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

FORM 10-Q

(Mark One)

X Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. For the quarterly period ended September 27, 1998.

or

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

Commission file number: 0-24020

SYPRIS SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	61-1321992
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

455 South Fourth Street
Louisville, Kentucky 40202
(Address of principal executive offices, including zip code)

(502) 585-5544
(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 October 15, 1998 there were 9,448,122 shares of the registrant's Common Stock outstanding.

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Item 1. Financial Statements

Sypris Solutions, Inc.

Consolidated Statements of Operations
(in thousands, except for per share data)

	Three Months Ended		Nine Months Ended	
	September 27, 1998	September 28, 1997	September 27, 1998	September 28, 1997
	(Unaudited)		(Unaudited)	
Net revenue	$46,936	$47,752	$157,622	$159,236
Cost of sales	35,976	40,376	122,598	136,647
Gross profit	10,960	7,376	35,024	22,589
Selling, general and administrative expense	5,930	7,015	20,785	19,750
Research and development	1,401	726	4,261	2,522
Amortization of intangible assets	330	38	814	169
Operating income (loss)	3,299	(403)	9,164	148
Interest expense, net	243	72	993	1,724
Other income, net	(58)	(3,119)	(150)	(3,643)
Income before income taxes, minority interests and discontinued operations	3,114	2,644	8,321	2,067
Income tax expense	1,194	582	3,254	750
Income before minority interests and discontinued operations	1,920	2,062	5,067	1,317
Minority interests in (earnings) losses of consolidated subsidiaries	--	(206)	--	717
Income from continuing operations	1,920	1,856	5,067	2,034
Loss from discontinued operations (net of applicable tax of $26 and $164 for the three and nine months ended September 28, 1997, respectively)	--	(51)	--	(327)
Gain on disposal of discontinued operations (net of applicable tax of $2,160)	--	--	--	4,192
Net income	$ 1,920	$ 1,805	$ 5,067	$ 5,899
Pro forma net income per common share:				
Basic	$0.20	$0.21	$0.54	$0.55
Diluted	$0.20	$0.20	$0.52	$0.53
Pro forma shares used in computing per common share amounts:				
Basic	9,438	9,424	9,432	9,424
Diluted	9,784	9,826	9,797	9,826

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

Sypris Solutions, Inc.

Consolidated Balance Sheets

(in thousands, except for share data)

	September 27, 1998 (Unaudited)	December 31, 1997
Assets		
Current assets:		
Cash and cash equivalents	$ 11,674	$ 9,836
Accounts receivable, net	24,083	28,560
Inventory, net	40,360	44,867
Other current assets	1,195	2,062
Total current assets	77,312	85,325
Property, plant and equipment, net	26,032	26,885
Other assets	15,314	8,398
	$118,658	$120,608
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 11,311	$ 14,858
Accrued liabilities	28,821	31,867
Current portion of long-term debt	9,731	3,477
Total current liabilities	49,863	50,202
Long-term debt	15,057	27,863
Other noncurrent liabilities	5,540	10,325
Total liabilities	70,460	88,390
Minority interests in subsidiaries	--	3,569
Redeemable common stock	--	921
Shareholders' equity:		
Common stock, $.01 par value, 20,000,000 shares authorized; 9,448,122 shares issued and outstanding in 1998	94	7,892
Additional paid-in capital	23,278	--
Retained earnings	24,826	19,836
Total shareholders' equity	48,198	27,728
	$118,658	$120,608

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

Sypris Solutions, Inc.

Consolidated Statements of Cash Flows

(in thousands)

	Nine Months Ended September 27, 1998 (Unaudited)	Nine Months Ended September 28, 1997
Cash flows from operating activities:		
Net income	$ 5,067	$ 5,899
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		

Depreciation and amortization	5,389	5,832
Minority interests in losses of consolidated subsidiaries	--	(717)
Gain on disposal of discontinued operations, net of tax	--	(4,192)
Other noncash credits	(284)	(2,778)
Changes in operating assets and liabilities, net of dispositions:		
Accounts receivable	4,307	7,631
Inventory	4,342	(5,300)
Other current and noncurrent assets	867	(1,339)
Accounts payable	(3,547)	(5,940)
Accrued and other liabilities	(3,046)	178
Net cash provided by (used in) operating activities	13,095	(726)
Cash flows from investing activities:		
Capital expenditures	(3,733)	(4,094)
Proceeds from disposal of assets	--	39,588
Other	(1,138)	(323)
Net cash (used in) provided by investing activities	(4,871)	35,171
Cash flows from financing activities:		
Net repayments under revolving credit agreements	(4,719)	(15,331)
Proceeds from long-term debt	--	10,000
Repayments of notes payable and long-term debt	(1,636)	(23,483)
Proceeds from issuance of common stock	32	--
Payments for redemption of common stock in subsidiaries, net	(63)	(1,446)
Net cash used in financing activities	(6,386)	(30,260)
Net increase in cash and cash equivalents	1,838	4,185
Cash and cash equivalents at beginning of period	9,836	6,012
Cash and cash equivalents at end of period	$11,674	$ 10,197

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

Sypris Solutions, Inc.

Notes to Condensed Consolidated Financial Statements

(1) Organization

Effective March 30, 1998, Group Financial Partners, Inc. ("GFP") and its majority-owned subsidiaries, Bell Technologies, Inc. ("Bell") and Tube Turns Technologies, Inc. ("Tube Turns"), were merged with and into GFP's majority-owned subsidiary, Group Technologies Corporation ("GTC"), or subsidiaries of GTC, in a series of transactions pursuant to the Fourth Amended and Restated Plan of Reorganization dated as of February 5, 1998 (the "Reorganization"). After completion of the Reorganization, GTC effected a 1-for-4 stock split (the "Reverse Stock Split") and merged with and into Sypris Solutions, Inc. (the "Company" or "Sypris"), a wholly-owned subsidiary incorporated in the state of Delaware, and Bell, Metrum-Datatape, Inc. ("Metrum-Datatape"), Tube Turns and GTC became wholly-owned subsidiaries of Sypris. Sypris thereafter assumed the listing of GTC on the Nasdaq Stock Market under the new symbol SYPR.

Sypris is a diversified provider of specialized industrial products and technical services. The Company's products range from integrated data acquisition, storage and retrieval systems, magnetic instruments and current sensors to high pressure closures and other industrial products. The Company's technical services include a variety of specialized engineering, manufacturing, testing, calibration and encryption capabilities.

(2) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Sypris and its subsidiaries 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 condensed consolidated financial statements reflect, in the opinion of management, all material adjustments (which include only normal recurring adjustments) necessary to fairly state the results of operations, financial position and cash flows for the periods presented, and the disclosures herein are adequate to make the information presented not misleading. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Actual results for the three and nine months ended September 27, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements, and notes thereto, for the year ended December 31, 1997 as presented in the Company's report on Form 8-K filed with the Commission on April 14, 1998, and as amended on Form 8-K/A filed with the

Commission on May 13, 1998.

The historical financial statements presented in this report as of and for the periods ended prior to the Reorganization are the consolidated financial statements of GFP, since GFP is deemed to be the acquirer from an accounting point of view. During the year ended December 31, 1997, the Company operated on a calendar monthly closing period except for GTC, which operated under a fiscal monthly closing period that resulted in the third quarter ending on September 28, 1997. For ease of presentation, the Company has used GTC's third quarter closing date of September 28, 1997 as the date for the accompanying financial statements and notes thereto. Certain amounts in the Company's 1997 consolidated financial statements have been reclassified to conform with the 1998 presentation.

Effective with the Reorganization, the purchase accounting adjustments necessary to reflect the purchase of the minority interests of GTC and the issuance of the common stock of GTC to the shareholders of Bell and Tube Turns were recorded in the Company's consolidated financial statements. The final purchase accounting allocation is dependent upon certain valuations that have not progressed sufficiently to enable the Company to make a final allocation and, accordingly, the entire amount is classified as other assets in the accompanying balance sheet at September 27, 1998. The Company anticipates adjustments related to the final purchase accounting allocation will not materially change amounts presented in the accompanying consolidated financial statements.

(3) Pro Forma Net Income per Common Share

For the three and nine months ended September 28, 1997, the consolidated statements of operations of GFP reflect minority interests in earnings and losses of consolidated subsidiaries, respectively. Effective with the Reorganization, all subsidiaries of GFP became wholly-owned subsidiaries of Sypris and, accordingly, minority interests were eliminated. Per share amounts for income from continuing operations and net income for periods ending prior to the Reorganization have been computed excluding the effect of minority interests.

For periods ended prior to the Reorganization, shares used in computing pro forma basic and pro forma diluted net income per common share include the outstanding shares of Sypris common stock as of the date of the Reorganization and the dilution associated with common stock options issued prior to the Reorganization. For the three and nine-month periods ended September 27, 1998, the computation also gives effect to the dilution associated with the issuance of common stock options subsequent to the Reorganization.

The following table presents information necessary to calculate pro forma net income per common share for the three and nine-month periods ended September 27, 1998 and September 28, 1997.

	Three Months Ended		Nine Months Ended	
	September 27, 1998	September 28, 1997	September 27, 1998	September 28, 1997
	(Unaudited)		(Unaudited)	
Pro forma shares outstanding (in thousands):				
Weighted average shares outstanding	9,438	9,424	9,432	9,424
Effect of dilutive employee stock options	346	402	365	402
Adjusted weighted average shares outstanding and assumed conversions	9,784	9,826	9,797	9,826
Income applicable to pro forma common stock (in thousands):				
Income from continuing operations	$1,920	$1,856	$5,067	$2,034
Discontinued operations	--	(51)	--	3,865
Net income	1,920	1,805	5,067	5,899
Minority interests in earnings (losses) of consolidated subsidiaries	--	206	--	(717)
Net income applicable to pro forma common stock	$1,920	$2,011	$5,067	$5,182
Pro forma income per common share:				
Basic income per common share				
Income from continuing operations	$ 0.20	$ 0.22	$ 0.54	$ 0.14
Discontinued operations	--	(0.01)	--	0.41
Net income per common share	$ 0.20	$ 0.21	$ 0.54	$ 0.55
Diluted income per common share				

Income from continuing operations	$ 0.20	$ 0.21	$ 0.52	$ 0.14
Discontinued operations	--	(0.01)	--	0.39
Net income per common share	$ 0.20	$ 0.20	$ 0.52	$ 0.53

(4) Inventory

Inventory consists of the following (in thousands):

	September 27, 1998 (Unaudited)	December 31, 1997
Raw materials	$ 29,408	$ 27,007
Work in process	15,210	14,954
Finished goods	2,373	6,725
Costs relating to long-term contracts and programs, net of amounts attributed to revenue recognized to date	15,592	17,729
Progress payments related to long-term contracts and programs	(5,282)	(5,189)
LIFO reserve	(720)	(720)
Reserve for excess and obsolete inventory	(16,221)	(15,639)
	$ 40,360	$ 44,867

(5) Long-term Debt

The Company's borrowings under its revolving credit agreements (the "BT Revolver") as of September 27, 1998 and December 31, 1997 were $11,500,000 and $16,150,000, respectively. Although there have been no modifications to the Company's credit agreement with its bank during the nine months ended September 27, 1998 which affect the maturity date of the BT Revolver on September 30, 2002, outstanding borrowings of $6,500,000 under the BT Revolver were classified as current maturities of long-term debt at September 27, 1998 due to the periodic use of the Company's cash balances for repayments of borrowings under the BT Revolver. At December 31, 1997, all borrowings on the BT Revolver were classified as long-term debt.

(6) Commitments and Contingencies

Tube Turns is a co-defendant in two lawsuits in Louisiana arising out of an explosion in a coker plant owned by Exxon Corporation located in Baton Rouge, Louisiana. The suits are being defended for Tube Turns by its insurance carrier and the Company intends to vigorously defend its case. Tube Turns believes that a settlement or related judgement would not result in a material loss to Tube Turns or the Company.

More specifically, according to the complaints, Tube Turns is the alleged manufacturer of a carbon steel pipe elbow, which failed causing the explosion which destroyed the coker plant and caused unspecified damages to surrounding property owners. One of the actions was brought by Exxon and claims damages for destruction of the plant which Exxon estimates exceed one hundred million dollars. In this action, Tube Turns is a co-defendant with the fabricator who built the pipe line in which the elbow was incorporated and with the general contractor for the plant. The second action is a class action suit filed on behalf of the residents living around the plant and claims damages in an amount as yet undetermined. Exxon is a co-defendant with Tube Turns, the contractor and the fabricator in this action. In both actions, Tube Turns maintains that the carbon steel pipe elbow at issue was appropriately marked as carbon steel and was improperly installed, without the knowledge of Tube Turns, by the fabricator and general contractor in a part of the plant requiring a chromium steel elbow.

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, from the Company's Consolidated Statements of Operations for the three and nine-month periods ended September 27, 1998 and September 28, 1997.

	Three Months Ended		Nine Months Ended	
	September 27, 1998	September 28, 1997	September 27, 1998	September 28, 1997
Net revenue	100.0%	100.0%	100.0%	100.0%
Cost of sales	76.6	84.6	77.8	85.8
Gross profit	23.4	15.4	22.2	14.2
Selling, general and administrative expense	12.7	14.7	13.2	12.4
Research and development	3.0	1.5	2.7	1.6
Amortization of intangible assets	0.7	0.1	0.5	0.1
Operating income (loss)	7.0	(0.9)	5.8	0.1
Interest expense, net	0.5	0.2	0.6	1.1
Other income, net	(0.1)	(6.5)	(0.1)	(2.3)
Income before income taxes, minority interests and discontinued operations	6.7	5.4	5.3	1.3
Income tax expense	2.5	1.2	2.1	0.5
Income before minority interests and discontinued operations	4.2	4.2	3.2	0.8
Minority interests in (earnings) losses of consolidated subsidiaries	--	(0.4)	--	0.5
Income from continuing operations	4.2	3.8	3.2	1.3
Loss from discontinued operations	--	(0.1)	--	(0.2)
Gain on disposal of discontinued operations	--	--	--	2.6
Net income	4.2%	3.7%	3.2%	3.7%

For reporting purposes, the operations of Bell, GTC and Metrum-Datatape are included in the Electronics Services segment, and Tube Turns' operations are included in the Industrial segment. Segment discussion is included in the following discussion and analysis of the Company's consolidated results of operations.

Net revenue for the third quarter of 1998 was $46.9 million, a decrease of $0.9 million, or 1.7%, from $47.8 million for the third quarter of 1997. Net revenue for the first nine months of 1998 was $157.6 million, a decrease of $1.6 million, or 1.0%, from $159.2 million for the first nine months of 1997. For the quarter and nine months ended September 27, 1998, the Electronic Services segment experienced a decrease in net revenue of $1.9 million and $6.9 million, respectively, while the Industrial segment experienced an increase of $1.0 million and $5.3 million, respectively, compared to the year-earlier periods. The decrease in Electronic Services' net revenue for the third quarter of 1998 was primarily attributable to the curtailment of contracts and decreased shipment volumes for certain products, offset by the increase in the Company's revenue by the acquisition of certain assets of Datatape, Inc. on November 14, 1997 (the "Datatape Acquisition"). The decrease in the Electronic Services segment net revenue for the first nine months of 1998 was primarily attributable to the divestiture of the Company's Latin American operations on June 30, 1997 (the "Latin American Divestiture"), the curtailment of certain contracts and decreased shipment volumes for certain products, offset by the increase in revenue due to the Datatape Acquisition.

The expansion of the data acquisition, storage and retrieval product lines resulting from the Datatape Acquisition generated net revenue of $7.4 million and $19.5 million for the third quarter and first nine months of 1998, respectively. The Latin American Divestiture resulted in net revenue of $16.9 million in the first nine months of 1997. A factor contributing to the decrease in net revenue in the Electronic Services segment was the decision to improve profitability by divesting high-volume, low-margin manufacturing operations and expanding profitable Electronics Services products and services. The increase in net revenue recognized by the Industrial segment for the third quarter and nine months of 1998 compared to 1997 resulted primarily from an increase in shipments to a customer based upon its commitment to use the Company as its sole source for truck axles in its North American market.

Gross profit for the third quarter of 1998 was $11.0 million, an increase of $3.6 million, or 48.6%, compared to $7.4 million for the third quarter of 1997. Gross profit for the first nine months of 1998 was $35.0 million, an increase of $12.4 million, or 55.0%, compared to $22.6 million for the first nine months of 1997. The Electronics Services segment accounted for $3.0 million and $10.8 million of the increase in gross profit for the comparable quarter and nine-month periods, respectively. This improvement is primarily attributable to a change in revenue mix to higher margin products and services, which resulted from a combination of the Latin American Divestiture, the Datatape Acquisition and an increase in manufacturing and encryption services provided to government agencies. While net revenue for the Electronics Services segment decreased for the comparable quarter and nine-month periods, the favorable revenue mix and improved cost management controls yielded an improvement in the gross profit percentage to 24.5% and 23.0% from 15.9% and 14.0% for the comparable quarter and nine-month periods in 1998 and 1997, respectively. The Industrial segment experienced an increase in gross profit of $0.6 million and $1.6 million for the comparable third quarter and nine-month periods, respectively. In addition to the increased gross profit associated with higher net revenue for this business segment, the gross profit percentage improved to 18.1% and 18.4% from 13.1% and 15.5% for the quarter and nine-month periods of 1998 and 1997, respectively, primarily due to increased capacity utilization, a favorable product mix and cost reductions on certain programs.

Selling, general and administrative expense for the third quarter of 1998 was $5.9 million, a decrease of $1.1 million, or 15.5%, compared to $7.0 million for the third quarter of 1997. Selling, general and administrative expense for the first nine months of 1998 was $20.8 million, an increase of $1.0 million, or 5.2%, compared to $19.8 million for the first nine months of 1997. The decrease in third quarter selling, general and administrative expense is primarily attributable to certain administrative charges recognized in the third quarter of 1997 associated with the Reorganization. The change in revenue mix occurring in the Electronics Services segment gave rise to an increase in selling, general and administrative expense for the comparable nine-month periods, because the data acquisition, storage and retrieval product line's expenses resulting from the Datatape Acquisition exceed those of the disposed Latin American operations as a percentage of net revenue.

Research and development expense for the third quarter of 1998 was $1.4 million, an increase of $0.7 million, or 93.0%, compared to $0.7 million for the third quarter of 1997. Research and development expense for the first nine months of 1998 was $4.3 million, an increase of $1.8 million, or 69.0%, compared to $2.5 million for the first nine months of 1997. The increases in the comparable third quarter and nine-month periods are primarily attributable to the increase in the Company's data acquisition, storage and retrieval business as a result of the Datatape Acquisition and new product development efforts associated with the expansion of this product line.

Amortization of intangible assets increased in the third quarter and first nine months of 1998 due to goodwill recognized for the Datatape Acquisition and the preliminary purchase accounting allocation of step-up in basis recorded in connection with the Reorganization (see "Notes to Condensed Consolidated Financial Statements").

Interest expense for the third quarter of 1998 was $243,000, an increase of $171,000, or 238%, from $72,000 for the third quarter of 1997. In the third quarter of 1998, compared to 1997, the Company's weighted average debt outstanding increased as a result of debt incurred to facilitate the Datatape Acquisition. Interest expense for the first nine months of 1998 was $1.0 million, a decrease of $0.7 million, or 42.4%, from $1.7 million for the comparable prior year period. This decrease is primarily due to a reduction in the weighted average debt outstanding, a reduction in the Company's overall costs of borrowing and a decrease in amortization expense for debt issuance costs and stock warrants issued to a previous lender. The reduction in debt outstanding during these

periods is attributable to the repayment of debt from proceeds generated by the Latin American Divestiture coupled with repayments generated by the Company's improved cash flow from operations in 1998, partially offset by the debt incurred to finance the Datatape Acquisition. The divestiture proceeds were used to repay in full a credit facility on which the effective interest rate was approximately 300 basis points over the Company's cost of borrowing under its consolidated credit facility during 1998.

Other income during the quarter and nine months ended September 28, 1997 includes a gain recognized on the Latin American Divestiture totaling $3.2 million, after giving consideration to an expected repayment to the buyer of $2.9 million, which is subject to final determination to be made in accordance with the purchase and sale agreement.

Income tax expense, on an interim basis, is provided for at the anticipated effective tax rate for the year.

Minority interests in earnings or losses of consolidated subsidiaries reported for the third quarter and nine-month periods ended September 28, 1997 represents the minority shareholders' proportionate share of the earnings or losses incurred by GTC. As part of the Reorganization in 1998, GTC became a wholly-owned subsidiary of the Company (see "Notes to Condensed Consolidated Financial Statements").

During the first quarter of 1997, the Company completed the sale of all of the assets of its real estate operations. The consolidated statement of operations for the nine months ended September 28, 1997 includes the loss from discontinued operations incurred prior to the divestiture, and the gain from sale of the discontinued real estate operations.

Liquidity, Capital Resources and Financial Condition

Net cash provided by operating activities totaled $13.1 million for the first nine months of 1998 compared to net cash used in operating activities of $0.7 million for the comparable period of 1997. Contributing to the improvement in operating cash flow in the nine-month periods was an increase in operating income in 1998 to $9.2 million, an increase of $9.1 million from $0.1 million in 1997. In addition, the Company experienced reductions in its inventory levels in the first nine months of 1998 compared to an increase in inventory levels during the comparable period of 1997. The decrease in inventory during the first nine months of 1998 is attributable to the Electronics Services segment and resulted from the utilization of inventory acquired for certain contracts prior to the beginning of the period and a reduction in the material requirements on contracts currently in progress.

Net cash used in investing activities totaled $4.9 million for the first nine months of 1998, compared to net cash provided by investing activities of $35.2 million for the comparable period in 1997. The Company's divestiture of its real estate and Latin American operations generated $21.6 million and $18.0 million of cash in 1997, respectively, while capital expenditures remained relatively consistent for the year-to-year comparable periods.

Net cash used in financing activities totaled $6.4 million and $30.3 million during the first nine months of 1998 and 1997, respectively. During 1997, in connection with the funds generated by the divestiture of its real estate and Latin American operations, the Company repaid debt amounting to $18.7 million and $11.2 million, respectively. During March 1997, the Company entered into a credit agreement under which proceeds from borrowings on consolidated debt facilities were utilized to repay $15.4 million of debt outstanding under credit agreements of certain subsidiaries.

Under the terms of the credit agreement between the Company and its bank, the Company had total availability for borrowings and letters of credit under its revolving credit loan of $18.5 million at September 27, 1998. Maximum borrowings on the revolving credit loan are $30.0 million, subject to a $5.0 million limit for letters of credit.

The Company's balance sheet at September 27, 1998 includes the effect of the Reorganization and, accordingly, the comparison to the balance sheet at December 31, 1997 for other assets, other noncurrent liabilities, minority interests in consolidated subsidiaries, redeemable common stock, common stock, and additional paid-in capital reflects changes resulting from the purchase accounting adjustments recorded pursuant to the Reorganization (see "Notes to Condensed Consolidated Financial Statements").

Year 2000

Some of the Company's older computer programs were written using two digits rather than four to define the applicable year. As a result, those computer programs have time-sensitive software which recognize a date using "00" as the year 1900 rather than the year 2000. This could cause a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

Sypris has implemented a company-wide Year 2000 Project (the "Y2K Project") to address the Year 2000 issue. The Y2K Project encompasses both information technology ("IT") and non-IT systems. The Y2K Project is being addressed by project teams at each of the Company's subsidiaries and by the Company's IT Committee, which consists of senior members of the IT departments from each subsidiary.

Beginning in 1997, the Company began a program of reviewing its enterprise resource planning ("ERP") systems to reduce the number of ERP systems utilized across its business units and improve overall access to information. During 1998, the Company selected three primary ERP systems and is in the process of implementing the upgrades or conversions for these new systems. All new ERP systems are Year 2000 compliant and the implementations are scheduled for completion at various dates ranging from the fourth quarter of 1998 through the second quarter of 1999. The Company has a contingency plan for the implementation of one ERP system, which provides for a Year 2000 compliance patch to its current system in the event an unforeseen problem is encountered during the total system conversion, and as a result, the conversion could not be completed in a timely manner. The implementation of the contingency plan would only become necessary in the event the ERP system conversion would not be complete by the second quarter of 1999.

A detailed assessment of all IT systems is expected to be complete by the fourth quarter of 1998. The project teams are developing and implementing plans to correct problems identified during the assessment phase of the Y2K Project. The implementation of the new ERP systems and the related hardware modifications have addressed the majority of the Company's business systems. The Company has also upgraded or replaced the majority of its personal computers and standardized its desktop software applications over the past three years. The Company expects that the testing and remediation of all IT systems will be complete by the second quarter of 1999.

A detailed assessment of all non-IT systems is expected to be complete by the first quarter of 1999. The Company has identified the critical non-IT systems, which includes microcontroller based systems and other devices with embedded chips used in the engineering, manufacturing and testing processes and expects to complete the assessment, testing and remediation on the critical systems by the first quarter of 1999. Completion of testing and remediation on certain of the lower priority non-IT systems will continue during the second and third quarters of 1999. The Company is also reviewing phone, security, HVAC and other facility related systems and will complete the testing and remediation of these systems by the second quarter of 1999.

Except as noted above in reference to the ERP system implementation, the Company has not developed detailed contingency plans for the IT and non-IT systems of the Y2K Project based on the portion of the assessment phase completed through September 30, 1998. The Company will continue to monitor the status of the Y2K Project through the second quarter of 1999 and will develop contingency plans as necessary during this timeframe.

The Company has identified and is communicating with customers, suppliers and other critical service providers to determine if entities with which the Company transacts business have an effective plan in place to address the Year 2000 issue, and to determine the extent of the Company's vulnerability to the failure of third parties to remediate their own Year 2000 issue. The Company is relying on statements from our service and goods suppliers and is not auditing suppliers' preparation plans. Risks associated with this approach are being identified and contingency plans will be developed as needed.

As of September 27, 1998, Sypris has spent less than $50,000 on the Y2K Project on both internal and external resources, primarily on the assessment phase of the Y2K Project. Total costs to be incurred in the remainder of 1998 and 1999 to fix Year 2000 problems are estimated at approximately $700,000 and are being funded through operating cash flows. Such costs do not include normal system upgrades and replacements. The costs incurred by the Company for the new ERP systems are considered to be normal system upgrades and replacements and, therefore, are not included in costs for the Y2K Project. Sypris does not expect the costs relating to Year 2000 remediation to have a material effect on our results of operations or financial condition.

The failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations. Such failures could materially and adversely affect the Company's results of operations, liquidity and financial condition. Due to the general uncertainty inherent in the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of third-party suppliers and customers, the

Company is unable to determine at this time whether the consequences of Year 2000 failures will have a material impact on the Company's results of operations, liquidity or financial condition. The Y2K Project is expected to significantly reduce the Company's level of uncertainty about the Year 2000 problem and, in particular, about the Year 2000 compliance and readiness of its material third-party suppliers and customers. The Company believes that, with the implementation of new ERP systems and completion of the Y2K Project as scheduled, the possibility of significant interruptions of normal operations should be reduced.

Forward-looking Statements

This report contains forward-looking statements (as defined in the Private Securities Litigation Reform Act of 1995) based on current plans and expectations of Sypris, relating to, among other matters, analyses and estimates of amounts that are not yet determinable. 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: the Company's dependence on its current management; the risks and uncertainties present in the Company's business; business conditions and growth in the advanced manufacturing, engineering and testing services industry and the general economy; 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 the Company's manufacturing facilities; as well as other factors described elsewhere in this report and in the Company's other filings with the Commission.

Part II. Other Information

Item 2. Changes in Securities and Use of Proceeds

On July 13, 1998, the Company issued 16,200 restricted shares of its common stock (the "Restricted Shares"), which were not registered under the Securities Act of 1933 (the "1933 Act"). The Restricted Shares were issued to persons who are executive officers of the Company's subsidiary, Tube Turns Technologies, Inc., a Kentucky corporation. No cash consideration was paid for the Restricted Shares but the shares were issued as compensation to the recipients of the shares. The Restricted Shares are subject to certain restrictions on transfer. The fair market value of the Restricted Shares on the date of issuance was $137,700. No underwriter was used in connection with the issuance of the Restricted Shares. The issuance of the Restricted Shares was made pursuant to the exemption from registration provided by Section 4(2) of the 1933 Act based on the limited number of recipients of the shares and their relationship with the Company.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit Number	Note	Description
10.15		Sypris Solutions, Inc. 1994 Stock Option Plan for Key Employees Restated, amended effective July 1, 1998, dated October 27, 1994.

11	(1)	Computation of Pro Forma Net Income per Common Share.
27		Financial Data Schedule

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(1) Data required by Statement of Financial Accounting Standards No. 128, Earnings Per Share, is provided in Note 3 to the condensed consolidated financial statements in this report.

(b) Reports on Form 8-K:
The Company filed no reports on Form 8-K during the quarter ended September 27, 1998.

SIGNATURES

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

SYPRIS SOLUTIONS, INC.
(Registrant)

Date: November 3, 1998 By: /s/ David D. Johnson
(David D. Johnson)
Vice President & Chief Financial Officer

Date: November 3, 1998 By: /s/ Anthony C. Allen
(Anthony C. Allen)
Vice President, Controller & Chief Accounting Officer

EXHIBIT 10.15

SYPRIS SOLUTIONS, INC.
1994 STOCK OPTION PLAN FOR KEY EMPLOYEES
ADOPTED ON OCTOBER 27, 1994

AS AMENDED AND RESTATED EFFECTIVE JULY 1, 1998

PREAMBLE

The Sypris Solutions, Inc. Stock Option Plan for Key Employees is a restatement of the Group Technologies Corporation 1994 Stock Option Plan for Key Employees adopted by Group Technologies Corporation effective October 27, 1994. Group Technologies Corporation was merged into Sypris Solutions, Inc. effective March 30, 1998, with Sypris Solutions, Inc. being the surviving corporation. Pursuant to the provisions of the plan, Group Technologies Corporation common stock subject to the plan and outstanding options under the plan are automatically by virtue of the merger converted into and replaced by Sypris Solutions, Inc. common stock. The plan was amended and restated, effective March 1, 1998, to reflect the changes caused by the merger. The Plan is further amended, effective July 1, 1998, as set forth herein, to provide for the granting of performance-based options under the Plan.

1. Purpose. The purpose of the Sypris Solutions, Inc. 1994 Stock Option Plan for Key Employees is to promote the interests of the Company by affording an incentive to certain key employees to remain in the employ of the Company and its Subsidiaries and to use their best efforts in its behalf and to aid the Company and its Subsidiaries in attracting, maintaining, and developing capable personnel of a caliber required to ensure the continued success of the Company and its Subsidiaries by means of an offer to such persons of an opportunity to acquire or increase their proprietary interest in the Company through the granting of incentive stock options, nonstatutory stock options or performance-based options to purchase the Company's stock pursuant to the terms of the Plan.

2. Definitions.

A. "Board" means the Company's Board of Directors.

B. "Code" means the Internal Revenue Code of 1986, as amended.

C. "Committee" means the Compensation Committee of the Board that administers the Plan, pursuant to Section 4.

D. "Common Stock" means the Company's common stock, $.01 par value, or the common stock or securities of a Successor that have been substituted theretofore pursuant to Section 9.

E. "Company" means Sypris Solutions, Inc., a Delaware corporation, with its principal place of business at 455 South Fourth Street, Suite 350, Louisville, Kentucky 40202.

F. "Disability" means, as defined by and to be construed in accordance with Code Section 22(e)(3), any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than twelve (12) months, and that renders Optionee unable to engage in any substantial gainful activity. An Optionee shall not be considered to have a Disability unless Optionee furnishes proof of the existence thereof in such form and manner, and at such time, as the Committee may require.

G. "ISO" means an option to purchase Common Stock which at the time the option is granted under the Plan qualifies as an incentive stock option within the meaning of Code Section 422.

H. "NSO" means a nonstatutory stock option to purchase Common Stock which at the time the option is granted under the Plan does not qualify as an ISO.

I. "Option Price" means the price to be paid for Common Stock upon the exercise of an option granted under the Plan in accordance with Section 7.B.

J. "Optionee" means an employee to whom options have been granted under the Plan.

K. "Optionee Representative" means the Optionee's estate or the person or persons entitled thereto by will or by applicable laws of descent and distribution.

L. "Performance-Based Option" means an option granted pursuant to the provisions of Section 7.O.

M. "Plan" means the Sypris Solutions, Inc. 1994 Stock Option Plan for Key Employees, as set forth herein, and as amended from time to time.

N. "Subsidiary" shall mean any corporation which at the time an option is granted under the Plan qualifies as a subsidiary of the Company under the definition of "subsidiary corporation" contained in Code Section 424(f), or any similar provision thereafter enacted.

O. "Successor" means the entity surviving a merger or consolidation with the Company, or the entity that acquires all or a substantial portion of the Company's assets or outstanding capital stock (whether by merger, purchase or otherwise).

P. "Target Share Price" means the price per share of Common Stock set by the Board in the option agreement that establishes the point at which a Performance-Based Option vests in accordance with Section 7.O.

Q. "Ten Percent Shareholder" means an employee who, at the time an option is granted, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or Subsidiary employing the Optionee or of its parent (within the meaning of Code Section 424(e)) or subsidiary (within the meaning of Code Section 424(f)) corporation.

3. Shares Subject to Plan.

A. Authorized Unissued or Treasury Shares. Subject to the provisions of Section 9, the shares to be delivered upon exercise of options granted under the Plan shall be made available, at the discretion of the Board, from the authorized unissued shares or treasury shares of Common Stock.

B. Aggregate Number of Shares. Subject to adjustments and substitutions made pursuant to the provisions of Section 9, the aggregate number of shares that may be issued upon exercise of all options that may be granted under the Plan effective March 30, 1998 shall not exceed one million two hundred fifty thousand (1,250,000) of the Company's authorized shares of Common Stock. Effective as of the date of approval by shareholders of the Company holding not less than a majority of the votes represented and entitled to be voted at a duly held meeting of the Company's shareholders, the aggregate number of shares shall be increased to two million five hundred thousand (2,500,000) of the Company's authorized shares of Common Stock.

C. Shares Subject to Expired Options. If any option granted under the Plan expires or terminates for any reason without having been exercised in full in accordance with the terms of the Plan, the shares of Common Stock subject to, but not delivered under, the option shall become available for any lawful corporate purpose, including for transfer pursuant to other options granted to the same employee or other employees without decreasing the aggregate number of shares of Common Stock that may be granted under the Plan.

4. Administration. The Plan shall be administered by the Compensation Committee of the Board. The Compensation Committee shall have full power and authority to construe, interpret, and administer the Plan and to adopt such rules and regulations for carrying out the Plan as it may deem proper and in the best interests of the Company.

5. Grant of Options.

A. Board Authority. Subject to the terms, provisions and conditions of the Plan, the Board shall have full and final authority in its discretion: (i) to select the employees to whom options shall be granted; (ii) to authorize the granting of ISOs, NSOs, Performance-Based Options, or a combination of ISOs, NSOs and Performance-Based Options; (iii) to determine the number of shares of Common Stock subject to each option; (iv) to determine the time or times when options shall be granted, the manner in which each option shall be exercisable, and the duration of the exercise period; (v) to fix such other provisions of the option agreement as it may deem necessary or desirable consistent with the terms of the Plan; and (vi) to determine all other questions relating to the administration of the Plan. The interpretation of any provisions of the Plan by either the Board or the Compensation Committee shall be final, conclusive, and binding upon all persons and the officers of the Company shall place into effect and shall cause the Company to perform its obligations under the Plan in accordance with the determinations of the Board or the Compensation Committee in administering the Plan.

B. $100,000 ISO Limitation. Notwithstanding the foregoing, the aggregate fair market value (determined as of the date the option is granted) of the Common Stock for which ISOs shall first become exercisable by an Optionee in any calendar year under all ISO plans of the Company and its Subsidiaries shall not exceed $100,000. Options in excess of this limitation shall constitute NSOs.

6. Eligibility. Key employees of the Company and its subsidiaries including officers and directors, shall be eligible to receive options under the Plan. No director of the Company who is not also an employee of the Company or a Subsidiary shall be entitled to receive an option under the Plan. Key employees to whom options may be granted under the Plan shall be those elected by the Board from time to time who, in the sole discretion of the Board, have contributed in the past or who may be expected to contribute materially in the future to the successful performance of the Company and its Subsidiaries.

7. Terms and Conditions of Options. Each option granted under the Plan shall be evidenced by an option agreement signed by the Optionee and by a member of the Board on behalf of the Company. An option agreement shall constitute a binding contract between the Company and the Optionee, and every Optionee, upon acceptance of such option agreement, shall be bound by the terms and restrictions of the Plan and of the option agreement. Such agreement shall be subject to the following express terms and conditions and to such other terms and conditions that are not inconsistent with the Plan and that the Board may deem appropriate.

A. Option Period. Each option agreement shall specify the period for which the option thereunder is granted and shall provide that the option shall expire at the end of such period. The Board may extend such period provided that, in the case of an ISO, such extension shall not in any way disqualify the option as an ISO without the Optionee's consent. Except in the case of a Performance-Based Option, such period, including any such extensions, shall not exceed ten (10) years from the date of grant, provided, however, that in the case of an ISO granted to a Ten Percent Stockholder, such period, including extensions, shall not exceed five (5) years from the date of grant. The option period in the case of a Performance-Based Option shall be as provided in Section 7.O[4] and [5].

B. Option Price.

[1] ISOs and NSOs. The Option Price for ISOs and NSOs shall be: (i) the fair market value of the Common Stock on the date the option is granted, or (ii) in the case of an ISO granted to a Ten Percent Shareholder, one hundred ten percent (110%) of the fair market value of the Common Stock on the date the option is granted and shall be subject to adjustments in accordance with the provisions of Section 9.

[2] Performance-Based Options. The Option Price for a Performance-Based Option shall be the greater of: (i) the fair market value of the Common Stock on the date the option is granted as provided in Section 7.B[1]; or (ii) the Target Share Price; or (iii) the fair market value of the Common Stock on the date the Target Share Price is deemed to have been achieved, as determined in accordance

with Section 7.C and 7.O[3].

C. Fair Market Value. The fair market value of Common Stock on any given measurement date shall be determined as follows:

[1] if the Common Stock is traded on the over-the-counter market, the closing sale price for the Common Stock in the over-the-counter market on the measurement date (or if there was no sale of the Common Stock on such date, on the immediately preceding date on which there was a sale of the Common Stock), as reported by the National Association of Securities Dealers Automated Quotation System; or

[2] if the Common Stock is listed on a national securities exchange, the closing sale price for the Common Stock on the Composite Tape on the measurement date; or

[3] if the Common Stock is neither traded on the over-the-counter market nor listed on a national securities exchange, such value as the Board, in good faith, shall determine.

D. Payment of Option Price. Each option shall provide that the purchase price of the shares as to which an option shall be exercised shall be paid to the Company at the time of exercise either in cash or in such other consideration as the Board deems acceptable, and which other consideration in the Board's sole discretion may include: (i) Common Stock of the Company already owned by the Optionee having a total fair market value on the date of exercise, determined in accordance with Section 7.C., equal to the purchase price, (ii) Common Stock of the Company issuable upon the exercise of a Plan option and withheld by the Company having a total fair market value on the date of exercise, determined in accordance with Section 7.C., equal to the purchase price, or (iii) a combination of cash and Common Stock of the Company (either shares already owned by the Optionee or shares being withheld upon the exercise of a Plan option) having a total fair market value on the date of exercise, determined in accordance with Section 7.C, equal to the amount of the purchase price not paid in cash.

E. Manner of Exercise. Subject to the terms and conditions of any applicable option agreement, any option granted under the Plan may be exercised in whole or in part. To initiate the process for the exercise of an option: (i) the Optionee shall deliver to the Company, or to a broker-dealer in the Common Stock with the original copy to the Company a written notice specifying the number of shares as to which the option is being exercised and, if determined by counsel for the Company to be necessary, representing that such shares are being acquired for investment purposes only and not for the purpose of resale or distribution; and (ii) the Optionee, or the broker-dealer, shall pay for the exercise price of such shares with cash, or if the Board in its discretion agrees to so accept, by delivery to the Company of Common Stock of the Company (either shares already owned by the Optionee or shares being withheld upon the exercise of a Plan option), or in some combination of cash and such Common Stock acceptable to the Board. If payment of the Option Price is made with Common Stock, the value of the Common Stock used for such payment shall be the fair market value of the Common Stock on the date of exercise, determined in accordance with Section 7.C. The date of exercise of a stock option shall be determined under procedures established by the Board, but in no event shall the date of exercise precede the date on which both the written notice of intent to exercise an option and full payment of the exercise price for the shares as to which the option is being exercised have been received by the Company. Promptly after receiving full payment for the shares as to which the option is being exercised and, provided that all conditions precedent contained in the Plan are satisfied, the Company shall, without transfer or issuance tax or other incidental expenses to Optionee, deliver to Optionee a certificate for such shares of the Common Stock. If an Optionee fails to accept delivery of the Common Stock, the Optionee's rights to exercise the applicable portion of the option shall terminate.

F. Exercises Causing Loss of Compensation Deduction. No part of an option may be exercised to the extent the exercise would cause the Optionee to have compensation from the Company and its affiliated companies for any year in excess of $1 million and which is nondeductible by the Company and its affiliated companies pursuant to Code Section 162(m). Any option not exercisable because of this limitation shall continue to be exercisable in any subsequent year in which the exercise would not cause the loss of the Company's or its affiliated companies compensation tax deduction, provided such exercise occurs before lapse of the option, and otherwise complies with the terms and conditions of the Plan and option agreement.

G. Investment Representation. Each option agreement may provide that, upon demand by the Board for such a representation, the Optionee or Optionee Representative shall deliver to the Board at the time of any exercise of an option or portion thereof a written representation that the shares to be acquired upon such exercise are to be acquired for investment and not for resale or with a view to the distribution thereof. Upon such demand, delivery of such representation before delivery of Common Stock issued upon exercise of an option and before expiration of the option period shall be a condition precedent to the right of the Optionee or Optionee Representative to purchase Common Stock.

H. ISOs. Each option agreement which provides for the grant of an ISO to an employee, including a Performance-Based Option that is intended to be an ISO, shall contain such terms and provisions as the Board deems necessary or desirable to qualify such option as an ISO within the meaning of Code Section 422.

I. Exercise in the Event of Death or Termination of Employment. Unless the Board, in its sole discretion, provides otherwise in the option agreement, with these conditions shall apply to the ability of an Optionee to exercise his or her options:

[1] If an Optionee dies; (i) while an employee of the Company or a Subsidiary, or (ii) within three (3) months after termination of employment with the Company or a Subsidiary because of a Disability, the Optionee's options may be exercised by Optionee Representative, to the extent that the Optionee shall have been entitled to do so on the date of death or employment termination, but not later than the expiration date specified in Section 7.A or one (1) year after the Optionee's death, whichever date is earlier.

[2] If an Optionee's employment by the Company or a Subsidiary terminates because of the Optionee's Disability and the Optionee has not died within the following three (3) months, the Optionee may exercise his or her options, to the extent that he or she shall have been entitled to do so at the date of employment termination, at any time, or from time to time, but not later than the expiration date specified in Section 7.A or one (1) year after termination of employment, whichever date is earlier.

[3] If an Optionee's employment terminates by reason of retirement in accordance with the terms of the Company's tax-qualified retirement plans or with the consent of the Board, all right to exercise his or her options shall terminate at the expiration date specified in Section 7.A or three (3) months after employment termination, whichever date is earlier.

[4] If an Optionee's employment terminates for any reason other than death, Disability, or retirement, all rights to exercise his or her options shall terminate on the date of employment termination.

J. Leaves of Absence. The Board may, in its discretion, treat all or any portion of any period during which an Optionee is on military or on an approved leave of absence from the Company or a Subsidiary as a period of employment of such Optionee by the Company or Subsidiary for purposes of accrual of the Optionee's rights under the Plan. Notwithstanding the foregoing, if a leave of absence exceeds ninety (90) days and reemployment is not guaranteed by contract or statute, the Optionee's employment by the Company or a Subsidiary for the purposes of the Plan shall be deemed to have terminated on the 91st day of the leave.

K. Transferability of Options. An option granted under the Plan may not be transferred by the Optionee otherwise than by will or the laws of descent and distribution, and during the lifetime of the Optionee to whom granted, may be exercised only by the Optionee.

L. No Rights as Shareholder. No Optionee or Optionee Representative shall have any rights as a shareholder with respect to Common Stock subject to option before the date of transfer to the Optionee of a certificate or certificates for the shares.

M. No Rights To Continued Employment. The Plan and any option granted under the Plan shall not confer upon any Optionee any right with respect to continuance of employment by the Company or any Subsidiary, nor shall it interfere in any way with the right of the Company or any Subsidiary by which an Optionee is employed to terminate employment at any time.

N. Tax Withholding. To the extent required by applicable law, the Optionee shall, on the date of exercise, make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise by reason of an option exercise or any sale of shares. The Board, in its sole discretion, may permit these obligations to be satisfied in whole or in part with: (i) cash paid by the Optionee or by a broker-dealer on behalf of the Optionee, (ii) shares of Common Stock that otherwise would be issued to the Optionee upon exercise of the option, and/or (iii) shares of Common Stock already owned by the Optionee. The Company shall not be required to issue shares for the exercise of an option until such tax obligations are satisfied and the Company may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to the Optionee.

O. Performance-Based Options. The Board may grant Performance-Based Options under the Plan subject to the following terms and conditions and such other terms and conditions provided by the Board in the option agreement that are not inconsistent with the Plan:

[1] ISOs and NSOs. The option agreement shall state whether the Performance-Based Options are intended to be NSOs or ISOs.

[2] Vesting. Performance-Based Options shall vest in equal twenty percent (20%) annual installments over a five (5) year period, beginning with vesting of the first 20% installment on the second anniversary of the date the Target Share Price has been achieved, with full vesting of the option occuring on the sixth anniversary of the date the Target Share Price has been achieved.

[3] Achievement of Target Share Price. The Target Share Price shall be deemed to have been achieved on the first business day following the calendar quarter in which the average daily fair market value of the Common Stock, determined in accordance with Section 7.C., equals or exceeds the Target Share Price for the preceding calendar quarter. The Board will confirm the achievement of the Target Share Price and the Option Price as soon as administratively practicable after the Target Share Price has been achieved.

[4] NSO Option Period. Performance-Based Options issued as NSOs shall expire and cease to be exercisable at the earliest of the following times: (i) failure to achieve the Target Share Price within such time period as designated by the Board in the option agreement; or (ii) on the eighth anniversary of the date the Target Share Price is achieved; or (iii) the date provided in Section 7.I; or (iv) thirty (30) days after the Board makes a determination that the optionee is no longer a "key employee"; or (v)] any earlier time provided by the Board in the option agreement.

[5] ISO Option Period. Performance-Based Options issued as ISOs shall expire and cease to be exercisable at the earliest of the following times: (i) failure to achieve the Target Share Price within such time period as designated by the Board in the option agreement; or (ii) the earlier of ten (10) years from the date of grant of the option or the eighth anniversary of the date the Target Share Price is achieved; or (iii) the date provided in Section 7.I; or (iv) thirty (30) days after the Board makes a determination that the optionee is no longer a "key employee"; or (v) any earlier time provided by the Board in the option agreement.

8. Compliance With Other Laws and Regulations. The Plan, the grant and exercise of options thereunder, and the obligation of the Company to sell and deliver Common Stock under such options, shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or

regulatory agency as may be required. The Company shall not be required to issue or deliver any certificates for Common Stock before: (i) the listing of the Common Stock on any stock exchange or over-the-counter market on which the Common Stock may then be listed and (ii) the completion of any registration or qualification of any governmental body which the Company shall, in its sole discretion, determine to be necessary or advisable. To the extent the Company meets the then applicable requirements for the use thereof and to the extent the Company may do so without undue cost or expense, and subject to the determination by the Board of Directors of the Company that such action is in the best interest of the Company, the Company intends to register the issuance and sale of such Common Stock by the Company under federal and applicable state securities laws using a Form S-8 registration statement under the Securities Act of 1933, as amended, or such successor Form as shall then be available.

9. Capital Adjustments Affecting Stock, Mergers and Consolidations.

A. Capital Adjustments. In the event of a capital adjustment in the Common Stock resulting from a stock dividend, stock split, reorganization, merger, consolidation, or a combination or exchange of shares, the number of shares of Common Stock subject to the Plan and the number of shares under option shall be automatically adjusted to take into account such capital adjustment. By virtue of such a capital adjustment, the price of any share under option shall be adjusted so that there shall be no change in the aggregate purchase price payable upon exercise of any such option.

B. Mergers and Consolidations. In the event the Company merges or consolidates with another entity, or all or a substantial portion of the Company's assets or outstanding capital stock are acquired (whether by merger, purchase or otherwise) by a Successor, the kind of shares of Common Stock that shall be subject to the Plan and to each outstanding option shall, automatically by virtue of such merger, consolidation or acquisition, be converted into and replaced by shares of common stock, or such other class of securities having rights and preferences no less favorable than the Common Stock, of the Successor, and the number of shares subject to the option and the purchase price per share upon exercise of the option shall be correspondingly adjusted, so that, by virtue of such merger, consolidation or acquisition, each Optionee shall have the right to purchase (a) that number of shares of common stock of the Successor that have a book value equal, as of the date of such merger, conversion or acquisition, to the book value, as of the date of such merger, conversion or acquisition, of the shares of Common Stock of the Company theretofore subject to the Optionee's option, (b) for a purchase price per share that, when multiplied by the number of shares of common stock of the Successor subject to the option, shall equal the aggregate Option Price at which the Optionee could have acquired all of the shares of Common Stock of the Company theretofore optioned to the Optionee.

C. No Effect on the Company's Rights. The granting of an option pursuant to the Plan shall not effect in any way the right and power of the Company to make adjustments, reorganizations, reclassifications, or changes of its capital or business structure or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

10. Amendment, Suspension, or Termination. The Board shall have the right, at any time, to amend, suspend or terminate the Plan in any respect that it may deem to be in the best interests of the Company, except that, without approval by shareholders of the Company holding not less than a majority of the votes represented and entitled to be voted at a duly held meeting of the Company's shareholders, no amendment shall be made that would:

A. increase the maximum number of shares of Common Stock which may be delivered under the Plan, except as provided in Section 9;

B. change the Option Price for an ISO, except as provided in Section 9;

C. extend the period during which an ISO may be exercised beyond the period provided in Section 7.A;

D. make any changes in any outstanding option, without the consent of the Optionee, which would adversely affect the rights of the Optionee; or

E. extend the termination date of the Plan.

11. Effective Date, Term and Approval. The effective date of the Plan is October 27, 1994 (the date of Board adoption of the Plan). The Plan was approved by stockholders of the Company holding not less than a majority of the shares present and voting at its 1995 annual meeting on April 21, 1995. The Plan shall terminate ten (10) years after the effective date of the Plan and no options may be granted under the Plan after such time, but any option granted prior thereto may be exercised in accordance with its terms.

12. Governing Law; Severability. The Plan shall be governed by the laws of the State of Delaware. The invalidity or unenforceability of any provision of the Plan or any option granted pursuant to the Plan shall not affect the validity and enforceability of the remaining provisions of the Plan and the options granted hereunder, and such invalid or unenforceable provision shall be stricken to the extent necessary to preserve the validity and enforceability of the Plan and the options granted hereunder.

Dated this 25th day of August, 1998.

SYPRIS SOLUTIONS, INC.

By: /s/ Jeffrey T. Gill

Jeffrey T. Gill
President and Chief Executive Officer

<ARTICLE> 5
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE ACCOMPANYING FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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