

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

FORM 10-Q

(Mark One)

X  
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Quarterly report pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934. For the quarterly period ended  
March 31, 2002.

or

-----  
Transition report pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934. For the transition period from  
to .  
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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)

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

101 Bullitt Lane, Suite 450  
Louisville, Kentucky 40222

(Address of principal executive offices, including zip code)

(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 X No\_\_\_\_.

As of April 24, 2002 the registrant had 14,060,126 shares of common stock  
outstanding.

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SYPRIS SOLUTIONS, INC.

CONSOLIDATED INCOME STATEMENTS  
(in thousands, except for per share data)

	Three Months Ended	
	March 31, 2002	April 1, 2001
	(Unaudited)	
Net revenue:		
Outsourced services .....	\$ 52,661	\$ 46,018
Products .....	9,872	12,017
	-----	-----
Total net revenue .....	62,533	58,035
Cost of sales:		
Outsourced services .....	44,813	39,991
Products .....	6,591	7,880
	-----	-----
Total cost of sales .....	51,404	47,871
	-----	-----
Gross profit .....	11,129	10,164
Selling, general and administrative .....	6,514	6,575
Research and development .....	831	677
Amortization of intangible assets .....	51	335
	-----	-----
Operating income .....	3,733	2,577
Interest expense, net .....	1,082	1,129
Other income, net .....	(29)	(152)
	-----	-----
Income before income taxes .....	2,680	1,600
Income tax expense .....	855	581
	-----	-----
Net income .....	\$ 1,825	\$ 1,019
	=====	=====
Earnings per share:		
Basic .....	\$ 0.18	\$ 0.10
Diluted .....	\$ 0.17	\$ 0.10
Weighted average shares outstanding:		
Basic .....	10,169	9,723
Diluted .....	10,742	9,900

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

Sypris Solutions, Inc.

Consolidated Balance Sheets  
(in thousands, except for share data)

	March 31, 2002	December 31, 2001
	----- (Unaudited)	-----
Assets		
Current assets:		
Cash and cash equivalents .....	\$ 27,247	\$ 13,232
Accounts receivable, net .....	42,930	39,758
Inventory, net .....	63,012	60,574
Other current assets .....	8,465	7,991
	-----	-----
Total current assets .....	141,654	121,555
Property, plant and equipment, net .....	73,457	70,452
Intangible assets, net .....	15,875	15,926
Other assets .....	4,018	3,511
	-----	-----
	\$ 235,004	\$ 211,444
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable .....	\$ 26,188	\$ 26,828
Accrued liabilities .....	18,137	19,902
Current portion of long-term debt .....	--	7,500
	-----	-----
Total current liabilities .....	44,325	54,230
Long-term debt .....	62,500	80,000
Other liabilities .....	6,824	7,094
	-----	-----
Total liabilities .....	113,649	141,324
Stockholders' equity:		
Preferred stock, par value \$.01 per share, 989,000 shares authorized; no shares issued .....	--	--
Series A preferred stock, par value \$.01 per share, 11,000 shares authorized; no shares issued .....	--	--
Common stock, non-voting, par value \$.01 per share, 10,000,000 shares authorized; no shares issued .....	--	--
Common stock, par value \$.01 per share, 20,000,000 shares authorized; 3,547,853 and 9,898,675 shares issued and outstanding in 2002 and 2001, respectively .....	135	99
Additional paid-in capital .....	74,697	25,490
Retained earnings .....	48,252	46,427
Accumulated other comprehensive income (loss) .....	(1,729)	(1,896)
	-----	-----
Total stockholders' equity .....	121,355	70,120
	-----	-----
	\$ 235,004	\$ 211,444
	=====	=====

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

SYPRIS SOLUTIONS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended	
	March 31, 2002	April 1, 2001
	(Unaudited)	
Cash flows from operating activities:		
Net income .....	\$ 1,825	\$ 1,019
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization .....	2,680	2,328
Other noncash charges .....	257	150
Changes in operating assets and liabilities:		
Accounts receivable .....	(3,290)	(259)
Inventory .....	(2,470)	(4,108)
Other assets .....	(483)	2,330
Accounts payable .....	1,002	5,135
Accrued liabilities .....	(1,635)	98
	-----	-----
Net cash (used in) provided by operating activities .....	(2,114)	6,693
Cash flows from investing activities:		
Capital expenditures .....	(7,602)	(8,114)
Proceeds from sale of assets .....	-	66
Changes in nonoperating assets and liabilities .....	(433)	(254)
	-----	-----
Net cash used in investing activities .....	(8,035)	(8,302)
Cash flows from financing activities:		
Net (decrease) increase in debt under revolving credit agreements .....	(25,000)	625
Proceeds from issuance of common stock .....	49,164	139
	-----	-----
Net cash provided by financing activities .....	24,164	764
	-----	-----
Net increase (decrease) in cash and cash equivalents .....	14,015	(845)
Cash and cash equivalents at beginning of period .....	13,232	14,674
	-----	-----
Cash and cash equivalents at end of period .....	\$ 27,247	\$ 13,829
	=====	=====

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 major companies and government agencies in the markets for aerospace & defense electronics, truck components & assemblies, and for users of 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"), Sypris Electronics, LLC, Sypris Test & Measurement, Inc., Sypris Data Systems, Inc., and Sypris Technologies, Inc., and have been prepared by the Company in accordance with the rules and regulations of the Securities and Exchange Commission (the "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 months ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements, and notes thereto, for the year ended December 31, 2001 as presented in the Company's annual report on Form 10-K.

(3) Earnings Per Share

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

	Three Months Ended	
	March 31, 2002	April 1, 2001
	(Unaudited)	
Shares used to compute basic earnings per share .....	10,169	9,723
Dilutive effect of stock options .....	573	177
	10,742	9,900
	10,742	9,900

(4) Inventory

Inventory consists of the following (in thousands):

	March 31, 2002	December 31, 2001
	----- (Unaudited)	-----
Raw materials .....	\$ 16,036	\$ 19,003
Work in process .....	14,306	9,661
Finished goods .....	3,645	5,450
Costs relating to long-term contracts and programs, net of amounts attributed to revenue recognized to date .....	38,234	37,908
Progress payments related to long-term contracts and programs .....	(3,902)	(6,540)
LIFO reserve .....	(1,126)	(987)
Reserve for excess and obsolete inventory .....	(4,181)	(3,921)
	-----	-----
	\$ 63,012	\$ 60,574
	=====	=====

(5) Segment Data

The Company's operations are conducted in two reportable business segments: the Electronics Group and the Industrial Group. There was no intersegment net revenue recognized in either of the periods presented. The following table presents financial information for the reportable segments of the Company for the three months ended March 31, 2002 and April 1, 2001 (in thousands):

	Three Months Ended	
	March 31, 2002	April 1, 2001
	-----	-----
	(Unaudited)	
Net revenue from unaffiliated customers:		
Electronics Group .....	\$ 44,076	\$ 50,081
Industrial Group .....	18,457	7,954
	-----	-----
	\$ 62,533	\$ 58,035
	=====	=====
Gross profit:		
Electronics Group .....	\$ 8,688	\$ 9,300
Industrial Group .....	2,441	864
	-----	-----
	\$ 11,129	\$ 10,164
	=====	=====
Operating income:		
Electronics Group .....	\$ 3,150	\$ 3,233
Industrial Group .....	1,458	398
General, corporate and other .....	(875)	(1,054)
	-----	-----
	\$ 3,733	\$ 2,577
	=====	=====

(6) Commitments and Contingencies

The Company's Sypris Technologies subsidiary is a co-defendant in two lawsuits arising out of an explosion at a coker plant owned by Exxon Mobil Corporation located in Baton Rouge, Louisiana. In each of these lawsuits, it is alleged that a carbon steel pipe elbow that Sypris Technologies manufactured was improperly installed and the failure of which caused the explosion. One of the actions was brought by Exxon Mobil in 1994 in state district court in Louisiana and claims damages for destruction of the plant, which Exxon Mobil estimates exceed one hundred million dollars. Sypris Technologies is a co-defendant in this action with the fabricator who built the pipeline into which the elbow was incorporated and with the general contractor for the plant. The second action is a class action suit also filed in 1994 in federal

court in Louisiana on behalf of the residents living around the plant and claims unspecified damages. Sypris Technologies is a co-defendant in this action with Exxon Mobil, the contractor and the fabricator. In both actions, the Company maintains that the carbon steel pipe elbow at issue was appropriately marked as carbon steel and was improperly installed, without Sypris Technologies' knowledge, by the fabricator and general contractor in circumstances that required the use of a chromium steel elbow. Although the Company believes these defenses to be meritorious, there can be no assurance that the Company will not be found liable for some or all of the alleged damages. If the Company was to be found liable and the damages exceeded available insurance coverage, the impact could materially and adversely affect the Company's financial condition and results of operations.

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.

(7) Adoption of Recently Issued Accounting Standard

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." Under SFAS No. 142, goodwill and indefinite lived intangible assets are no longer amortized but will be reviewed at least annually for impairment. Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. The Company completed the first of the required impairment tests of goodwill and indefinite lived intangible assets during the three months ended March 31, 2002 and no adjustment to the carrying value of goodwill was required.

The nonamortization of goodwill has increased the Company's net income and earnings per share. Following are pro forma results assuming goodwill had not been amortized prior to January 1, 2002 (in thousands, except for per share data):

	Three Months Ended	
	March 31, 2002	April 1, 2001
	(Unaudited)	
Reported net income .....	\$ 1,825	\$ 1,019
Adjustment for amortization of goodwill .....	-	183
	-----	-----
Adjusted net income .....	\$ 1,825	\$ 1,202
	=====	=====
Basic earnings per share as reported .....	\$ 0.18	\$ 0.10
Adjustment for amortization of goodwill .....	-	0.02
	-----	-----
Adjusted basic earnings per share .....	\$ 0.18	\$ 0.12
	=====	=====
Diluted earnings per share as reported .....	\$ 0.17	\$ 0.10
Adjustment for amortization of goodwill .....	-	0.02
	-----	-----
Adjusted diluted earnings per share .....	\$ 0.17	\$ 0.12
	=====	=====

There has been no change to the carrying value of the Company's goodwill since January 1, 2002. Goodwill at March 31, 2002 for the Electronics Group and the Industrial Group was \$13,818,000 and \$440,000, respectively. The Company's intangible assets subject to amortization and the related amortization expense are not material to the Company's consolidated financial position or results of operations, respectively.

(8) Issuance of Common Stock

On March 26, 2002, the Company completed a public stock offering of 3,600,000 shares of its common stock at \$14.50 per share and generated proceeds, after underwriting discounts and estimated expenses, of approximately \$48,844,000. On April 19, 2002, an over-allotment option was exercised for 500,000 shares at \$14.50 per share and generated proceeds, after underwriting discounts and estimated expenses, of approximately \$6,785,000. The proceeds of the offering were used to repay debt of \$30,000,000 during March 2002 and \$22,500,000 during April 2002.

(9) Income Taxes

The Company's effective tax rate for the three months ended March 31, 2002 was 31.9%. Reconciling items between the federal statutory income tax rate and the effective tax rate include management's estimate for 2002 of research and development tax credits, state income tax benefits and certain other permanent differences.

(10) Accumulated Other Comprehensive Income

The aggregate fair market value of all interest rate swap agreements decreased from \$728,000 at December 31, 2001 to \$461,000 at March 31, 2002 and was included in other liabilities on the consolidated balance sheet. The change in fair market value, net of tax of \$100,000, was recorded as other comprehensive income during the three months ended March 31, 2002.

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

Results of Operations

The following table sets forth certain financial data, expressed as a percentage of net revenue, derived from the Company's consolidated income statements for the three months ended March 31, 2002 and April 1, 2001.

	Three Months Ended	
	March 31, 2002	April 1, 2001
Net revenue:		
Electronics Group .....	70.5%	86.3%
Industrial Group .....	29.5	13.7
	-----	-----
Total net revenue .....	100.0	100.0
Cost of sales .....	82.2	82.5
	-----	-----
Gross profit .....	17.8	17.5
Selling, general and administrative .....	10.4	11.3
Research and development .....	1.3	1.2
Amortization of intangible assets .....	0.1	0.6
	-----	-----
Operating income .....	6.0%	4.4%
	=====	=====
Net income .....	2.9%	1.8%
	=====	=====

For reporting purposes, the operations of Sypris Electronics, Sypris Test & Measurement and Sypris Data Systems are included in the Electronics Group, and Sypris Technologies' operations are

included in the Industrial Group. Segment discussion is included in the following discussion and analysis of our consolidated results of operations.

**Net Revenue.** Net revenue was \$62.5 million for the first quarter of 2002, an increase of \$4.5 million, or 7.8%, from \$58.0 million for the first quarter of 2001. Backlog at March 31, 2002 was \$162.4 million, an increase of \$11.8 million from \$150.6 million at April 1, 2001. Backlog for our Electronics Group and Industrial Group at March 31, 2002 was \$116.9 million and \$45.5 million, respectively.

Net revenue for our Electronics Group for the first quarter of 2002 was \$44.1 million, a decrease of \$6.0 million, or 12.0%, from \$50.1 million for the first quarter of 2001. Net revenue from manufacturing services decreased \$2.2 million in the first quarter of 2002, primarily due to the completion of certain contracts with aerospace and defense customers during 2001. Although we began production on new contract awards during the second half of 2001 and the first quarter of 2002, revenue derived from the new contracts only partially offset the volume decline attributable to the completion of the mature contracts. Net revenue from other outsourced services decreased \$1.8 million in the first quarter of 2002 due to weak economic conditions and a slowdown in the commercial avionics market, which negatively impacted our customers' demand for test and measurement services. We also divested a test facility in the third quarter of 2001, which accounted for net revenue of \$0.9 million in the first quarter of 2001. Net revenue from product sales decreased \$2.0 million in the first quarter of 2002, primarily due to lower sales quantities of data systems products. We expect quarterly net revenue to show sequential growth during 2002; however, production schedules for the new manufacturing services' contracts with our aerospace and defense customers combined with economic pressures on our customers for other outsourced services is expected to keep revenue levels at or below comparable prior periods until the fourth quarter of 2002.

Net revenue for our Industrial Group for the first quarter of 2002 was \$18.4 million, an increase of \$10.5 million, or 132.0%, from \$7.9 million for the first quarter of 2001. The contract with Dana Corporation, which began in the second quarter of 2001 for fully machined, heavy-duty truck axle shafts and other drive train components, generated outsourced services revenue of \$8.3 million for the first quarter of 2002. Excluding the Dana contract, our Industrial Group's net revenue increased \$2.2 million for the first quarter of 2002 over the prior period. The increase in net revenue was primarily due to increased production volume for a new contract under which we began supplying light axle shafts to Visteon Corporation. The Visteon contract was modified in April 2002 and now includes light axle shafts for the Ford F-150, F-250, F-350 and Ranger series pickup trucks, Ford Expedition and Mustang GT, and the Lincoln Navigator. We expect quarterly net revenue to continue to increase during 2002, primarily due to the Visteon contract and the full year impact of the Dana contract.

**Gross Profit.** Gross profit for the first quarter of 2002 was \$11.1 million, an increase of \$0.9 million, or 9.5%, from \$10.2 million for the first quarter of 2001. Gross margin for the first quarter of 2002 increased to 17.8% from 17.5% for the first quarter of 2001.

Gross profit for our Electronics Group for the first quarter of 2002 was \$8.7 million, a decrease of \$0.6 million, or 6.6%, from \$9.3 million for the first quarter of 2001. The decrease in gross profit was attributable to the lower sales volume of our data systems products as compared to the year-earlier period. Gross margin on product sales was only slightly below the prior year; however, the volume decline produced a \$0.8 million reduction in gross profit. Gross margin from manufacturing and other outsourced services improved in excess of 200 basis points over the prior year, which yielded a \$0.2 million increase in gross profit despite the combined revenue decrease of \$4.0 million.

Gross profit for our Industrial Group for the first quarter of 2002 was \$2.4 million, an increase of \$1.5 million or 182.5% from \$0.9 million for the first quarter of 2001. The increase in gross profit was

attributable to our revenue growth in the heavy-duty truck market resulting primarily from the Dana contract. Start-up costs and manufacturing inefficiencies related to our initial production under the Visteon contract limited the profit contribution from this new business. We expect profitability to improve during 2002 as production reaches full volumes and our manufacturing cost targets are achieved.

**Selling, General and Administrative.** Selling, general and administrative expense for the first quarter of 2002 was \$6.5 million, or 10.4% of net revenue, as compared to \$6.6 million, or 11.3% of net revenue for the first quarter of 2001. The decline in selling, general and administrative expense was primarily attributable to decreased selling expenses and commissions related to lower product sales for our Electronics Group.

**Research and Development.** Research and development expense for the first quarter of 2002 was \$0.8 million, or 1.3% of net revenue, as compared to \$0.7 million, or 1.2% of net revenue for the first quarter of 2001. The increase in research and development expense was attributable to our Electronics Group and was related to new product releases for the data systems product lines.

**Amortization of Intangible Assets.** Amortization of intangible assets for the first quarter of 2002 was \$0.1 million, a decrease of \$0.2 million, or 84.8% compared to \$0.3 million for the first quarter of 2001. Amortization of goodwill and indefinite lived intangible assets ceased when we adopted SFAS No. 142 effective January 1, 2002.

**Interest Expense, Net.** Interest expense for the first quarter of 2002 was \$1.1 million, which is consistent with the amount reported for the first quarter of 2001. Interest expense attributable to increased borrowings for the first quarter of 2002 was offset by a reduction in interest rates. Our weighted average debt outstanding increased to approximately \$87.4 million for the first quarter of 2002 from approximately \$63.4 million for the first quarter of 2001. This increase reflected the \$11.5 million acquisition from Dana made by our Industrial Group in May 2001 and capital expenditures during 2001 to support new business opportunities. The weighted average interest rate for the first quarter of 2002 was approximately 4.8% as compared to approximately 9.2% for the prior period. There was no capitalized interest during the first quarter of 2002 as compared to \$0.4 million for the first quarter of 2001.

**Income Taxes.** Income tax expense was \$0.9 million for the first quarter of 2002 as compared to \$0.6 million for the first quarter of 2001. The effective tax rate for the first quarter of 2002 was 31.9% as compared to 36.3% for the first quarter of 2002. The lower effective tax rate for the first quarter of 2002 was principally due to tax credits and state income tax benefits that we expect to realize during 2002.

#### Liquidity, Capital Resources and Financial Condition

Net cash used in operating activities was \$2.1 million for the first quarter of 2002, as compared to net cash provided by operating activities of \$6.7 million for the first quarter of 2001. Accounts receivable increased by \$3.3 million, primarily due to the timing of shipments during the first quarter of 2002 on the Visteon contract. Inventory increased by \$2.5 million during the first quarter of 2002, primarily to support expected shipments on certain aerospace and defense manufacturing services contracts. Accounts payable decreased \$0.6 million, excluding the impact of open accounts payable at the end of the first quarter of 2002 and at December 31, 2001 related to capital expenditures. Accrued liabilities decreased \$1.6 million during the first quarter of 2002, primarily due to tax payments and payroll accruals.

Net cash used in investing activities was \$8.0 million for the first quarter of 2002 as compared to \$8.3 million for the first quarter of 2001. Capital expenditures for our Electronics Group and Industrial Group totaled \$2.0 million and \$5.5 million, respectively, for the first quarter of 2002. Capital expenditures for our Electronics Group were principally comprised of manufacturing, assembly and test

equipment. Our Industrial Group's capital expenditures included new forging and machining equipment to increase and expand the range of production capabilities.

Net cash provided by financing activities was \$24.2 million for the first quarter of 2002 as compared to \$0.8 million for the first quarter of 2001. We received net proceeds of \$48.8 million for our public stock offering which closed on March 26, 2002. Proceeds from the offering were used to reduce debt by \$30.0 million during March 2002, and will be used to further reduce debt in the second quarter. In January 2002, prior to the offering, our debt increased by \$5.0 million.

We had total availability for borrowings and letters of credit under the revolving credit facility of \$37.5 million at March 31, 2002, which, when combined with the cash balance of \$27.2 million, provides for total cash and borrowing capacity of \$64.7 million. Maximum borrowings on the revolving credit facility are \$100.0 million, subject to a \$15.0 million limit for letters of credit. Borrowings under the revolving credit facility may be used to finance working capital requirements, acquisitions and for general corporate purposes, including capital expenditures. Most acquisitions require the approval of our bank group.

Our principal commitments at March 31, 2002 consisted of repayments of borrowings under the credit agreement and obligations under operating leases for certain of our real property and equipment. We also had purchase commitments totaling approximately \$4.1 million at March 31, 2002, primarily for manufacturing equipment.

We believe that sufficient resources will be available to satisfy our cash requirements for at least the next twelve months. Cash requirements for periods beyond the next twelve months depend on our profitability, ability to manage working capital requirements and rate of growth. If we make significant acquisitions 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, results of operations and financial condition could be adversely affected.

#### Forward-looking Statements

This Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Similar forward-looking statements are made periodically in reports to the Securities and Exchange Commission, press releases, reports and documents and in written and oral presentations to investors, stockholders, analysts and others, regarding future results or expected developments. Words such as "anticipates," "believes," "estimates," "expects," "is likely," "predicts," and variations of such words and similar expressions are intended to identify such forward-looking statements. Although we believe that our expectations are based on reasonable assumptions, we cannot assure that the expectations contained in such statements will be achieved. Such statements involve risks and uncertainties which may cause actual future activities and results of operations to be materially different from those suggested in this report, including, among others: our dependence on our current management; the risks and uncertainties present in our business; business conditions and growth in the general economy and the electronics and industrial markets served by us; competitive factors and price pressures; availability of third party component parts at reasonable prices; inventory risks due to shifts in market demand and/or price erosion of purchased components; changes in product mix; cost and yield issues associated with our manufacturing facilities; our ability to successfully manage growth; as well as other factors described elsewhere in this report and in our other filings with the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

On July 26, 2001, we entered into interest rate swap agreements with three banks that effectively convert a portion of our variable rate debt to a fixed rate basis through July 2003. We entered into interest rate swap agreements as a means to reduce the impact of interest rate changes on future interest expense. Approximately 48% (\$30.0 million) of our outstanding debt was covered under the interest rate swap agreements at March 31, 2002. We are exposed to financial market risks, including changes in interest rates and foreign currency exchange rates. Excluding the borrowings included in the interest rate swap agreements, all other borrowings under our credit agreement bear interest at a variable rate based on the prime rate, the London Interbank Offered Rate, or certain alternative short-term rates, plus a margin (2.0% at March 31, 2002) based upon our leverage ratio. An increase in interest rates of 100 basis points would result in additional interest expense of approximately \$0.3 million on an annualized basis, based upon our debt outstanding at March 31, 2002. The vast majority of our transactions are denominated in U.S. dollars; as such, fluctuations in foreign currency exchange rates have historically had little impact on us. Inflation has not been a significant factor in our operations in any of the periods presented, and it is not expected to affect operations in the near future.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit Number -----	Description -----
3.2	Bylaws of the Company.
10.20	Underwriting Agreement dated March 20, 2002 among Sypris Solutions, Inc., Needham & Company, Inc. and A.G. Edwards & Sons, Inc.
10.21	Sypris Solutions, Inc. Executive Bonus Plan, effective as of January 2, 2002, executed on or after April 1, 2002.

(b) Reports on Form 8-K:

The Company filed no reports on Form 8-K during the three months ended March 31, 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: April 29, 2002 By: /s/ David D. Johnson  
-----  
(David D. Johnson)  
Vice President & Chief Financial Officer

Date: April 29, 2002 By: /s/ Anthony C. Allen  
-----  
(Anthony C. Allen)  
Vice President, Controller & Chief Accounting  
Officer

BYLAWS OF  
SYPRIS SOLUTIONS, INC., AS AMENDED

ARTICLE I.  
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OFFICES  
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The registered office of the corporation shall be in the City of Wilmington, County of New Castle, State of Delaware. The principal office of the corporation shall be located in Louisville, Kentucky. The corporation may have such other offices as the business of the corporation may require from time to time.

ARTICLE II.  
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STOCKHOLDERS  
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SECTION 1. ANNUAL MEETING. The annual meeting of the stockholders shall be held between January 1st and December 31st of each year, beginning with the year 1998, on such date and at such hour as may be specified in the Notice of Meeting or in a duly executed waiver of notice thereof, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next business day which is not a legal holiday. If the election of directors shall not be held on the day designated for any annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the stockholders to be held as soon thereafter as may be convenient.

SECTION 2. SPECIAL MEETINGS. Special meetings of the stockholders of the corporation may be called in accordance with the corporation's certificate of incorporation.

SECTION 3. PLACE OF MEETING. The Board of Directors may designate any place within or without the State of Delaware as the place of meeting for any annual meeting, or any place either within or without the State of Delaware as the place of meeting for any special meeting called by the Board of Directors.

If no designation is made, or if a special meeting be called by other than the Board of Directors, the place of meeting shall be the principal office of the corporation in the State of Kentucky, except as provided in Section 5 of this Article.

SECTION 4. NOTICE OF MEETINGS. Written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting, either personally or by telegraph, teletype or other form of wire or wireless communication, electronic transmission or by mail or private carrier, by or at the direction of the president, or the secretary, or the officer or persons calling the meeting, to each stockholder of record entitled to vote at such meeting, except when a longer period of time is required by statute. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope addressed to the stockholder at his address as it appears on the records of the corporation, with first class postage thereon prepaid.

SECTION 5. MEETING OF ALL STOCKHOLDERS. If all of the stockholders shall meet at any time and place, either within or without the State of Delaware, and consent to the holding of a

meeting, such meeting shall be valid without call or notice, and at such meeting any corporate action may be taken.

SECTION 6. CLOSING OF TRANSFER BOOKS OR FIXING OF RECORD DATE. If no record date is fixed for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders, or stockholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of stockholders. When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided herein, such determination shall apply to any adjournment thereof unless the meeting is adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting, in which case the Board of Directors shall fix a new record date.

SECTION 7. VOTING LISTS AND SHARE LEDGER. The secretary shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list of stockholders or the books of the corporation, or to vote in person or by proxy at any meeting of stockholders.

SECTION 8. QUORUM. A majority of the outstanding shares entitled to vote, represented in person or by proxy, shall constitute a quorum at any meeting of stockholders. The stockholders present at a duly organized meeting can continue to do business for the remainder of the meeting and for any adjournment thereof until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum, unless a new record date is or must be set for that adjourned meeting.

SECTION 9. PROXIES. At all meetings of stockholders, a stockholder may vote by proxy executed in writing (or by the transmission of an electronic submission or in such manner allowed by the Delaware General Corporation Law) by the stockholder or by his duly authorized attorney-in-fact. Such proxy shall be filed with the secretary of the corporation before or at the time of the meeting. A stockholder may revoke his proxy at any time prior to the establishment of a quorum at any meeting of stockholders. Such revocation shall be in writing (or by the transmission of an electronic submission or in such manner allowed by the Delaware General Corporation Law) and delivered to the secretary of the corporation prior to the time the presence of a quorum has been determined and declared.

SECTION 10. ACTION BY CONSENT OF STOCKHOLDERS. Any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if one or more consents in writing, setting forth the action so taken, shall be dated and signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Such written consent(s) shall be delivered to the corporation by delivery to its principal office in Kentucky, its principal place of business, the corporate secretary, or another officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Prompt notice must be given to those stockholders who have not consented in writing or who are not entitled to vote on the action.

ARTICLE III.

DIRECTORS

SECTION 1. GENERAL POWERS. The business and affairs of the corporation shall be managed under the direction of a Board of Directors.

SECTION 2. NUMBER AND TENURE. The number of directors of the corporation shall be not less than three (3) nor more than twelve (12). The Board of Directors may from time to time designate the number of directors which shall constitute the whole Board. The number of directors shall initially be eight (8). Each director elected by the stockholders shall hold office for the term for which he is elected or until his successor shall have been elected and qualifies for the office, whichever period is longer.

SECTION 3. REGULAR MEETINGS. A regular meeting of the Board of Directors shall be held without notice other than this bylaw, immediately after, and at the same place as, the annual meeting of stockholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Delaware, for the holding of additional regular meetings without other notice than such resolution.

SECTION 4. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by or at the request of the chairman of the board or a majority of the directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Delaware, as the place for holding any special meeting of the Board of Directors called by them.

SECTION 5. NOTICE. Notice of any special meeting shall be given at least two (2) days prior thereto by telephone, by written notices delivered personally or mailed to each director at his address on file with the corporation, or by telegram or other form of electronic communication. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any director may waive notice of any meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, unless the director at the beginning of the meeting (or promptly upon his arrival) objects to the transaction of any business at the meeting and does not thereafter vote for or assent to action taken at the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

SECTION 6. QUORUM. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided that if less than a majority of the directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

SECTION 7. MANNER OF ACTING. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors; provided, however, that the Board of Directors, by resolution adopted by a majority of the full Board of Directors, may designate from among its members an executive and one or more other committees, including, without limitation, an audit committee and a compensation committee, each of which, to the extent provided in such resolution, shall have and may exercise all the authority of the Board of Directors to the extent permitted by the Delaware General Corporation Law, but no such committee shall have the authority of the Board

of Directors to [a] approve or recommend to stockholders actions or proposals required by Delaware law to be approved by the stockholders; [b] fill vacancies on the Board of Directors or on any of its committees; [c] adopt, amend or repeal bylaws; [d] authorize or approve reacquisition of shares unless pursuant to a general formula or method specified by the Board of Directors; or [e] authorize or approve the issuance or sale or contract for sale of shares or determine the designation and relative rights, preferences and limitations of a voting group, except that the Board of Directors may authorize a committee (or senior executive officer of the corporation) to do so within limits specifically prescribed by the Board of Directors.

SECTION 8. VACANCIES. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors. A director elected to fill a vacancy shall serve until the next stockholders' meeting at which directors are elected.

SECTION 9. COMPENSATION. The Board of Directors shall have authority to fix the compensation of directors.

SECTION 10. ACTION BY CONSENT OF DIRECTORS. Any action required or permitted to be taken at a meeting of the Board of Directors or at a meeting of a committee, may be taken without a meeting if a consent, in writing, setting forth the action so taken shall be signed by all of the directors, or all of the members of the committee, as the case may be, and included in minutes or filed with the corporate records.

#### ARTICLE IV.

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#### OFFICERS

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SECTION 1. DESIGNATION OF OFFICERS. The officers of the corporation shall be a president, one or more vice presidents, a treasurer, a secretary, and such other officers, including, without limitation, a chairman of the board, a chief executive officer, one or more assistant treasurers and one or more assistant secretaries, as may be provided by the Board of Directors and elected in accordance with the provisions of this article.

SECTION 2. ELECTION AND TERM OF OFFICE. The officers of the corporation shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. Vacancies may be filled or new offices created and filled at any meeting of the Board of Directors. Each officer shall hold office until his or her successor shall have been duly elected and shall have qualified or until his or her death or until he or she shall resign or shall have been removed from office in the manner hereinafter provided.

SECTION 3. REMOVAL. Any officer elected by the Board of Directors may be removed by the Board of Directors, with or without cause, whenever in its judgment the best interest of the corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

SECTION 4. CHAIRMAN OF THE BOARD. The Board of Directors shall appoint one of its members to be chairman of the board to serve at the pleasure of the Board. He shall preside at all meetings of the Board of Directors and at all meetings of the stockholders. The chairman of the board shall supervise the carrying out of the policies adopted or approved by the Board. He shall have general

executive powers, as well as the specific powers conferred by these bylaws. He shall also have and may exercise such further powers and duties as from time to time may be conferred upon, or assigned to him by the Board of Directors.

SECTION 5. PRESIDENT. The Board of Directors shall appoint the president of the corporation. The president may sign, with the secretary, or any other proper officer of the corporation thereunto authorized by the Board of Directors, certificates for shares of the corporation, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these bylaws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed; he shall have authority to vote all shares of stock in other corporations owned by the corporation, unless the Board of Directors designates and appoints another person as proxy for the corporation; and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Directors from time to time. In the event the Board does not appoint a chief executive officer or in his absence or in the event of his inability or refusal to act, the president shall perform the duties of chief executive officer. The Board in its discretion may appoint the same member to the office of chairman of the board and president. When the member of the Board holds the office of chairman of the board and president, a vice chairman of the board shall be appointed to preside at any meeting of the Board at which the chairman is not present.

SECTION 6. CHIEF EXECUTIVE OFFICER. The chief executive officer shall be the principal executive officer of the corporation and shall in general supervise and control all of the business affairs of the corporation and in general shall perform all duties incident to the office of chief executive officer and such other duties as may be prescribed by the Board of Directors from time to time. The Board in its discretion may appoint the same member to the office of chief executive officer and chairman of the board and/or president.

SECTION 7. VICE PRESIDENT. The Board shall appoint as many vice presidents as it deems necessary and may designate one or more vice presidents as senior vice president of the corporation. Such senior vice president (or in the event no senior vice president is appointed, the vice president in the order designated at the time of their election or, in the absence of any designation, then in the order of their appointment) shall, in the absence of the president and chief executive officer or in the event of his or their inability or refusal to act, perform the duties of such office(s) and, when so acting, shall have all the powers of and be subject to all the restrictions upon such office(s). Any vice president may sign, with the secretary or an assistant secretary, certificates for shares of the corporation and shall perform such other duties as from time to time may be assigned to them by the president or by the Board of Directors.

SECTION 8. TREASURER. If required by the Board of Directors, the treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine. He shall: [a] have charge and custody of and be responsible for all funds and securities of the corporation; receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of these bylaws; [b] in general, perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the president or the Board of Directors.

SECTION 9. SECRETARY. The secretary shall: [a] keep the minutes of the stockholders' and of the Board of Directors' meetings in one or more books provided for that purpose; [b] see that all notices are duly given in accordance with the provisions of these bylaws or as required by law; [c] be custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is

affixed to all certificates for shares prior to the issue thereof and to all documents, the execution of which on behalf of the corporation under its seal is duly authorized in accordance with the provisions of these bylaws; [d] keep a register of the post office address of each stockholder which shall be furnished to the secretary by such stockholder; [e] in general, perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the president or by the Board of Directors. The secretary may also be designated as registrar of the corporation. Both the secretary and the registrar of the corporation shall have authority to sign with the president, or vice president, certificates for shares of the corporation, the issue of which shall have been authorized by resolution of the Board of Directors, have general charge of the stock transfer books of the corporation and take all actions necessary for transfer of shares on the books of the corporation.

SECTION 10. ASSISTANT TREASURERS AND ASSISTANT SECRETARIES. The assistant treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The assistant secretaries, as and if authorized by the Board of Directors, may sign with the president or vice president certificates for shares of the corporation, the issue of which shall have been authorized by a resolution of the Board of Directors. The assistant treasurers and assistant secretaries in general shall perform such duties as shall be assigned to them by the treasurer or the secretary, respectively, or by the president or the Board of Directors.

ARTICLE V.

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CONTRACTS, LOANS, CHECKS AND DEPOSITS

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SECTION 1. CONTRACTS. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instruments in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

SECTION 2. LOANS. No loans shall be contracted on behalf of the corporation, and no evidences of indebtedness shall be issued in its name unless authorized in advance or by ratification, by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

SECTION 3. CHECKS, DRAFTS, ORDERS, ETC. All checks, drafts, or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers, agent or agents, of the corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 4. DEPOSITS. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as the Board of Directors may select.

ARTICLE VI.

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CERTIFICATES FOR SHARES AND THEIR TRANSFER

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SECTION 1. CERTIFICATES FOR SHARES. Certificates representing shares of the corporation shall be in such form as may be determined by the Board of Directors. Such certificates shall be signed by the president or vice president and by the secretary or an assistant secretary (including by facsimile signature) and may be sealed with the seal of the corporation or a facsimile thereof. All certificates surrendered to the corporation for transfer shall be cancelled, and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled,

except that in case of a lost, destroyed or mutilated certificate, a new one may be issued therefor upon such terms and indemnity to the corporation as the Board of Directors may prescribe.

SECTION 2. TRANSFER OF SHARES. Transfer of shares of the corporation shall be made only on the books of the corporation by the registered holder thereof or by his attorney thereunto authorized by power of attorney duly executed and filed with the secretary of the corporation, and on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the corporation shall be deemed the owner thereof for all purposes as regards the corporation.

ARTICLE VII.  
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FISCAL YEAR  
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The fiscal year of the corporation shall begin on the first day of January and end on the last day of December of each calendar year.

ARTICLE VIII.  
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WAIVER OF NOTICE  
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Whenever any notice whatever is required to be given under the provisions of these bylaws, or under the provisions of the Certificate of Incorporation, or under the provisions of the corporation laws of the State of Delaware, waiver thereof in writing, signed by the person, or persons, entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE IX.  
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AMENDMENT OF BYLAWS  
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The Board of Directors may alter, amend or rescind the bylaws, subject to the rights of stockholders to replace or modify such actions.

ARTICLE X.  
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AUDITORS  
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The corporation's books of account shall be examined annually by an independent firm of public accountants whose selection shall be made by the Board of Directors after recommendation by management. Upon completion of the examination by the auditors, a report shall be prepared and submitted to the Board of Directors.

3,600,000 Shares\*

SYPRIS SOLUTIONS, INC.

Common Stock

UNDERWRITING AGREEMENT

March 20, 2002

Needham & Company, Inc.  
A.G. Edwards & Sons, Inc.  
As Representatives of the several Underwriters  
c/o Needham & Company, Inc.  
445 Park Avenue  
New York, New York 10022

Ladies and Gentlemen:

Sypris Solutions, Inc., a Delaware corporation (the "Company"), proposes to issue and sell 3,600,000 shares (the "Firm Shares") of the Company's Common Stock, \$.01 par value per share (the "Common Stock"), to you and to the several other Underwriters named in Schedule I hereto (collectively, the "Underwriters"), for whom you are acting as representatives (the "Representatives"). The Company has also agreed to grant to you and the other Underwriters an option (the "Option") to purchase up to an additional 540,000 shares of Common Stock, on the terms and for the purposes set forth in Section 1(b) (the "Option Shares"). The Firm Shares and the Option Shares are referred to collectively herein as the "Shares."

The Company confirms as follows its agreement with the Representatives and the several other Underwriters.

1. Agreement to Sell and Purchase.

(a) On the basis of the representations, warranties and agreements of the Company herein contained and subject to all the terms and conditions of this Agreement, (i) the Company agrees to issue and sell the Firm Shares to the several Underwriters and (ii) each of the Underwriters, severally and not jointly, agrees to purchase from the Company the respective number of Firm Shares set forth opposite that Underwriter's name in Schedule I hereto, at the purchase price of \$13.67 for each Firm Share.

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\* Plus an option to purchase up to an additional 540,000 shares to cover over-allotments.

(b) Subject to all the terms and conditions of this Agreement, the Company grants the Option to the several Underwriters to purchase, severally and not jointly, up to 540,000 Option Shares at the same price per share as the Underwriters shall pay for the Firm Shares. The Option may be exercised only to cover over-allotments in the sale of the Firm Shares by the Underwriters and may be exercised in whole or in part at any time (but not more than once) on or before the 30th day after the date of this Agreement upon written or telegraphic notice (the "Option Shares Notice") by the Representatives to the Company no later than 12:00 noon, New York City time, at least two and no more than five business days before the date specified for closing in the Option Shares Notice (the "Option Closing Date"), setting forth the aggregate number of Option Shares to be purchased and the time and date for such purchase. On the Option Closing Date, the Company will issue and sell to the Underwriters the number of Option Shares set forth in the Option Shares Notice, and each Underwriter will purchase such percentage of the Option Shares as is equal to the percentage of Firm Shares that such Underwriter is purchasing, as adjusted by the Representatives in such manner as they deem advisable to avoid fractional shares.

## 2. Delivery and Payment

Delivery of the Firm Shares shall be made to the Representatives for the accounts of the Underwriters against payment of the purchase price by wire transfer payable in same-day funds to an account at banks specified by the Company to the order of the Company at the office of Needham & Company, Inc., 445 Park Avenue, New York, New York 10022 (or the offices of its counsel, Wollmuth Maher & Deutsch LLP, 500 Fifth Avenue, New York, New York 10110), at 10:00 a.m., New York City time, on the third (or, if the purchase price set forth in Section 1(a) hereof is determined after 4:30 p.m., Washington D.C. time, the fourth) business day following the commencement of the offering contemplated by this Agreement, or at such time on such other date, not later than seven business days after the date of this Agreement, as may be agreed upon by the Company and the Representatives (such date is hereinafter referred to as the "Closing Date").

To the extent the Option is exercised, delivery of the Option Shares against payment by the Underwriters (in the manner specified above) will take place at the offices specified above for the Closing Date at the time and date (which may be the Closing Date) specified in the Option Shares Notice.

Certificates evidencing the Shares shall be in definitive form and shall be registered in such names and in such denominations as the Representatives shall request at least two business days prior to the Closing Date or the Option Closing Date, as the case may be, by written notice to the Company. For the purpose of expediting the checking and packaging of certificates for the Shares, the Company agrees to make such certificates available for inspection at the offices specified above at least 24 hours prior to the Closing Date or the Option Closing Date, as the case may be.

The cost of original issue tax stamps and other transfer taxes, if any, in connection with the issuance and delivery of the Firm Shares and Option Shares by the Company to the respective Underwriters shall be borne by the Company. The Company will pay and save each Underwriter and any subsequent holder of the Shares harmless from any and all liabilities with respect to or resulting from any failure or delay in paying Federal and state stamp and other transfer taxes, if any, which may be payable or determined to be payable in connection with the original issuance or sale to such Underwriter of the Shares.

## 3. Representations and Warranties of the Company

The Company represents, warrants and covenants to each Underwriter that:

(a) The Company meets the requirements for use of Form S-2 and a registration statement (Registration No. 333-82446) on Form S-2 relating to the Shares, including a preliminary prospectus and such amendments to such registration statement as may have been required to the date of this Agreement, has been prepared by the Company under the provisions of the Securities Act of 1933, as amended (the "Act"), and the rules and regulations (collectively referred to as the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") thereunder, and has been filed with the Commission. The term "preliminary prospectus" as used herein means a preliminary prospectus, including the documents incorporated by reference therein, as contemplated by Rule 430 or Rule 430A of the Rules and Regulations included at any time as part of the registration statement. Copies of such registration statement and amendments and of each related preliminary prospectus have been

delivered to the Representatives. If such registration statement has not become effective, a further amendment to such registration statement, including a form of final prospectus, necessary to permit such registration statement to become effective will be filed promptly by the Company with the Commission. If such registration statement has become effective, a final prospectus containing information permitted to be omitted at the time of effectiveness by Rule 430A of the Rules and Regulations will be filed promptly by the Company with the Commission in accordance with Rule 424(b) of the Rules and Regulations. The term "Registration Statement" means the registration statement as amended at the time it becomes or became effective (the "Effective Date"), including all documents incorporated by reference therein, financial statements and all exhibits and schedules thereto and any information deemed to be included by Rule 430A, and includes any registration statement relating to the offering contemplated by this Agreement and filed pursuant to Rule 462(b) of the Rules and Regulations. The term "Prospectus" means the prospectus, including the documents incorporated by reference therein, as first filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations or, if no such filing is required, the form of final prospectus, including the documents incorporated by reference therein, included in the Registration Statement at the Effective Date. Any reference herein to the terms "amend," "amendment" or "supplement" with respect to the Registration Statement, any preliminary prospectus or the Prospectus shall be deemed to refer to and include the filing of any document under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), after the Effective Date, the date of any preliminary prospectus or the date of the Prospectus, as the case may be, and through and including the Closing Date and, if later, the Option Closing Date and deemed to be incorporated therein by reference.

(b) No order preventing or suspending the use of any preliminary prospectus has been issued by the Commission, and no stop order suspending the effectiveness of the Registration Statement (including any related registration statement filed pursuant to Rule 462(b) under the Act) or any post-effective amendment thereto has been issued, and no proceeding for that purpose has been initiated or threatened by the Commission. On the Effective Date, the date the Prospectus is first filed with the Commission pursuant to Rule 424(b) (if required), at all times thereafter during the period through and including the Closing Date and, if later, the Option Closing Date and when any post-effective amendment to the Registration Statement becomes effective or any amendment or supplement to the Prospectus is filed with the Commission, the Registration Statement and the Prospectus (as amended or as supplemented if the Company shall have filed with the Commission any amendment or supplement thereto), including the financial statements included in the Prospectus, did and will comply in all material respects with all applicable provisions of the Act, the Exchange Act, the rules and regulations under the Exchange Act (the "Exchange Act Rules and Regulations"), and the Rules and Regulations. On the Effective Date and when any post-effective amendment to the Registration Statement becomes effective, no part of the Registration Statement, the Prospectus or any such amendment or supplement thereto did or will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading. At the Effective Date, the date the Prospectus or any amendment or supplement to the Prospectus is filed with the Commission and at the Closing Date and, if later, the Option Closing Date, the Prospectus did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The foregoing representations and warranties in this Section 3(b) do not apply to any statements or omissions made in reliance on and in conformity with information relating to any Underwriter furnished in writing to the Company by the Representatives specifically for inclusion in the Registration Statement or Prospectus or any amendment or supplement thereto. The Company acknowledges that the statements set forth in the paragraphs under the heading "Underwriting" in the Prospectus constitute the only information relating to any Underwriter furnished in writing to the Company by the Representatives specifically for inclusion in the Registration Statement. In connection with this offering, some of the underwriters and selling group members, if any, or their affiliates may engage in passive market making transactions in our common stock on the Nasdaq National Market immediately prior to the commencement of sales in this offering, in accordance with Rule 103 of Regulation M under the Exchange Act. Passive market making may stabilize or maintain the market price of our common stock at a level above that which might otherwise prevail and, if commenced, may be discontinued at any time.

(c) The documents that are incorporated by reference in the preliminary prospectus and the Prospectus or from which information is so incorporated by reference, and any amendments thereto, when they became or become effective or were or are filed with the Commission, as the case may be, complied or will comply in all material respects with the requirements of the Act or the Exchange Act, as applicable, and the Rules and Regulations or the Exchange Act Rules and Regulations, as applicable; and any documents so filed and incorporated by reference subsequent to the Effective Date shall, when they are filed with the Commission, comply in all material respects

with the requirements of the Act or the Exchange Act, as applicable, and the Rules and Regulations or the Exchange Act Rules and Regulations, as applicable.

(d) The Company does not own, and at the Closing Date and, if later, the Option Closing Date, will not own, directly or indirectly, any shares of stock or any other equity or long-term debt securities of any corporation or have any equity interest in any corporation, limited liability company, firm, partnership, joint venture, association or other entity, other than (i) the subsidiaries listed in Exhibit 21 to the Company's Form 10-K for the year ended December 31, 2001 and (ii) other subsidiaries individually and collectively not material to the Company and its business or financial condition (the "Subsidiaries"). The Company and each of its Subsidiaries is, and at the Closing Date and, if later, the Option Closing Date, will be, a corporation or limited liability company duly organized or formed, as the case may be, validly existing and in good standing under the laws of its jurisdiction of incorporation or formation. The Company and each of its Subsidiaries has, and at the Closing Date and, if later, the Option Closing Date, will have, full power and authority to conduct all the activities conducted by it, to own or lease all the assets owned or leased by it and to conduct its business as described in the Registration Statement and the Prospectus. The Company and each of its Subsidiaries is, and at the Closing Date and, if later, the Option Closing Date, will be, duly licensed or qualified to do business and in good standing as a foreign corporation or limited liability company, as the case may be, in all jurisdictions in which the nature of the activities conducted by it or the character of the assets owned or leased by it makes such license or qualification necessary, except to the extent that the failure to be so licensed or qualified or be in good standing would not materially and adversely affect the Company or its business, properties, condition (financial or other) or results of operations. All of the outstanding shares of capital stock, units or other ownership interests of each Subsidiary have been duly authorized and validly issued and are fully paid and nonassessable, and owned by the Company free and clear of all claims, liens, charges and encumbrances, except any lien or security interest in such shares, units or other ownership interests pursuant to the principal credit facility of the Company described in the Prospectus (the "Credit Facility"); there are no securities outstanding that are convertible into or exercisable or exchangeable for capital stock, units or other ownership interest of any Subsidiary. The Company is not, and at the Closing Date and, if later, the Option Closing Date, will not be, engaged in any discussions or a party to any agreement or understanding, written or oral, regarding the acquisition of an interest in any corporation, firm, partnership, joint venture, association or other entity where such discussions, agreements or understandings would require amendment to the Registration Statement pursuant to applicable securities laws. Complete and correct copies of the certificate of incorporation and of the by-laws of the Company and each of its Subsidiaries and all amendments thereto have been delivered to the Representatives, and no changes therein will be made subsequent to the date hereof and prior to the Closing Date or, if later, the Option Closing Date.

(e) All of the outstanding shares of capital stock of the Company have been duly authorized, validly issued and are fully paid and nonassessable and were issued in compliance with all applicable state and federal securities laws; the Shares have been duly authorized and when issued and paid for as contemplated herein will be validly issued, fully paid and nonassessable; no preemptive or similar rights exist with respect to any of the Shares or the issue and sale thereof. The description of the capital stock of the Company in the Registration Statement and the Prospectus is, and at the Closing Date and, if later, the Option Closing Date, will be, complete and accurate in all material respects. Except as set forth in the Prospectus, the Company does not have outstanding, and at the Closing Date and, if later, the Option Closing Date, will not have outstanding, any options to purchase, or any rights or warrants to subscribe for, or any securities or obligations convertible into, or any contracts or commitments to issue or sell, any shares of capital stock, or any such warrants, convertible securities or obligations. No further approval or authority of stockholders or the Board of Directors of the Company will be required for the issuance and sale of the Shares as contemplated herein.

(f) The financial statements and schedules included or incorporated by reference in the Registration Statement or the Prospectus present fairly in all material respects the financial condition of the Company and its consolidated Subsidiaries as of the respective dates thereof and the results of operations and cash flows of the Company and its consolidated Subsidiaries for the respective periods covered thereby, all in conformity with United States generally accepted accounting principles applied on a consistent basis throughout the entire period involved, except as otherwise disclosed in the Prospectus. No other financial statements or schedules of the Company are required by the Act, the Exchange Act, the Exchange Act Rules and Regulations or the Rules and Regulations to be included in the Registration Statement or the Prospectus. Ernst & Young LLP (the "Accountants"), who have reported on such financial statements and schedules, are independent accountants with respect to the Company as

required by the Act and the Rules and Regulations. The summary consolidated financial and statistical data included in the Registration Statement present fairly the information shown therein as at the respective dates and for the respective periods specified and have been compiled on a basis consistent with the audited financial statements presented in the Registration Statement.

(g) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus and prior to or on the Closing Date and, if later, the Option Closing Date, except as set forth in or contemplated by the Registration Statement and the Prospectus, (i) there has not been and will not have been any change in the capitalization of the Company (other than in connection with the exercise of options to purchase the Company's Common Stock granted pursuant to the Company's stock option and equity incentive plans from the shares reserved therefor as described in the Registration Statement), or any material adverse change in the business, properties, condition (financial or otherwise) or results of operations of the Company and its Subsidiaries, taken as a whole, arising for any reason whatsoever, (ii) neither the Company nor any of its Subsidiaries has incurred nor will any of them incur, except in the ordinary course of business as described in the Prospectus, any material liabilities or obligations, direct or contingent, nor has the Company or any of its Subsidiaries entered into nor will any of them enter into, except in the ordinary course of business as described in the Prospectus, any material transactions other than pursuant to this Agreement and the transactions referred to herein, and (iii) the Company has not and will not have paid or declared any dividends or other distributions of any kind on any class of its capital stock.

(h) The Company is not and will not become as a result of the transactions contemplated hereby an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(i) Except as set forth in the Registration Statement and the Prospectus, there are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company, or any of its Subsidiaries or any of their officers in their capacity as such, nor to the knowledge of the Company is there any basis therefor, before or by any Federal or state court, commission, regulatory body, administrative agency or other governmental body, domestic or foreign, wherein an unfavorable ruling, decision or finding might materially and adversely affect the Company and its Subsidiaries taken as a whole or the business, properties, condition (financial or otherwise) or results of operations of the Company and its Subsidiaries taken as a whole.

(j) The Company and each Subsidiary has, and at the Closing Date and, if later, the Option Closing Date, will have, performed in all material respects all the obligations required to be performed by it, and is not, and at the Closing Date, and, if later, the Option Closing Date, will not be, in default, under any contract or other instrument to which it is a party or by which its property is bound or affected, which default might reasonably be expected to materially and adversely affect the Company or the business, properties, condition (financial or other) or results of operations of the Company and its Subsidiaries taken as a whole. To the best knowledge of the Company, no other party under any contract or other instrument to which it or any of its Subsidiaries is a party is in default in any respect thereunder, which default might reasonably be expected to materially and adversely affect the Company and its Subsidiaries taken as a whole or the business, properties, condition (financial or other) or results of operations of the Company and its Subsidiaries taken as a whole. Neither the Company nor any of its Subsidiaries is, and at the Closing Date and, if later, the Option Closing Date, will be, in violation of any provision of its certificate or articles of incorporation or by-laws or other organizational documents.

(k) No consent, approval, authorization or order of, or any filing or declaration with, any court or governmental agency or body is required for the consummation by the Company of the transactions on its part contemplated herein, except such as have been obtained under the Act or the Rules and Regulations and such as may be required under foreign securities laws, state securities or Blue Sky laws or the by-laws and rules of the National Association of Securities Dealers, Inc. (the "NASD") in connection with the purchase and distribution by the Underwriters of the Shares.

(l) The Company has full corporate power and authority to enter into this Agreement. This Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and binding agreement of the Company, enforceable against the Company in accordance with the terms hereof except (i) as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles and (ii) to the extent that rights to indemnity or contribution under this Agreement may be limited by Federal and state securities laws or the public

policy underlying such laws. The performance of this Agreement and the consummation of the transactions contemplated hereby will not result in the creation or imposition of any lien, charge or encumbrance upon any of the assets of the Company pursuant to the terms or provisions of, or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or give any party a right to terminate any of its obligations under, or result in the acceleration of any obligation under, the certificate or articles of incorporation, by-laws or other organizational documents of the Company or any of its Subsidiaries, any indenture, mortgage, deed of trust, voting trust agreement, loan agreement, bond, debenture, note agreement or other evidence of indebtedness, lease, contract or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company, any of its Subsidiaries or any of their properties is bound or affected, or violate or conflict with any judgment, ruling, decree, order, statute, rule or regulation of any court or other governmental agency or body applicable to the business or properties of the Company or any of its Subsidiaries.

(m) The Company and its Subsidiaries have good and, in the case of real property, marketable title to all properties and assets described in the Prospectus as owned by them, free and clear of all liens, charges, encumbrances or restrictions, except such as are described in the Prospectus or are not material to the business of the Company and its Subsidiaries taken as a whole. The Company and its Subsidiaries have valid, subsisting and enforceable leases for the properties described in the Prospectus as leased by them. The Company and its Subsidiaries own or lease all such properties as are necessary to their operations as now conducted or as proposed to be conducted, except where the failure to so own or lease would not materially and adversely affect the business, properties, business prospects, condition (financial or otherwise) or results of operations of the Company and its Subsidiaries taken as a whole.

(n) There is no document, contract, permit or instrument of a character required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement which is not described or filed or incorporated by reference as required. All such contracts to which the Company or any of its Subsidiaries is a party have been duly authorized, executed and delivered by the Company or such Subsidiary, constitute valid and binding agreements of the Company or such Subsidiary and are enforceable against and by the Company or such Subsidiary in accordance with the terms thereof except (i) as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles and (ii) to the extent that rights to indemnity or contribution under this Agreement may be limited by Federal and state securities laws or the public policy underlying such laws.

(o) No statement, representation, warranty or covenant made by the Company in this Agreement or made in any certificate or document required by Section 4 of this Agreement to be delivered to the Representatives was or will be, when made, inaccurate, untrue or incorrect in any material respect.

(p) The Company has not distributed and will not distribute prior to the later of (i) the Closing Date or, if later, the Option Closing Date, and (ii) completion of the distribution of the Shares, any offering material in connection with the offering and sale of the Shares other than any preliminary prospectuses, the Prospectus, the Registration Statement and other materials, if any, permitted by the Act. Neither the Company nor any of its directors, officers or controlling persons has taken, directly or indirectly, any action designed, or which might reasonably be expected, to cause or result, under the Act or otherwise, in, or which has constituted, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

(q) No holder of securities of the Company has rights to the registration of any securities of the Company because of the filing of the Registration Statement, which rights have not been waived by the holder thereof as of the date hereof.

(r) The Common Stock is registered under Section 12(g) of the Exchange Act, and the Company has filed an application to list the Shares on the Nasdaq National Market ("NNM") and has received notification that the listing has been approved, subject to notice of issuance of the Shares.

(s) Except as disclosed in or specifically contemplated by the Prospectus (i) the Company and its Subsidiaries have sufficient trademarks, trade names, patents, patent rights, mask works, copyrights, licenses, approvals and governmental authorizations necessary to conduct their businesses as now conducted, and to the

Company's knowledge, none of the foregoing intellectual property rights owned or licensed by the Company is invalid or unenforceable, (ii) the Company has no knowledge of any infringement by it or any of its Subsidiaries of trademarks, trade name rights, patents, patent rights, mask work rights, copyrights, licenses, trade secrets or other similar rights of others, where such infringement could have a material and adverse effect on the Company, and its Subsidiaries taken as a whole or the business, properties, condition (financial or otherwise) or results of operations of the Company and its Subsidiaries taken as a whole, (iii) the Company is not aware of any infringement, misappropriation or violation by others of, or conflict by others with rights of the Company with respect to, any of the foregoing intellectual property rights, and (iv) no claim has been made against the Company or any of its Subsidiaries, or to the best of the Company's knowledge, any employee of the Company or any of its Subsidiaries, regarding trademark, trade name, patent, mask work, copyright, license, trade secret or other infringement which could have a material and adverse effect on the Company and its Subsidiaries taken as a whole or the business, properties, condition (financial or otherwise) or results of operations of the Company and its Subsidiaries taken as a whole.

(t) The Company and each of its Subsidiaries has filed all federal, state, local and foreign income tax returns which have been required to be filed and has paid all taxes and assessments received by it to the extent that such taxes or assessments have become due. Neither the Company nor any of its Subsidiaries has any tax deficiency which has been or, to the best knowledge of the Company, might be asserted or threatened against it which could have a material and adverse effect on the business, properties, condition (financial or otherwise) or results of operations of the Company and its Subsidiaries taken as a whole.

(u) The Company or its Subsidiaries owns or possesses all authorizations, approvals, orders, licenses, registrations, other certificates and permits of and from all governmental regulatory officials and bodies, necessary to conduct their respective businesses as contemplated in the Prospectus, except where the failure to own or possess all such authorizations, approvals, orders, licenses, registrations, other certificates and permits would not materially and adversely affect the Company and its Subsidiaries taken as a whole or the business, properties condition (financial or otherwise) or results of operations of the Company and its Subsidiaries taken as a whole. There is no proceeding pending or, to the knowledge of the Company, threatened (or any basis therefor known to the Company) which may cause any such authorization, approval, order, license, registration, certificate or permit to be revoked, withdrawn, cancelled, suspended or not renewed; and the Company and each of its Subsidiaries is conducting its business in compliance with all laws, rules and regulations applicable thereto (including, without limitation, all applicable federal, state and local environmental laws and regulations) except where such noncompliance would not materially and adversely affect the Company, and its Subsidiaries taken as a whole or the business, properties condition (financial or otherwise) or results of operations of the Company and its Subsidiaries taken as a whole.

(v) The Company and each of its Subsidiaries maintains insurance of the types and in the amounts generally deemed adequate for its business, including, but not limited to, insurance covering real and personal property owned or leased by the Company and its Subsidiaries against theft, damage, destruction, acts of vandalism and all other risks customarily insured against, all of which insurance is in full force and effect.

(w) Neither the Company nor any of its Subsidiaries has nor, to the best of the Company's knowledge, any of its or their respective employees or agents at any time during the last five years (i) made any unlawful contribution to any candidate for foreign office, or failed to disclose fully any contribution in violation of law, or (ii) made any payment to any federal or state governmental officer or official, or other person charged with similar public or quasi-public duties, other than payments required or permitted by the laws of the United States or any jurisdiction thereof.

#### 4. Agreements of the Company

The Company covenants and agrees with the several Underwriters as follows:

(a) The Company will not, either prior to the Effective Date or thereafter during such period as the Prospectus is required by law to be delivered in connection with sales of the Shares by an Underwriter or dealer, file any amendment or supplement to the Registration Statement or the Prospectus, unless a copy thereof shall first have been submitted to the Representatives within a reasonable period of time prior to the filing thereof and the Representatives shall not have objected thereto in good faith.

(b) The Company will notify the Representatives promptly, and will confirm such advice in writing, (i) when the Registration Statement has become effective and when any post-effective amendment thereto becomes effective, (ii) of any request by the Commission for amendments or supplements to the Registration Statement or the Prospectus or for additional information, (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose or the threat thereof, (iv) of the happening of any event during the period mentioned in the second sentence of Section 4(e) that in the judgment of the Company makes any statement made in the Registration Statement or the Prospectus contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances in which they are made, not misleading If at any time the Commission shall issue any order suspending the effectiveness of the Registration Statement, the Company will make every reasonable effort to obtain the withdrawal of such order at the earliest possible moment. If the Company has omitted any information from the Registration Statement pursuant to Rule 430A of the Rules and Regulations, the Company will comply with the provisions of and make all requisite filings with the Commission pursuant to said Rule 430A and notify the Representatives promptly of all such filings. If the Company elects to rely upon Rule 462(b) under the Act, the Company shall file a registration statement under Rule 462(b) with the Commission in compliance with Rule 462(b) by 10:00 P.M., Washington, D.C. time, on the date of this Agreement, and the Company shall at the time of filing either pay to the Commission the filing fee for such Rule 462(b) registration statement or give irrevocable instructions for the payment of such fee pursuant to the Rules and Regulations.

(c) The Company will furnish to each Representative, without charge, one signed copy of each of the Registration Statement and of any pre- or post-effective amendment thereto, including financial statements and schedules, and all exhibits thereto and will furnish to the Representatives, without charge, for transmittal to each of the other Underwriters, a copy of the Registration Statement and any pre- or post-effective amendment thereto, including financial statements and schedules but without exhibits.

(d) The Company will comply with all the provisions of any undertakings contained in the Registration Statement.

(e) On the Effective Date, and thereafter from time to time, so long as delivery of a prospectus by an Underwriter or dealer is, in the reasonable opinion of the Underwriters, required by the Act or the Rules and Regulations, the Company will deliver to each of the Underwriters, without charge, as many copies of the Prospectus or any amendment or supplement thereto as the Representatives may reasonably request. The Company consents to the use of the Prospectus or any amendment or supplement thereto by the several Underwriters and by all dealers to whom the Shares may be sold, both in connection with the offering or sale of the Shares and for any period of time thereafter during which the Prospectus is required by law to be delivered in connection therewith. If during such period of time any event shall occur the result of which in the judgment of the Company or counsel to the Underwriters results or would result in the Prospectus, as then amended or supplemented, including an untrue statement of material fact or omitting to state any material fact necessary in order to make any statement therein, in the light of the circumstances under which it was made, not misleading, or if it is necessary to supplement or amend the Prospectus to comply with the Act or other applicable securities laws, the Company will forthwith prepare and duly file with the Commission an appropriate supplement or amendment thereto, and will deliver to each of the Underwriters, without charge, such number of copies of such supplement or amendment to the Prospectus as the Representatives may reasonably request.

(f) Prior to any public offering of the Shares, the Company will cooperate with the Representatives and counsel to the Underwriters in connection with the registration or qualification of the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as the Representatives may request; provided, that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action which would subject it to taxation or general service of process in any jurisdiction where it is not now so subject.

(g) During the period of three years commencing on the Effective Date, the Company will furnish to the Representatives and each other Underwriter who may so request a copy of such financial statements and other periodic and special reports as the Company may from time to time distribute generally to the holders of any class of its capital stock, and will furnish to the Representatives and each other Underwriter who may so request a copy of each annual or other report it shall be required to file with the Commission.

(h) The Company will make generally available to holders of its securities as soon as may be practicable but in no event later than the Availability Date (as defined below) an earnings statement (which need not be audited but shall be in reasonable detail) covering a period of 12 months commencing after the Effective Date which will satisfy the provisions of Section 11(a) of the Act (including Rule 158 of the Rules and Regulations). For the purpose of the preceding sentence, "Availability Date" means the 45th day after the end of the fourth fiscal quarter following the fiscal quarter that includes such Effective Date, except that if such fourth fiscal quarter is the last quarter of the Company's fiscal year, "Availability Date" means the 90th day after the end of such fourth fiscal quarter.

(i) Whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, the Company will pay or reimburse if paid by the Representatives all costs and expenses incident to the performance of the obligations of the Company under this Agreement and in connection with the transactions contemplated hereby, including but not limited to costs and expenses of or relating to (i) the preparation, printing and filing of the Registration Statement and exhibits to it, each preliminary prospectus, Prospectus and any amendment or supplement to the Registration Statement or Prospectus, (ii) the preparation and delivery of certificates representing the Shares, (iii) the printing of this Agreement, the Agreement Among Underwriters, any Selected Dealer Agreements, any Underwriters' Questionnaires, any Underwriters' Powers of Attorney, and any invitation letters to prospective Underwriters, (iv) furnishing (including costs of shipping and mailing) such copies of the Registration Statement, the Prospectus and any preliminary prospectus, and all amendments and supplements thereto, as may be requested for use in connection with the offering and sale of the Shares by the Underwriters or by dealers to whom Shares may be sold, (v) the listing of the Shares on the NNM, (vi) any filings required to be made by the Underwriters with the NASD, and the reasonable fees, disbursements and other charges of counsel for the Underwriters in connection therewith, (vii) the registration or qualification of the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions designated pursuant to Section 4(f), including the reasonable fees, disbursements and other charges of counsel to the Underwriters in connection therewith, and the preparation and printing of preliminary, supplemental and final Blue Sky memoranda, (viii) fees, disbursements and other charges of counsel to the Company (but not those of counsel for the Underwriters, except as otherwise provided herein) and (ix) the transfer agent for the Shares.

(j) The Company will not at any time, directly or indirectly, take any action designed or which might reasonably be expected to cause or result in, or which will constitute, stabilization of the price of the shares of Common Stock to facilitate the sale or resale of any of the Shares.

(k) The Company will apply the net proceeds from the offering and sale of the Shares to be sold by the Company in the manner set forth in the Prospectus under "Use of Proceeds"

(l) During the period beginning from the date hereof and continuing to and including the date 180 days after the date of the Prospectus, without the prior written consent of Needham & Company, Inc., the Company will not (1) offer, sell, contract to sell, pledge, grant options, warrants or rights to purchase, or otherwise dispose of any equity securities of the Company or any other securities convertible into or exchangeable for its Common Stock or other equity security (other than pursuant to employee stock option or equity incentive plans disclosed in the Prospectus or pursuant to the conversion of convertible securities or the exercise of warrants in each case outstanding on the date of this Agreement), or (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of shares of Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or other securities, in cash or otherwise.

(m) The Company will cause each of its officers, directors and certain stockholders designated by the Representatives to, enter into lock-up agreements with the Representatives to the effect that they will not, without the prior written consent of Needham & Company, Inc., sell, contract to sell or otherwise dispose of any shares of Common Stock or rights to acquire such shares according to the terms set forth in Schedule II hereto.

##### 5. Conditions of the Obligations of the Underwriters

The obligations of each Underwriter hereunder are subject to the following conditions:

(a) Notification that the Registration Statement has become effective shall be received by the Representatives not later than 10:00 p.m., New York City time, on the date of this Agreement or at such later date and time as shall be consented to in writing by the Representatives and all filings required by Rule 424 and Rule 430A of the Rules and Regulations shall have been made. If the Company has elected to rely upon Rule 462(b), the registration statement filed under Rule 462(b) shall have become effective by 10:00 P.M., New York City time, on the date of this Agreement.

(b) (i) No stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall be pending or threatened by the Commission, (ii) no order suspending the effectiveness of the Registration Statement shall be in effect and no proceeding for such purpose shall be pending before or threatened by the Commission (iii) the Representatives shall have received certificates, dated the Closing Date and, if later, the Option Closing Date and signed by the Chief Executive Officer and the Chief Financial Officer of the Company (who may, as to proceedings threatened, rely upon the best of their information and belief), to the effect of clauses (i) and (ii) of this paragraph.

(c) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, there shall not have been a material adverse change in the business, properties, condition (financial or otherwise) or results of operations of the Company and its Subsidiaries taken as a whole, whether or not arising from transactions in the ordinary course of business, in each case other than as described in or contemplated by the Registration Statement and the Prospectus, if in the judgment of the Representatives any such development makes it impracticable or inadvisable to consummate the sale and delivery of the Shares by the Underwriters at the initial public offering price.

(d) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, there shall have been no litigation or other proceeding instituted against the Company, any of its Subsidiaries, or any of its or their officers or directors in their capacities as such, before or by any Federal, state or local court, commission, regulatory body, administrative agency or other governmental body, domestic or foreign, in which litigation or proceeding an unfavorable ruling, decision or finding would, in the judgment of the Representatives, materially and adversely affect the business, properties, condition (financial or otherwise) or results of operations of the Company and its Subsidiaries taken as a whole.

(e) Each of the representations and warranties of the Company contained herein shall be true and correct in all material respects at the Closing Date and, with respect to the Option Shares, at the Option Closing Date, and all covenants and agreements contained herein to be performed on the part of the Company and all conditions contained herein to be fulfilled or complied with by the Company at or prior to the Closing Date and, with respect to the Option Shares, at or prior to the Option Closing Date, shall have been duly performed, fulfilled or complied with.

(f) The Representatives shall have received an opinion, dated the Closing Date and, with respect to the Option Shares, the Option Closing Date, satisfactory in form and substance to the Representatives and counsel for the Underwriters from Wyatt, Tarrant & Combs, LLP, counsel to the Company, with respect to the following matters:

(i) Each of the Company and its Subsidiaries is a corporation or other entity duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization; has full corporate or other power and authority to conduct all the activities conducted by it, to own or lease all the assets owned or leased by it and to conduct its business as described in the Registration Statement and Prospectus; and is duly licensed or qualified to do business and is in good standing, where applicable, as a foreign entity in all jurisdictions in which the nature of the activities conducted by it or the character of the assets owned or leased by it of which such counsel has knowledge after due inquiry makes such license or qualification necessary and where the failure to be licensed or qualified would have a material and adverse effect on the business or financial condition of the Company and Subsidiaries, taken as a whole.

(ii) All of the outstanding shares of capital stock of the Company have been duly authorized, validly issued and are fully paid and nonassessable and to such counsel's knowledge after due inquiry were

not issued in violation of or subject to any preemptive or, to such counsel's knowledge after due inquiry, similar rights.

(iii) The specimen certificate evidencing the Common Stock filed or incorporated by reference as an exhibit to the Registration Statement is in due and proper form under Delaware law, the Shares have been duly authorized and, when issued and paid for as contemplated by this Agreement, will be validly issued, fully paid and nonassessable; and no statutory or, to such counsel's knowledge after due inquiry, contractual preemptive or similar rights exist with respect to any of the Shares or the issue and sale thereof.

(iv) To such counsel's knowledge, the Company does not own or control, directly or indirectly, any shares of stock or any other equity or long-term debt securities of any corporation or have any equity interest in any corporation, firm, partnership, joint venture, association or other entity other than the Subsidiaries. All of the outstanding shares of capital stock, units or other equity interest of each Subsidiary have been duly authorized and validly issued and are fully paid and nonassessable, and are owned of record by the Company to such counsel's knowledge after due inquiry free and clear of all claims, liens, charges and encumbrances, except for any lien or security interest in such shares pursuant to the Credit Facility; to such counsel's knowledge, there are no securities outstanding that are convertible into or exercisable or exchangeable for capital stock, units or other equity interest of any Subsidiary.

(v) The authorized and outstanding capital stock of the Company is as set forth in the Registration Statement and the Prospectus in the column entitled "Actual" under the caption "Capitalization" (except for subsequent issuances, if any, pursuant to this Agreement or pursuant to reservations, agreements, employee benefit plans or the exercise of convertible securities, options or warrants referred to in the Prospectus). To such counsel's knowledge, except as disclosed in or specifically contemplated by the Prospectus, there are no outstanding options, warrants or other rights calling for the issuance of, and no commitments, plans or arrangements to issue, any shares of capital stock of the Company or any security convertible into or exchangeable or exercisable for capital stock of the Company. The description of the capital stock of the Company in the Registration Statement and the Prospectus conforms in all material respects to the terms thereof.

(vi) To such counsel's knowledge, there are no legal or governmental proceedings pending or threatened to which the Company or any of its Subsidiaries is a party or to which any of their respective properties is subject that are required to be described in the Registration Statement or the Prospectus but are not so described.

(vii) No consent, approval, authorization or order of, or any filing or declaration with, any court or governmental agency or body is required for the consummation by the Company of the transactions on its part contemplated under this Agreement, except such as have been obtained or made under the Act or the Rules and Regulations and such as may be required under foreign or state securities or Blue Sky laws, as to which foreign or state securities or Blue Sky laws such counsel renders no opinion, or the by-laws and rules of the NASD in connection with the purchase and distribution by the Underwriters of the Shares.

(viii) The Company has full corporate power and authority to enter into this Agreement. This Agreement has been duly authorized, executed and delivered by the Company.

(ix) The execution and delivery of this Agreement, the compliance by the Company with all of the terms hereof and the consummation of the transactions contemplated hereby does not contravene any provision of United States Federal or Kentucky law, or the Delaware General Corporation Law, or the Certificate of Incorporation or By-Laws of the Company or the organizational and governing documents of any of its Subsidiaries, and to the best of such counsel's knowledge after due inquiry will not result in the creation or imposition of any lien, charge or encumbrance upon any of the assets of the Company or any of its Subsidiaries pursuant to the terms and provisions of, result in a breach or violation of any of the terms or provisions of, or constitute a default under, or give any party a right to terminate any of its obligations under, or result in the acceleration of any obligation under, any indenture, mortgage, deed of trust, voting

trust agreement, loan agreement, bond, debenture, note agreement or other evidence of indebtedness, lease, contract or other agreement or instrument known to such counsel to which the Company or any of its Subsidiaries is a party or by which the Company, any of its Subsidiaries, or any of their respective properties is bound or affected, or violate or conflict with (i) any judgment, ruling, decree or order known to such counsel which breach, violation or conflict would have a material adverse effect on the Company and its Subsidiaries, taken as a whole, or (ii) any United States Federal or Kentucky, or to such counsel's knowledge any other state, statute, rule or regulation of any governmental agency or body, applicable to the business or properties of the Company or any of its Subsidiaries which breach, violation or conflict would have a material adverse effect on the Company and its Subsidiaries, taken as a whole.

(x) To such counsel's knowledge, there is no document or contract of a character required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement which is not described or filed or incorporated by reference as required, and each description of such contracts and documents that is contained in the Registration Statement and Prospectus fairly presents in all material respects the information required under the Act and the Rules and Regulations.

(xi) The statements under the captions "Risk Factors - Our stock price may decline if additional shares are sold in the market after the offering" and "Risk Factors -Our current or proposed anti-takeover provisions and the concentration of ownership of our common stock may deter potential acquirers and may depress our stock price" (relating to shares eligible for future sale and anti-takeover provisions), "Certain Relationships and Related Transactions", "Description of Capital Stock" and "Shares Eligible for Future Sale" in the Prospectus, insofar as the statements constitute a summary of documents referred to therein or matters of law, are accurate summaries and fairly and correctly present, in all material respects, the information called for with respect to such documents and matters of law (provided, however, that such counsel may rely on representations of the Company with respect to the factual matters contained in such statements, and provided further that such counsel shall state that nothing has come to the attention of such counsel which leads them to believe that such representations are not true and correct in all material respects).

(xii) The Company is not an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended.

(xiii) Such counsel has received oral notification from the NNM that the Shares have been duly authorized for listing on the NNM, subject to notice of issuance.

(xiv) To such counsel's knowledge, no holder of securities of the Company has rights, which have not been waived, to require the Company to register with the Commission shares of Common Stock or other securities, as part of the offering contemplated hereby.

(xv) Based on a telephonic communication with the Commission, the Registration Statement has become effective under the Act, and to the best of such counsel's knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose has been instituted or is pending, or threatened.

(xvi) The Registration Statement and the Prospectus, as of their respective effective or issue dates, appeared to be appropriately responsive in all material respects to the requirements of the Act and the Rules and Regulations (other than the financial statements, schedules and other financial data contained or incorporated by reference in the Registration Statement or the Prospectus, as to which such counsel need express no opinion).

(xvii) Such counsel has participated in conferences with officers and other representatives of the Company, representatives of the Representatives and representatives of the independent accountants of the Company, at which the contents of the Registration Statement and the Prospectus and related matters were discussed. Although such counsel is not passing upon, and is not assuming responsibility for, the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus, on the basis of the foregoing, no facts have come to the attention of such counsel which leads

such counsel to believe that, as of the Effective Date the Registration Statement (other than the financial statements, schedules and other financial data contained or incorporated by reference therein, as to which such counsel need express no opinion), contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus, or any amendment or supplement thereto, as of its date, contained any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (other than the financial statements, schedules and other financial data contained or incorporated by reference therein, as to which such counsel need express no opinion).

(xviii) The documents incorporated by reference in the Prospectus (other than the financial statements, schedules and other financial data contained therein, as to which such counsel need express no opinion), subject to any amendments thereto and any subsequently filed documents which supersede such documents when they were filed with the Commission appeared to be appropriately responsive in all material respects with the requirements of the Exchange Act and the Exchange Act Rules and Regulations.

In rendering such opinion, such counsel may rely, as to matters of local law, on opinions of counsel satisfactory in form and substance to the Representatives and counsel for the Underwriters, provided that the opinion of counsel to the Company shall state that they are doing so, that they have no reason to believe that they and the Underwriters are not entitled to rely on such opinions and that copies of such opinions are to be attached to the opinion.

(g) The Representatives shall have received an opinion, dated the Closing Date and the Option Closing Date, from Wollmuth Maher & Deutsch LLP, counsel to the Underwriters, with respect to the Registration Statement, the Prospectus and this Agreement, which opinion shall be satisfactory in all respects to the Representatives.

(h) Concurrently with the execution and delivery of this Agreement, the Accountants shall have furnished to the Representatives a letter, dated the date of its delivery, addressed to the Representatives and in form and substance satisfactory to the Representatives, confirming that they are independent accountants with respect to the Company and its Subsidiaries as required by the Act and the Exchange Act and the Rules and Regulations and with respect to certain financial and other statistical and numerical information contained or incorporated by reference in the Registration Statement. At the Closing Date and, as to the Option Shares, the Option Closing Date, the Accountants shall have furnished to the Representatives a letter, dated the date of its delivery, which shall confirm, on the basis of a review in accordance with the procedures set forth in the letter from the Accountants, that nothing has come to their attention during the period from the date of the letter referred to in the prior sentence to a date (specified in the letter) not more than three days prior to the Closing Date and the Option Closing Date, as the case may be, which would require any change in their letter dated the date hereof if it were required to be dated and delivered at the Closing Date and the Option Closing Date.

(i) At the Closing Date and, as to the Option Shares, the Option Closing Date, there shall be furnished to the Representatives a certificate, dated the date of its delivery, signed by each of the Chief Executive Officer and the Chief Financial Officer of the Company, in form and substance satisfactory to the Representatives, to the effect that:

(i) Each of the representations and warranties of the Company contained in this Agreement were, when originally made, and are, at the time such certificate is delivered, true and correct.

(ii) Each of the covenants required to be performed by the Company herein on or prior to the date of such certificate has been duly, timely and fully performed and each condition herein required to be satisfied or fulfilled on or prior to the date of such certificate has been duly, timely and fully satisfied or fulfilled.

(j) On or prior to the Closing Date, the Representatives shall have received the executed agreements referred to in Section 4(o).

(k) Prior to the Closing Date, the Shares shall have been duly authorized for listing on the NNM upon official notice of issuance.

#### 6. Indemnification.

(a) The Company will indemnify and hold harmless each Underwriter, the directors, officers, employees and agents of each Underwriter and each person, if any, who controls each Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, from and against any and all losses, claims, liabilities, expenses and damages (including any and all investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted), to which they, or any of them, may become subject under the Act, the Exchange Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, liabilities, expenses or damages arise out of or are based on any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, the Registration Statement or the Prospectus or any amendment or supplement to the Registration Statement or the Prospectus, or the omission or alleged omission to state in such document a material fact required to be stated in it or necessary to make the statements in it not misleading in the light of the circumstances in which they were made, or arise out of or are based in whole or in part on any inaccuracy in the representations and warranties of the Company contained herein or any failure of the Company to perform its obligations hereunder or under law in connection with the transactions contemplated hereby; provided, however, that (i) the Company will not be liable to the extent that such loss, claim, liability, expense or damage arises from the sale of the Shares in the public offering to any person by an Underwriter and is based on an untrue statement or omission or alleged untrue statement or omission made in reliance on and in conformity with information relating to any Underwriter furnished in writing to the Company by the Representatives, on behalf of any Underwriter, expressly for inclusion in the Registration Statement, the preliminary prospectus or the Prospectus and (ii) the Company will not be liable to any Underwriter, the directors, officers, employees or agents of such Underwriter or any person controlling such Underwriter with respect to any loss, claim, liability, expense, or damage arising out of or based on any untrue statement or omission or alleged untrue statement or omission or alleged omission to state a material fact in the preliminary prospectus which is corrected in the Prospectus if the person asserting any such loss, claim, liability, expense or damage purchased Shares from such Underwriter but was not sent or given a copy of the Prospectus at or prior to the written confirmation of the sale of such Shares to such person and if copies of the Prospectus were timely delivered to such Underwriter pursuant to Section 5 hereof. The Company acknowledges that the statements set forth under the heading "Underwriting" in the preliminary prospectus and the Prospectus constitute the only information relating to any Underwriter furnished in writing to the Company by the Representatives on behalf of the Underwriters expressly for inclusion in the Registration Statement, the preliminary prospectus or the Prospectus. This indemnity agreement will be in addition to any liability that the Company might otherwise have.

(b) Each Underwriter will indemnify and hold harmless the Company, each director of the Company, each officer of the Company who signs the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, to the same extent as the foregoing indemnity from the Company to each Underwriter, as set forth in Section 6(a), but only insofar as losses, claims, liabilities, expenses or damages arise out of or are based on any untrue statement or omission or alleged untrue statement or omission made in reliance on and in conformity with information relating to any Underwriter furnished in writing to the Company by the Representatives, on behalf of such Underwriter, expressly for use in the Registration Statement, the preliminary prospectus or the Prospectus. The Company acknowledges that the statements set forth under the heading "Underwriting" in the preliminary prospectus and the Prospectus constitute the only information relating to any Underwriter furnished in writing to the Company by the Representatives on behalf of the Underwriters expressly for inclusion in the Registration Statement, the preliminary prospectus or the Prospectus. This indemnity will be in addition to any liability that each Underwriter might otherwise have.

(c) Any party that proposes to assert the right to be indemnified under this Section 6 shall, promptly after receipt of notice of commencement of any action against such party in respect of which a claim is to be made against an indemnifying party or parties under this Section 6, notify each such indemnifying party in writing of the commencement of such action, enclosing with such notice a copy of all papers served, but the omission so to notify such indemnifying party will not relieve it from any liability that it may have to any indemnified party under the foregoing provisions of this Section 6 unless, and only to the extent that, such omission results in the loss of

substantive rights or defenses by the indemnifying party. If any such action is brought against any indemnified party and it notifies the indemnifying party of its commencement, the indemnifying party will be entitled to participate in and, to the extent that it elects by delivering written notice to the indemnified party promptly after receiving notice of the commencement of the action from the indemnified party, jointly with any other indemnifying party similarly notified, to assume the defense of the action, with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense, the indemnifying party will not be liable to the indemnified party for any legal or other expenses except as provided below and except for the reasonable costs of investigation incurred by the indemnified party in connection with the defense. The indemnified party will have the right to employ its own counsel in any such action, but the fees, expenses and other charges of such counsel will be at the expense of such indemnified party unless (i) the employment of counsel by the indemnified party has been authorized in writing by the indemnifying party, (ii) the indemnified party has reasonably concluded (based on advice of counsel) that a conflict or potential conflict exists between the indemnified party and the indemnifying party (in which case the indemnifying party will not have the right to direct the defense of such action on behalf of the indemnified party) or (iii) the indemnifying party has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the reasonable fees, disbursements and other charges of counsel will be at the expense of the indemnifying party or parties. It is understood that the indemnifying party or parties shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one separate firm admitted to practice in such jurisdiction at any one time for all such indemnified party or parties. All such fees, disbursements and other charges will be reimbursed by the indemnifying party promptly as they are incurred. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement (i) includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an indemnified party. An indemnifying party will not be liable for any settlement of any action or claim effected without its written consent (which consent will not be unreasonably withheld or delayed).

(d) If the indemnification provided for in this Section 6 is applicable in accordance with its terms but for any reason is held to be unavailable to or insufficient to hold harmless an indemnified party under paragraphs (a), (b) and (c) of this Section 6 in respect of any losses, claims, liabilities, expenses and damages referred to therein, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable (including any investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted, but after deducting any contribution received by the Company from persons other than the Underwriters, such as persons who control the Company within the meaning of the Act, officers of the Company who signed the Registration Statement and directors of the Company, who also may be liable for contribution) by such indemnified party as a result of such losses, claims, liabilities, expenses and damages in such proportion as shall be appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. If, but only if, the allocation provided by the foregoing sentence is not permitted by applicable law, the allocation of contribution shall be made in such proportion as is appropriate to reflect not only the relative benefits referred to in the foregoing sentence but also the relative fault of the Company, on the one hand, and the Underwriters, on the other hand, with respect to the statements or omissions which resulted in such loss, claim, liability, expense or damage, or action in respect thereof, as well as any other relevant equitable considerations with respect to such offering. Such relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Representatives on behalf of the Underwriters, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 6(d) were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of



the loss claim, liability, expense or damage, or action in respect thereof, referred to above in this Section 6(d) shall be deemed to include, for purposes of this Section 6(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 6(d), no Underwriter shall be required to contribute any amount in excess of the underwriting discounts received by it and no person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute as provided in this Section 6(d) are several in proportion to their respective underwriting obligations and not joint. For purposes of this Section 6(d), any person who controls a party to this Agreement within the meaning of the Act will have the same rights to contribution as that party, and each director and each officer of the Company who signed the Registration Statement will have the same rights to contribution as the Company, subject in each case to the provisions hereof. Any party entitled to contribution, promptly after receipt of notice of commencement of any action against any such party in respect of which a claim for contribution may be made under this Section 6(d), will notify any such party or parties from whom contribution may be sought, but the omission so to notify will not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have under this Section 6(d). No party will be liable for contribution with respect to any action or claim settled without its written consent (which consent will not be unreasonably withheld).

(e) The indemnity and contribution agreements contained in this Section 6 and the representations and warranties of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of the Underwriters, (ii) acceptance of any of the Shares and payment therefor or (iii) any termination of this Agreement.

#### 7. Reimbursement of Certain Expenses

In addition to its other obligations under Section 6(a) of this Agreement, the Company hereby agrees to reimburse on a quarterly basis the Underwriters for all reasonable legal and other expenses incurred in connection with investigating or defending any claim, action, investigation, inquiry or other proceeding arising out of or based upon, in whole or in part, any statement or omission or alleged statement or omission, or any inaccuracy in the representations and warranties of the Company contained herein or failure of the Company to perform its or their respective obligations hereunder or under law, all as described in Section 6(a), notwithstanding the absence of a judicial determination as to the propriety and enforceability of the obligations under this Section 7 and the possibility that such payment might later be held to be improper; provided, however, that, to the extent any such payment is ultimately held to be improper, the persons receiving such payments shall promptly refund them.

#### 8. Termination

The obligations of the several Underwriters under this Agreement may be terminated at any time on or prior to the Closing Date (or, with respect to the Option Shares, on or prior to the Option Closing Date), by notice to the Company from the Representatives, without liability on the part of any Underwriter to the Company if, prior to delivery and payment for the Firm Shares or Option Shares, as the case may be, in the sole judgment of the Representatives, (i) trading in any of the equity securities of the Company shall have been suspended by Commission or by the NNM, (ii) trading in securities generally on the NNM shall have been suspended or limited or minimum or maximum prices shall have been generally established on such exchange, or additional material governmental restrictions, not in force on the date of this Agreement, shall have been imposed upon trading in securities generally by such exchange, by order of the Commission or any court or other governmental authority, or by the NNM, (iii) a general banking moratorium shall have been declared by either Federal or New York State authorities or (iv) any material adverse change in the financial or securities markets in the United States or in political, financial or economic conditions in the United States or any new outbreak or material escalation of hostilities or other calamity or crisis shall have occurred, the effect of which on financial markets of the United States is such as to make it, in the sole judgment of the Representatives, impracticable or inadvisable to proceed with completion of the public offering or the delivery of and payment for the Shares.

If this Agreement is terminated pursuant to Section 9 hereof, the Company shall be under no liability to any Underwriter except as provided in Sections 4(i), 6 and 7 hereof; but, if for any reason the Company shall fail, refuse or be unable to perform its obligations hereunder, the Company will reimburse the several Underwriters for

all out-of-pocket expenses (including the fees, disbursements and other charges of counsel to the Underwriters) incurred by them in connection with the offering of the Shares.

#### 9. Substitution of Underwriters

If any one or more of the Underwriters shall fail or refuse to purchase any of the Firm Shares which it or they have agreed to purchase hereunder, and the aggregate number of Firm Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of Firm Shares, the other Underwriters shall be obligated, severally, to purchase the Firm Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase, in the proportions which the number of Firm Shares which they have respectively agreed to purchase pursuant to Section 1 bears to the aggregate number of Firm Shares which all such non-defaulting Underwriters have so agreed to purchase, or in such other proportions as the Representatives may specify; provided that in no event shall the maximum number of Firm Shares which any Underwriter has become obligated to purchase pursuant to Section 1 be increased pursuant to this Section 9 by more than one-ninth of such number of Firm Shares without the prior written consent of such Underwriter. In any such case either the Representatives or the Company shall have the right to postpone the Closing Date, but in no event for longer than five business days, in order that the required changes, if any, in the Registration Statement and the Prospectus or in any other documents or arrangements may be effected. If any Underwriter or Underwriters shall fail or refuse to purchase any Firm Shares and the aggregate number of Firm Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase exceeds one-tenth of the aggregate number of the Firm Shares and arrangements satisfactory to the Representatives and the Company for the purchase of such Firm Shares are not made within 48 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Underwriter and the Company for the purchase or sale of any Shares under this Agreement. Any action taken pursuant to this Section 9 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

#### 10. Miscellaneous

Notice given pursuant to any of the provisions of this Agreement shall be in writing and, unless otherwise specified, shall be mailed or delivered (a) if to the Company, at the office of the Company, 101 Bullitt Lane, Suite 450, Louisville, Kentucky 40222, Attention: Jeffrey T. Gill, with a copy to Wyatt, Tarrant & Combs, LLP, 500 West Jefferson Street, 28th Floor, Louisville, KY 40207, Attention: Robert A. Heath, Esq., or (b) if to the Underwriters, to the Representatives at the offices of Needham & Company, Inc., 445 Park Avenue, New York, New York 10022, Attention: Corporate Finance Department, with a copy to Wollmuth Maher & Deutsch LLP, 500 Fifth Avenue, New York, New York, Attention: Kenneth G. Alberstadt, Esq. and Mason H. Drake, Esq. Any such notice shall be effective only upon receipt.

This Agreement has been and is made solely for the benefit of the several Underwriters, the Company, and the controlling persons, directors and officers referred to in Section 6, and their respective successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. The term "successors and assigns" as used in this Agreement shall not include a purchaser, as such purchaser, of Shares from any of the several Underwriters.

Any action required or permitted to be made by the Representatives under this Agreement may be taken by them jointly or by Needham & Company, Inc.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State.

This Agreement may be signed in two or more counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

In case any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Please confirm that the foregoing correctly sets forth the agreement among the Company and the several Underwriters.

Very truly yours,

SYPRIS SOLUTIONS, INC.

By: /s/ David D. Johnson

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Name: David D. Johnson  
Title: Vice President

Confirmed as of the date first above mentioned:

Needham & Company, Inc.

A.G. Edwards & Sons, Inc.

Acting on behalf of themselves  
and as the Representatives of  
the other several Underwriters  
named in Schedule I hereto.

By: Needham & Company, Inc.

By: /s/ Janice L. Triolo

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Name: Janice L. Triolo  
Title: Principal

SCHEDULE I

UNDERWRITERS

Underwriters -----	Number of Firm Shares to be Purchased -----
Needham & Company, Inc. ....	2,160,000
A.G. Edwards & Sons, Inc. ....	1,440,000
Total .....	----- 3,600,000 =====

SYPRIS SOLUTIONS INC.  
EXECUTIVE BONUS PLAN  
2002 FISCAL YEAR

1. Establishment of Plan.  
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Sypris Solutions Inc., a Delaware corporation (the "Company"), established this executive bonus plan effective as of January 2, 2002 (the "Plan"), to provide a financial incentive for employees of the Company to advance the growth and prosperity of the Company.

2. Eligibility.  
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Officers of the Company who are specifically designated by the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee") for participation during the current year shall be eligible to participate in the Plan.

3. Bonus Potential.  
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The Bonus Potential for each participant will be established and approved by the Compensation Committee at the beginning of each Plan year. Each participant will be provided with a copy of this Plan, which will include an exhibit that lists the participant's full name, salary, start date (for purposes of the current fiscal year), cash bonus potential, stock option bonus potential, the Company's (and the subsidiary's, in the case of a subsidiary president) financial plan benchmarks and management objectives for the current year. Participants who serve in the capacity of president of a Company subsidiary will derive 20% of their Bonus Potential from the performance of the Company and 80% of their Bonus Potential from the performance of the individual subsidiary for which they are responsible, as more fully described below, in accordance with the provisions of this Plan.

(a) Cash Bonus Potential. The Cash Bonus Potential will be divided into  
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five award components of equal amount. Four of the award components will be allocated to each of the four quarters of the year, while the fifth award component will be allocated to the fiscal year. An award component will be deemed to have been activated and therefore available for future payment upon the achievement of at least 90% of the Company's (and/or the subsidiary's, in the case of a subsidiary president) financial plan for profit before bonus and tax and no more than 105% of the financial plan for average monthly net working capital for the period to which the award component has been allocated, with the exception of the fiscal year, for which at least 100% of the Company's (and/or the subsidiary's, in the case of a subsidiary president) financial plan must be achieved (the "Plan Metrics").

Should the Company's financial performance for any given quarter fail to meet the Plan Metrics for that quarter, the participant will still have the opportunity to activate that award component currently, or at some future point during the Plan year, based upon the achievement of the Company's Plan Metrics on a year-to-date basis. Once an award component has been activated, it will remain available for future payment regardless of any subsequent shortfall in financial performance by the Company.

(b) Stock Option Bonus Potential. The Stock Option Bonus Potential will  
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also be divided into five award components of equal amount. Four of the award components will be allocated to each of the four quarters of the year, while the fifth award component will be allocated to the fiscal year. An award component will be deemed to have been activated and therefore available for future grant upon the

achievement of the Company's (and/or the subsidiary's, in the case of a subsidiary president) Plan Metrics for the period to which the award component has been allocated.

Should the Company's financial performance for any given quarter fall short of the Plan Metrics for that quarter, the participant will still have the opportunity to activate that award component currently, or at some future point during the Plan year, based upon the achievement of the Company's Plan Metrics on a year-to-date basis. Once an award component has been activated, it will remain available for future grant regardless of any subsequent shortfall in financial performance by the Company.

(c) Acquisitions and Divestitures. The Plan Metrics will be adjusted to

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reflect the expected impact of any acquisitions and/or divestitures that are completed during the current Plan year at the time of such acquisition or divestiture.

4. Bonus Award.

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Each eligible participant will be entitled to an amount equal to the sum of the cash award components and the sum of the shares represented by the stock option award components that have been activated during the Plan year, subject to the provisions of Sections 7(a), 7(b) and the following:

(a) Management Objectives. Each participant will have up to five

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Management Objectives for the Plan year, each of which will be specific with regard to (i) the expected outcome, (ii) the expected financial impact on the Company and (iii) the date or dates by which the objective must be achieved. Each objective will receive a weighting, the total of which for all objectives will be equal to 100%. The president and chief executive officer of the Company will have the responsibility to review and determine each participant's performance to objectives and to assign each individual a percentage that will be used as a factor to determine the actual amount of the awards to be distributed.

(b) Discretionary Review. The president and chief executive officer of

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the Company will have the discretion to increase the actual amount of the awards to be distributed by up to 20% of the participant's Bonus Potential, based upon the individual's specific performance and contribution to the Company. Such discretion will be used sparingly and will generally be limited to the recognition of extenuating circumstances and/or exceptional accomplishments that may or may not have been captured by the Management Objectives.

(c) Approval of the Compensation Committee. The Bonus Award for each

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participant will be subject to the review of and approval by the Compensation Committee. As a matter of policy, the Compensation Committee will not approve the award of any bonus that would otherwise lead or contribute to an operating loss as reported on the consolidated financial statements of Sypris Solutions Inc.

(d) Qualification. Awards will be payable to each eligible participant

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as soon as administratively practicable after release of the audited annual financial statements of the Company and the approval of the Compensation Committee; provided, however, that the Plan shall be in effect as of the date of payment and such employee shall be employed by the Company as of the date of payment. No employee shall have any right to payment of an award unless the Plan is in effect and the employee is employed by the Company as of the date of payment.

5. Method of Distribution.

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Cash awards shall be payable by check in lump sum. All such payments will be subject to withholding for income, social security or other such payroll taxes as may be appropriate. Stock option

grants will be granted under and subject to the Sypris Solutions Inc. 1994 Stock Option Plan for Key Employees and will contain an option price that will be equal to the closing price of the common stock on the over-the-counter market, as reported by the Nasdaq Stock Market, on the date of grant.

6. Administration.  
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The Compensation Committee shall administer this Plan. The decisions of the Compensation Committee in interpreting and applying the Plan shall be final.

7. Miscellaneous.  
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(a) Employment Rights. The adoption and maintenance of this Plan is  
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not an employment agreement between the Company and any employee. Nothing herein contained shall be deemed to give any employee the right to be retained in the employ of the Company nor to interfere with the right of the Company to discharge any employee at any time.

(b) Amendment and Termination. The Company may, without the consent of  
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any employee or beneficiary, amend or terminate the Plan at any time and from time-to-time.

(c) Governing Law. This Plan shall be governed by and construed in  
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accordance with the laws of the State of Delaware.

(d) Construction. The headings and subheadings of this Plan have been  
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inserted for convenience for reference only and are to be ignored in any construction of the provisions hereof. The masculine shall be deemed to include the feminine, the singular shall include the plural, and the plural shall include the singular unless the context otherwise requires. The invalidity or unenforceability of any provision hereunder shall not affect the validity or enforceability of the balance hereof. This Plan represents the entire undertaking by the Company concerning its subject matter and supersedes all prior undertakings with respect thereto. No provision hereof may be waived or discharged except by a written document approved by the Compensation Committee and signed by a duly authorized representative of the Company.

The parties indicate their acknowledgement of the terms and conditions this Plan as of the date first written above.

SYPRIS SOLUTIONS INC.

PARTICIPANT

\_\_\_\_\_  
Robert E. Gill  
Chairman

\_\_\_\_\_  
Henry F. Frigon  
Chairman  
Compensation Committee

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Jeffrey T. Gill  
President and CEO