mail or phone; a voice mail message left shall be considered notice), or (ii) Landlord does not commence the cure of any Defect within five (5) days (excluding Sundays) following a Defect Notice and thereafter diligently and continually pursue the correction of the Defect to completion using all commercially reasonable efforts, or (iii) any other violation of this Amendment exists that negatively impacts, in any material respect (as reasonably determined by Tenant), Tenant's use or operation of the Retained Land or any part thereof and Landlord does not commence the cure of the violation on or before the fifth (5th) day (excluding Sundays) following a notice from Tenant and thereafter diligently and continually pursue the correction of the violation to completion using all commercially reasonable efforts (provided that no notice or cure period shall be required for the second violation of the same provisions during any thirty day period), Tenant may take such action as is required to repair the Construction Fence or correct the Defect or abate the negative impact, as applicable, and the reasonably documented costs and expenses incurred by Tenant to take such action shall be due and payable from Landlord to Tenant within thirty (30) days following Tenant's delivery to Landlord of an invoice therefor accompanied by reasonable documentation evidencing the costs and expenses incurred. Any sum that is not paid within the thirty (30) day period will bear interest (from the end of such twenty day period) at a rate equal to the lesser of (i) the Prime Rate of Interest (as published in the *Wall Street Journal*, currently in the Money Rates table) plus three percent (3%), and (ii) the maximum rate permitted under Florida law (the "**Default Rate**").

15. **Theft, Vandalism, Security Guard.** If during the construction on the Released Parcel, Tenant reports to Developer or Landlord's Construction Manager more than two incidents of theft, vandalism or trespassing (reasonably believed by Tenant to be a result of the construction on the Released Land), Developer will, at Tenant's request, reimburse Tenant for the reasonable cost to hire a security guard to patrol the perimeter of the Retained Land during such hours as Tenant may reasonably be necessary or desirable. The reimbursement shall be due and payable within ten (10) days of Developer's receipt of an invoice therefor and if not paid when due shall accrue interest at the Default Rate until paid. The Landlord, Tenant and Developer have agreed that the obligations under this Section 15 shall only be the obligation of the Developer and not of Landlord.

16. **Joinder of Developer.** The obligations under Sections 4, 5, 6, 7, 8, 9, 10, 11, 12 and 14 of this Amendment are referred to below as the “**Landlord’s Work Obligations**”. By separate agreement, between Landlord and the Developer, the Landlord’s Work Obligations have been assumed by the Developer, but this does not, in any way, reduce or otherwise impact Landlord’s obligation to Tenant under this Amendment, including, but not limited to, with respect to the Landlord’s Work Obligations.

17. **Obligations Under Declaration.** Substantially concurrently with the execution of this Amendment, Landlord is executing and recording a Declaration of Covenants, Restrictions and Easements (the “**Declaration**”). During the term of the Lease, Tenant agrees to comply with the Declaration as it relates to the use of the Demised Premises and to perform all of the obligations of the Owner of the Demised Premises under the Declaration, including, without limitation, the obligation to maintain the Access Driveway, the obligation to maintain the Industrial Collection Facilities (including, without limitation, all related under and above ground swales, grates, lines and pipes within the Demised Premises), and the obligation to Maintain the Border Fence, as each of those terms are defined in the Declaration; provided that Tenant is not assuming any liability for the acts of Landlord in violation of the Declaration or which create liability under the Declaration.

18. **Amendment Limited.** Except as provided for in this Amendment and except as may be required for consistency with this Amendment, the Lease remains unmodified and in full force and effect and is hereby ratified and confirmed.

19. **Successors and Assigns.** This Amendment shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

20. **Counterpart Execution.** This Amendment may be executed in multiple identical counterparts, all of which together shall constitute one document and this Amendment. The parties authorize the signature pages to be detached from the counterparts of this Amendment and all attached to one counterpart to form a single integrated document.

21. **Electronic Delivery.** The parties agree that signed copies of this Amendment delivered electronically may be relied upon, and that it shall not be necessary to obtain a copy containing an original signature for the enforceability of this Amendment.

22. **Real Estate Taxes.** Taxes allocated to the Released Land shall be prorated as provided for in Sections 7(a) and (b) of the Third Amendment.

23. **Exhibits.** The following Exhibits are attached to and a part of this Amendment:

- Exhibit "A-1" - Legal Description of Released Land
- Exhibit "A-2" - Depiction of Released Land
- Exhibit "B-1" - Legal Description of Retained Land (Demised Premises following release)
- Exhibit "B-2" - Depiction of Retained Land (Demised Premises following release)
- Exhibit "C-1" - Initial Summary of Contemplated Landlord's Work
- Exhibit "C-2" - Preliminary Sketch of Certain Landlord's Work
- Exhibit "C-3" - Stormwater Management Areas
- Exhibit "D-1" - Construction Fence and Easement Fence
- Exhibit "D-2" - Permanent Fence Location
- Exhibit "D-3" - Permanent Fence Specification
- Exhibit "X" - List of Contemplated Improvements

IN WITNESS WHEREOF, authorized representatives of Landlord and Tenant have executed this Amendment as shown below, effective as of the Effective Date.

SWEETWELL INDUSTRIAL ASSOCIATES, L.P.

SYPRIS ELECTRONICS, LLC

By: Capital Properties Associates IX, L.P.
Limited, a Delaware limited partnership,
as its general partner

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

Date: August __, 2008

Date: August __, 2008

Witnesses (as to Tenant):

Witnesses (as to Landlord):

Name: _____

Name: _____

Name: _____

Name: _____

JOINDER OF DEVELOPER OF RELEASED LAND

The undersigned (the "Developer") is or will be the tenant of the Landlord (or an affiliate of the Landlord) for the Released Land and intends to construct upon the Released Land a multi-family project intended to serve the needs of the students of the University of South Florida (the "Student Housing Project"). As between the Landlord and the Developer, it is the agreement that the Developer shall, at its cost and in accordance with the requirements of the Lease, as amended by the foregoing Fourth Amendment, perform the Landlord's Work Obligations and all related obligations. As to Tenant, the Landlord and Developer are jointly and severally liable for the performance of the Landlord's Work and neither shall be entitled to raise, as a defense to any claim or action by Tenant, that Tenant should first or simultaneously pursue the other.

Developer further agrees that prior to the Separate Assessment (as defined in the Third Amendment) of the Released Land and the Retained Land, Developer will pay to Tenant or reimburse Landlord for (if paid by Landlord) that portion of the Taxes as to which Landlord is responsible under Section 7(a) and 7(b) of the Third Amendment (copies of which have been provided to Developer). The Landlord will attempt to obtain a Separate Assessment as promptly as is reasonably possible. As to Tenant, the Landlord and Developer are jointly and severally liable for the performance of the Landlord's obligations under Section 7(a) and 7(b) of the Third Amendment and neither shall be entitled to raise, as a defense to any claim or action by Tenant, that Tenant should first or simultaneously pursue the other.

UNIVERSITY RESIDENCES-TAMPA, LLC

By: Tremont Family II LLC, its manager

By: _____

Name: _____

Its: _____

Date: August __, 2008

APPROVAL OF LENDER

The undersigned ("Lender"), the current holder of that certain Modification and Restatement of Mortgage by Sweetwell Industrial Associates, L.P., a Delaware limited partnership in favor of JPMorgan Chase Bank, N.A., a banking association chartered under the laws of the United States of America ("Original Lender"), dated December 28, 2006, and filed for record on January 5, 2007 in Official Records Book 17302, Pages 1629-1704 bearing instrument number 2007006837 in the official records of the Clerk of the Circuit Court Hillsborough County, Florida (the "Recorder's Office"), and as assigned by Original Lender to Lender pursuant to a certain Assignment of Modification and Restatement of Mortgage filed for record on August 9, 2007 in Official Records Book 18018, Pages 383-386 at 11:59:03 a.m. bearing instrument number 2007353142 in the Recorder's Office (the "Mortgage") encumbering the original Demised Premises described in the foregoing Fourth Amendment, hereby consents to and approves the foregoing Fourth Amendment to the extent required under the Mortgage and other loan documents between Lender and Landlord and under the Subordination, Nondisturbance and Attornment Agreement dated December 26, 2006 (the "SNDA") between Landlord, Tenant and JPMORGAN CHASE BANK, N.A., a banking association chartered under the laws of the United States of America, as to whom Lender is successor in interest. The undersigned is not, by this Approval of Lender, agreeing to perform any of the obligations of the Landlord under the foregoing Fourth Amendment or to be liable for any failure of the Landlord to perform under the foregoing Fourth Amendment.

Wells Fargo Bank, N.A., as Trustee for the Registered Holders
of J.P. Morgan Chase Commercial Mortgage Securities Trust
2007-CIBC18, Commercial Mortgage Pass-Through
Certificates, Series 2007-CIBC18

By: Capmark Finance Inc., a California corporation, its
Master Servicer

By: _____
Name: Gary A. Routzahn
Its: Vice President, Manager

Date: August __, 2008

CONSENT OF LEASE GUARANTOR

The undersigned (the "Guarantor"), the Guarantor under the Lease Guaranty (the "Guaranty") made by Guarantor and delivered to Landlord in connection with the execution of the Third Amendment hereby consents to the foregoing Fourth Amendment and acknowledges and agrees that the Fourth Amendment does not in any way impact the liability of the Guarantor under the Guaranty. When used in the Guaranty the term "Lease" shall mean the Lease referenced in the Guaranty, as amended by the Fourth Amendment.

Guarantor:

Sypris Solutions, Inc.,
a Delaware corporation

By: _____

Name: _____

Its: _____

Date: August __, 2008

Exhibit "A-1"

Legal Description of Released Land

NORTH PARCEL LEGAL DESCRIPTION:

A TRACT OF LAND LYING AND BEING A PORTION OF LOT 20, OF TAMPA INDUSTRIAL PARK, AS RECORDED IN PLAT BOOK 34, PAGE 79 AS RECORDED IN PUBLIC RECORDS OF HILLSBOROUGH COUNTY, FLORIDA, IN SECTION 16, TOWNSHIP 28 SOUTH, RANGE 19 EAST, HILLSBOROUGH COUNTY, FLORIDA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF SAID LOT 20; THENCE SOUTH 89°55'31" EAST, ALONG THE NORTH LINE OF SAID LOT 20, A DISTANCE OF 915.37 FEET TO THE NORTHEAST CORNER OF SAID LOT 20; THENCE SOUTH 00°18'46" WEST, ALONG THE EAST LINE OF SAID LOT 20, A DISTANCE OF 311.17 FEET; THENCE DEPARTING SAID EAST LINE NORTH 89°48'08" WEST, A DISTANCE OF 611.31 FEET; THENCE NORTH 71°34'46" WEST, A DISTANCE OF 57.46 FEET; THENCE SOUTH 89°47'39" WEST, A DISTANCE OF 249.42 FEET TO THE EASTERLY RIGHT OF WAY LINE OF MALCOLM McKINLEY DRIVE; THENCE NORTH 00°18'29" EAST, ALONG SAID RIGHT OF WAY LINE, A DISTANCE OF 293.00 FEET TO THE POINT OF BEGINNING.

CONTAINING 279,180 SQUARE FEET OR 6.409 ACRES, MORE OR LESS.

SOUTH PARCEL LEGAL DESCRIPTION:

A TRACT OF LAND LYING AND BEING A PORTION OF LOTS 22 AND 23, OF TAMPA INDUSTRIAL PARK, AS RECORDED IN PLAT BOOK 34, PAGE 79 AS RECORDED IN THE PUBLIC RECORDS OF HILLSBOROUGH COUNTY, FLORIDA, IN SECTION 16, TOWNSHIP 28 SOUTH, RANGE 19 EAST, HILLSBOROUGH COUNTY, FLORIDA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF SAID LOT 23, THENCE NORTH 00°18'13" EAST, ALONG THE EASTERLY RIGHT OF WAY OF MALCOLM McKINLEY DRIVE AND THE WESTERLY LINE OF SAID LOTS 22 AND 23, A DISTANCE OF 641.78 FEET; THENCE SOUTH 89°40'48" EAST, A DISTANCE OF 413.03 FEET; THENCE SOUTH 00°17'29" WEST, A DISTANCE OF 300.00 FEET; THENCE SOUTH 89°42'48" EAST, A DISTANCE OF 502.25 FEET TO THE EASTERLY LINE OF SAID LOT 22 AND THE WESTERLY LINE OF A 100 FOOT RAILROAD AND UTILITIES EASEMENT; THENCE ALONG SAID LINE THE FOLLOWING TWO(2) COURSES, (1)SOUTH 00°17'38" WEST, A DISTANCE OF 100.14 FEET TO THE POINT OF CURVATURE; (2)SOUTHERLY ALONG THE ARC OF A CURVE TO THE RIGHT, HAVING A RADIUS OF 523.68 FEET, AN ARC LENGTH OF 247.31 FEET, A CENTRAL ANGLE OF 27°03'28", AND A CHORD BEARING AND DISTANCE OF SOUTH 13°48'34" WEST, 245.02 FEET TO THE SOUTHEAST CORNER OF SAID LOT 23; THENCE NORTH 89°55'32" WEST, ALONG THE SOUTH LINE OF SAID LOT 23, A DISTANCE OF 858.15 FEET TO THE POINT OF BEGINNING.

CONTAINING 430,623 SQUARE FEET OR 9.886 ACRES, MORE OR LESS.

Exhibit "A-2"

Depiction of Released Land

Page 13 of 19

Exhibit "B-1"

Legal Description of Retained Land
(Demised Premises following release)

A TRACT OF LAND LYING AND BEING ALL OF LOT 21 AND A PORTION OF LOTS 20, 22 AND 23, OF TAMPA INDUSTRIAL PARK, AS RECORDED IN PLAT BOOK 34, PAGE 79 AS RECORDED IN THE PUBLIC RECORDS OF HILLSBOROUGH COUNTY, FLORIDA, IN SECTION 16, TOWNSHIP 28 SOUTH, RANGE 19 EAST, HILLSBOROUGH COUNTY, FLORIDA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCE AT THE NORTHWEST CORNER OF SAID LOT 20, THENCE SOUTH 00°18'29" WEST, ALONG THE EASTERLY RIGHT OF WAY LINE OF MALCOLM McKINLEY DRIVE, A DISTANCE OF 293.00 FEET TO THE POINT OF BEGINNING; THENCE NORTH 89°47'39" EAST, A DISTANCE OF 249.42 FEET; THENCE SOUTH 71°34'46" EAST, A DISTANCE OF 57.46 FEET; THENCE SOUTH 89°48'08" EAST, A DISTANCE OF 611.31 FEET TO THE WESTERLY LINE OF 100 FOOT RAILROAD AND UTILITIES EASEMENT AS RECORDED IN PLAT BOOK 34, PAGE 79, AS RECORDED IN THE PUBLIC RECORDS OF HILLSBOROUGH COUNTY, FLORIDA; THENCE ALONG SAID WESTERLY LINE THE FOLLOWING TWO(2) COURSES: (1)SOUTH 00°18'46" WEST, A DISTANCE OF 675.25 FEET TO THE SOUTH LINE OF THE NORTHWEST 1/4 OF SAID SECTION 16; (2)SOUTH 00°17'38" WEST, A DISTANCE OF 495.25 FEET; THENCE NORTH 89°42'48" WEST, A DISTANCE OF 502.25 FEET; THENCE NORTH 00°17'29" EAST, A DISTANCE OF 300.00 FEET; THENCE NORTH 89°40'48" WEST, A DISTANCE OF 413.03 FEET TO THE SAID EASTERLY RIGHT OF WAY LINE OF MALCOLM McKINELY DRIVE; THENCE NORTH 00°18'13" EAST, ALONG SAID RIGHT OF WAY LINE, A DISTANCE OF 195.66 FEET TO SAID SOUTH LINE OF NORTHWEST 1/4; THENCE NORTH 00°18'29" EAST, ALONG SAID RIGHT OF WAY LINE, A DISTANCE OF 689.39 FEET TO THE POINT OF BEGINNING.

CONTAINING 951,503 SQUARE FEET OR 21.8435 ACRES, MORE OR LESS.

Exhibit "B-2"

Depiction of Retained Land
(Demised Premises following release)

Page 15 of 19

Exhibit "C-1"

Summary of Contemplated Landlord's Work
(Set out in more detail in the Approved Plans)

1. Parking Lot Reconfiguration. The parking lot shall be reconfigured consistent with Exhibit "C-2", or as otherwise required to complete the Landlord's Work and approved by Tenant. The reconfiguration will involve the relocation of internal drive isles and parking spaces and the creation of landscaped islands, and when completed there will be no less than eight hundred (800) full size parking spaces on the Retained Land.
2. Lighting. The lighting fixtures located upon (or immediately adjacent to) the Released Land will be properly disconnected and relocated (or replaced, if necessary) upon the Retained Land, all in accordance with a lighting plan to be approved as part of the Approved Plans, so that all lighting fixtures are operational. Some of this work may be performed by Tampa Electric Company, but Landlord will coordinate the work and be responsible for its completion.
3. Utility Line Relocation. Any utility lines serving the Retained Land which are located upon the Released Land will be relocated in a manner approved by Tenant, and, if required, the applicable utility provider. Any relocation will be performed to avoid any interruption in utility service and to schedule any unavoidable period of interruption to a time designated by Tenant.
4. Landscaping. Landscaping, landscaped areas, buffer areas and impervious areas shall be installed as required to comply with all Code Requirements, all in accordance with a landscaping plan to be approved as part of the Approved Plans.
5. Drainage. Stormwater collection, transmission, treatment, storage and retention facilities shall be provided to serve each of the Stormwater Management Areas reflected on Exhibit "C-3" (the "**Stormwater Management Areas**"), (i) to comply with all Code Requirements (including, but not limited to, SWFWMD requirements) and (ii) so as to provide for the proper drainage of water from (and to avoid any ponding or pooling of water within) the Stormwater Management Areas. Landlord is not required to provide for the drainage of water from outside the Stormwater Management Areas unless required by SWFWMD or Code Requirements.
6. Operation of Shared Access Drive. Driveways, signage, markings and traffic control devices (on the Released Land or the Retained Land) shall be designed and constructed in a manner for the efficient operation of the Access Drive serving the North Parcel of the Released Land, so as to avoid any staking or back-up of cars entering the North Parcel of the Released Land within the Access Drive on the Retained Land. Signage, markings and traffic control devices are subject to obtaining the approval of the City of Tampa, to the extent required.

7. Resurfacing of Shared Access Drive. The Access Drive will be resurfaced as follows: (i) the existing asphalt surface will be milled and removed down to the top of the limerock base course, (ii) the asphalt removed will be replaced with new asphalt, the thickness of which is to be based upon an analysis of the amount of projected traffic to be made by Developer's engineer, based upon traffic projections for the North Parcel by Developer's engineer and traffic projections for the Retained Parcel to be provided by Tenant (the "**Traffic Analysis**"). The Traffic Analysis will be subject to Tenant's approval, which approval will not be unreasonably withheld, delayed or conditioned. A minimum thickness of one and one-half inches is required for lightly traveled areas, more for more heavily traveled areas, consistent with the advise of Developer's geotechnical engineer. The timing of this work and access to the Demised Premises to perform this work will be coordinated with Tenant to avoid any unnecessary adverse impact to Tenant's use of the Access Drive.
8. Other Work. All other work required under the Permits and to comply with all Code Requirements.

Exhibit "C-2"

Preliminary Sketch of Certain Landlord's Work

Exhibit "C-3"

Stormwater Management Areas

Exhibit "D-1"

Construction Fence and Easement Fence

Exhibit "D-2"

Permanent Fence Location

Exhibit "D-3"

Permanent Fence Specification

EXHIBIT "X"
(Replacing Exhibit "B" to Third Amendment)
LIST OF CONTEMPLATED IMPROVEMENTS
(Refer to Section 5)

1. Remodel design engineering office area
2. Remodel IT office area
3. Construct new offices in Human Resources and Finance
4. Replace all exterior doors (except front lobby)
5. Demolish and reconfigure New Product Introduction area
6. Paint water storage tank
7. Repair concrete at South entrance and bollards at nitrogen tanks
8. Install security fencing across front of building
9. Build remote guard shack for truck deliveries and visitor property access
10. Install electrically controlled gates on parking lot entrances with bar code reading capabilities for employee parking
11. Upgrade fire alarm system with lightning protection and newer system software
12. Replace fire pump house fuel storage tank
13. Replace hydro-constant pump for improved water pressure throughout building
14. Install manhole access at rear of production floor to facilitate better floor drain maintenance
15. Remodel rear guard shack (to be better able to avoid storm damage)
16. Build Sensitive Compartmented Information Facilities ("SCIF")/conference room in engineering area to qualify for hosting meetings and storing information related to Top Secret projects
17. Remodel Computer Training Center
18. Build new Security Office
19. Install new carpeting in front office areas and paint office areas and hallways
20. Paint roof with reflective coating for energy savings
21. Remodel/upgrade main employee training room
22. Build customer offices

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: November 5, 2008

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

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

I, Brian A. Lutes, certify that:

1. I have reviewed this quarter 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: November 5, 2008

By: _____ /s/ Brian A. Lutes

Brian A. Lutes
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 September 28, 2008 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: November 5, 2008

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

Date: November 5, 2008

By: _____
/s/ Brian A. Lutes
Brian A. Lutes
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.