



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

FORM 10-Q

(Mark One)

Quarterly Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934  
For the quarterly period ended July 5, 2015

OR

Transition Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-24020

**SYPRIS SOLUTIONS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of incorporation or organization)

**101 Bullitt Lane, Suite 450**

**Louisville, Kentucky 40222**  
(Address of principal executive  
offices) (Zip code)

**61-1321992**

(I.R.S. Employer  
Identification No.)

**(502) 329-2000**

(Registrant's telephone number,  
including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No  
As of August 5, 2015 the Registrant had 20,788,544 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**SYPRIS SOLUTIONS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except for per share data)

	Three Months Ended		Six Months Ended	
	July 5, 2015	June 29, 2014	July 5, 2015	June 29, 2014
	(Unaudited)		(Unaudited)	
Net revenue:				
Outsourced services	\$ 32,942	\$ 83,233	\$ 64,814	\$ 159,753
Products	7,814	9,880	12,951	17,604
Total net revenue	40,756	93,113	77,765	177,357
Cost of sales:				
Outsourced services	35,326	73,816	71,112	141,797
Products	5,464	8,470	9,844	14,169
Total cost of sales	40,790	82,286	80,956	155,966
Gross (loss) profit	(34)	10,827	(3,191)	21,391
Selling, general and administrative	7,327	9,141	16,445	17,133
Research and development	195	10	528	161
Severance	281	0	566	0
Operating (loss) income	(7,837)	1,676	(20,730)	4,097
Interest expense, net	1,154	155	1,488	287
Other (income) expense, net	(575)	75	(754)	(453)
(Loss) income before taxes	(8,416)	1,446	(21,464)	4,263
Income tax (benefit) expense	0	1,076	(15)	2,241
Net (loss) income	\$ (8,416)	\$ 370	\$ (21,449)	\$ 2,022
(Loss) income per share:				
Basic	\$ (0.43)	\$ 0.02	\$ (1.09)	\$ 0.10
Diluted	\$ (0.43)	\$ 0.02	\$ (1.09)	\$ 0.10
Weighted average shares outstanding:				
Basic	19,701	19,622	19,675	19,525
Diluted	19,701	19,682	19,675	19,566
Dividends declared per common share	\$ 0.00	\$ 0.02	\$ 0.00	\$ 0.04

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

**SYPRIS SOLUTIONS, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in thousands)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>July 5, 2015</b>	<b>June 29, 2014</b>	<b>July 5, 2015</b>	<b>June 29, 2014</b>
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
Net (loss) income	\$ (8,416)	\$ 370	\$ (21,449)	\$ 2,022
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(395)	73	(1,053)	99
Total comprehensive (loss) income	<u>\$ (8,811)</u>	<u>443</u>	<u>\$ (22,502)</u>	<u>\$ 2,121</u>

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

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

	<u>July 5,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
<b>(Unaudited)</b>		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,579	\$ 7,003
Accounts receivable, net	13,197	47,666
Inventory, net	24,464	29,031
Other current assets	7,454	5,666
Assets held for sale – current	9,410	0
Total current assets	56,104	89,366
Property, plant and equipment, net	27,798	37,654
Other assets	4,006	2,661
Total assets	<u>\$ 87,908</u>	<u>\$ 129,681</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 15,021	\$ 39,027
Accrued liabilities	13,333	18,775
Note payable – Meritor	3,047	0
Note payable – related party	5,500	0
Current portion of long-term debt	16,749	17,000
Liabilities held for sale – current	1,833	0
Total current liabilities	55,483	74,802
Other liabilities	7,615	7,991
Total liabilities	63,098	82,793
Stockholders' equity:		
Preferred stock, par value \$0.01 per share, 975,150 shares authorized; no shares issued	0	0
Series A preferred stock, par value \$0.01 per share, 24,850 shares authorized; no shares issued	0	0
Common stock, non-voting, par value \$0.01 per share, 10,000,000 shares authorized; no shares issued	0	0
Common stock, par value \$0.01 per share, 30,000,000 shares authorized; 20,826,236 shares issued and 20,791,544 outstanding in 2015 and 20,567,735 shares issued and 20,485,043 outstanding in 2014	208	206
Additional paid-in capital	151,736	151,314
Retained deficit	(101,045)	(79,596)
Accumulated other comprehensive loss	(26,088)	(25,035)
Treasury stock, 34,692 and 82,692 shares in 2015 and 2014, respectively	(1)	(1)
Total stockholders' equity	24,810	46,888
Total liabilities and stockholders' equity	<u>\$ 87,908</u>	<u>\$ 129,681</u>

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

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

	Six Months Ended	
	July 5, 2015	June 29, 2014
	(Unaudited)	
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (21,449)	\$ 2,022
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,950	5,396
Stock-based compensation expense	501	914
Deferred revenue recognized	(4,200)	(4,329)
Deferred loan costs recognized	630	39
Gain on sale of assets	0	(4)
Provision for excess and obsolete inventory	1,125	445
Other noncash items	(1,587)	81
Contributions to pension plans	(281)	(441)
Changes in operating assets and liabilities:		
Accounts receivable	25,317	(26,343)
Inventory	1,400	(1,032)
Other current assets	(3,006)	755
Accounts payable	(14,026)	23,581
Accrued and other liabilities	(355)	3,593
Net cash (used in) provided by operating activities	(10,981)	4,677
<b>Cash flows from investing activities:</b>		
Capital expenditures, net	(883)	(2,474)
Proceeds from sale of assets	0	8
Net cash used in investing activities	(883)	(2,466)
<b>Cash flows from financing activities:</b>		
Net change in debt under revolving credit agreements	(251)	(1,000)
Proceeds from note payable – Meritor	3,047	0
Proceeds from note payable – related party	5,500	0
Debt modification costs	(1,369)	0
Common stock repurchases	0	(236)
Indirect repurchase of shares of minimum statutory tax withholdings	(77)	(419)
Cash dividends paid	(410)	(814)
Proceeds from issuance of common stock	0	4
Net cash provided by (used in) by financing activities	6,440	(2,465)
Net decrease in cash and cash equivalents	(5,424)	(254)
Cash and cash equivalents at beginning of period	7,003	18,674
Cash and cash equivalents at end of period	<u>\$ 1,579</u>	<u>\$ 18,420</u>

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

**SYPRIS SOLUTIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1) Nature of Business**

All references to “Sypris,” the “Company,” “we” or “our” include Sypris Solutions, Inc. and its wholly-owned subsidiaries. Sypris is a diversified provider of outsourced services and specialty products. The Company performs a wide range of manufacturing, engineering, design, and other technical services, often under multi-year, sole-source contracts with corporations and government agencies in the markets for truck components and assemblies and aerospace and defense electronics. The Company provides such services through its two segments, Sypris Technologies, Inc. (Sypris Technologies) and Sypris Electronics, LLC (Sypris Electronics). See Note 13, “Segment Data,” to the consolidated financial statements.

**(2) Basis of Presentation**

The accompanying unaudited consolidated financial statements include the accounts of Sypris Solutions, Inc. and its wholly-owned subsidiaries, and have been prepared by the Company in accordance with the rules and regulations of the Securities and Exchange Commission. The Company’s operations are domiciled in the United States (U.S.), Mexico and the United Kingdom (U.K.) and serve a wide variety of domestic and international customers. All intercompany transactions and accounts have been eliminated. These unaudited consolidated financial statements reflect, in the opinion of management, all material adjustments (which include only normal recurring adjustments) necessary to fairly state the results of operations, financial position and cash flows for the periods presented, and the disclosures herein are adequate to make the information presented not misleading. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses (see, e.g., Note 12 “Debt,” to the consolidated financial statements). Actual results for the three and six months ended July 5, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements, and notes thereto, for the year ended December 31, 2014 as presented in the Company’s Annual Report on Form 10-K.

**(3) Recent Accounting Pronouncements**

In April 2014, the Financial Accounting Standards Board (“FASB”) issued guidance that revises the definition of a discontinued operation. The revised definition limits discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on operations and financial results. The guidance also requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The guidance will apply to covered transactions that occur after 2014 and was optional for the initial reporting of disposals completed or approved in 2014. The Company adopted the standard effective January 1, 2015.

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

In August 2014, the FASB issued ASU No. 2014-15 Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern, which requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern, and to provide certain disclosures when it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. ASU 2014-15 is effective for the annual period ended December 31, 2016 and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the new guidance to determine the impact it may have on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest — Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 changes the presentation of debt issuance costs for term debt in the balance sheet by requiring the debt issuance costs to be presented as a direct deduction from the related debt liability, rather than recorded as an asset. The standard is required to be adopted by public business entities in annual periods beginning on or after December 15, 2015, and interim periods within those annual periods and will need to be applied retrospectively. Early adoption is permitted. The adoption of this standard is not expected to have a material effect on our consolidated results of operations and financial condition.

In July 2015, the FASB issued ASU No. 2015-11, which simplifies the subsequent measurement of inventory. It replaces the current lower of cost or market test with a lower of cost or net realizable value test. The standard is effective for public entities for annual reporting periods beginning after December 15, 2016, and interim periods therein. Early adoption is permitted. The new guidance must be applied prospectively. The Company is currently evaluating the impact of adopting the standard on its consolidated financial statements.

#### **(4) Management's Plans**

Our supply agreement with Dana Holding Corporation (“Dana”) was originally scheduled to expire on December 31, 2014. For the year ended December 31, 2014, Dana represented approximately 59% of our net revenue.

In July 2013, Sypris and Dana signed an amended and restated supply agreement to extend the supply agreement term beyond December 31, 2014, the binding effect of which is currently in dispute. Dana has repudiated this July 2013 agreement, and Dana has ordered a minimal amount of components from us since December 31, 2014. Sypris disputes Dana’s ability to do so and is seeking to recover its lost margins and additional remedies with respect to the revenues to which Sypris was entitled under the renewed agreement.

Dana initiated an ancillary action in Ohio state court challenging the arbitrability of the existence and enforceability of the amended and restated July 2013 supply agreement on January 17, 2014. The parties have conducted discovery, and the Ohio trial court has granted an initial motion for judgment on the pleadings or summary judgment, which Sypris has appealed. If the case goes to trial and if ruled in the Company’s favor, the dispute would revert to an arbitrator to determine damages.

Additionally, the parties also asserted various damages claims against each other arising out of their prior supply agreement and sought the assistance of an arbitrator in connection with these disputes. The parties had an arbitration hearing in January 2015, and the ruling was received on April 29, 2015, awarding Sypris \$505,000.

As a result of these disputes with Dana and the loss of the Dana business, the Company has taken significant actions during the fourth quarter of 2014 and the first half of 2015, including but not limited to the following: (i) bid on significant new business opportunities with existing and potential customers resulting from the strength of the commercial vehicle market and a perceived shift in market share among tier one suppliers, (ii) reduced workforce at the locations most impacted by the loss of Dana, (iii) reduced employment costs by reduced work schedules, senior management pay reductions, deferral of merit increases and certain benefit payments, and (iv) utilized labor for preventative maintenance on equipment and facilities, and deployment of Toyota Production System management and production practices. The Company is in the advanced stages of negotiations with several customers about potential new programs, although the typical cycle time for adding such programs can require six months or more. Additionally, subsequent to quarter end, the Company sold certain assets used in the Company’s manufacturing facility in Morganton, North Carolina within the Sypris Technologies segment (see Note 5 “Assets Held for Sale,” and Note 19 “Subsequent Events,” to the consolidated financial statements).

The Company has engaged an investment banking firm to provide financial advisory services in connection with its effort to secure new subordinated debt and a financial advisor to assist in the management of the Company’s cash flows and expense levels. Separately, the Company has engaged Needham & Co., Inc. to assist in the potential sale of other appropriate business lines. The Company has also engaged a commercial real estate firm to provide advisory and brokerage services related to the potential disposition of certain real property owned by the Company. There can be no assurance that we will be able to secure debt financing or dispose of assets on a timely basis or at all. In addition, there can be no assurance that our plans to mitigate the loss of the Dana business and to effectively manage our costs during the transition will be successful.

The Company has amended its Credit Facility in March and again in July 2015 which provides for up to \$10,000,000 of liquidity through September 30, 2015. The Company plans to secure debt financing and/or to dispose of certain assets prior to September 30, 2015, unless the lenders and the Company have otherwise agreed to an appropriate extension of that date. See Note 12 “Debt,” to the consolidated financial statements for more detail on the Credit Facility, these recent amendments to the Credit Facility, our other debt arrangements and our current liquidity position.

Non-compliance with the Company’s debt covenants, including its covenants to repay the Credit Facility and the Meritor Note, as amended, in full by September 30, 2015, would provide the debt holders with certain contractual rights, including the right to demand immediate repayment of all outstanding borrowings. Since the loss of the Dana business, the Company has also experienced negative cash flows from operating activities which could hamper or materially increase the costs of the Company’s ability to comply with such covenants by refinancing its debts before September 30, 2015. The Company’s consolidated financial statements have been prepared assuming the ongoing realization of assets, satisfaction of liabilities and continuity of operations as a going concern in the ordinary course of business, but there can be no assurances that the Company’s current initiatives and plans will ultimately succeed and a substantial doubt exists with respect to such assumptions, which could materially and adversely impair the Company’s ability to operate, its cash flows, financial condition and ongoing results. However, management currently believes that the Company’s ongoing initiatives, including its current initiatives to refinance its current debt obligations and its parallel efforts to sell certain non-core or underutilized assets or business lines, as more fully described elsewhere in this report, will be successful within the time frames and on terms acceptable to PNC Bank, NA (“PNC”) and Meritor, Inc. (“Meritor”).

## (5) Assets Held for Sale

In June 2015, the Company's management approved a plan to sell certain assets and related liabilities used in the Company's manufacturing facility in Morganton, North Carolina within the Sypris Technologies segment. The Company concluded that the assets and related liabilities qualified for Assets Held for Sale (AHFS) accounting in accordance with ASC 205 as of July 5, 2015.

On July 9, 2015, the Company entered an asset purchase agreement (the "Agreement") to sell certain assets used in the Company's manufacturing facility in Morganton, North Carolina, to its largest customer, Meritor. The Company retained the Morganton plant's axle shaft manufacturing lines and certain related assets, intellectual property and inventories, which will be transitioned to the Company's Louisville, Kentucky plant later in 2015. All other Morganton equipment, related assets and intellectual property were sold to Meritor (the "Morganton Sale") for \$10,500,000 in cash paid at the closing and other consideration. Meritor purchased related inventories and accounts receivable and assumed or released certain accounts payable and other accrued liabilities, for \$2,000,000 (subject to customary post-closing adjustments to actual). Meritor also agreed to lease the Morganton facility for an initial five-year term for \$2,000,000 in rent, pre-paid at the closing, and an additional \$1,200,000 paid within 30 days of closing either to purchase the facility or to extend the lease for an additional 15 years at Meritor's option. The proceeds of \$14,500,000 at closing, and \$1,200,000 received within 30 days of closing, approximated \$15,700,000 in total consideration for the Morganton Sale, which was used to pay down the Company's outstanding debt with PNC.

At closing, the parties also entered into a Meritor Note Amendment, whereby the Company has issued an additional secured obligation to Meritor of \$412,000 on July 9, 2015 and further agreed to increase the Meritor Note by up to an additional \$335,000 in the near future as needed to reflect certain potential roof repairs required at the Morganton facility (see Note 19 "Subsequent Events").

The following assets and liabilities have been segregated and included in assets held for sale and liabilities held for sale, as appropriate, in the consolidated balance sheets (in thousands):

	<b>July 5, 2015</b>
	<b>(Unaudited)</b>
Accounts receivable, net	\$ 1,062
Inventory, net	2,076
Other current assets	374
Property, plant and equipment, net	5,898
Total assets	<u>\$ 9,410</u>
Accounts payable	\$ 1,466
Accrued and other liabilities	367
Total liabilities	<u>\$ 1,833</u>

## (6) Milestone Revenue Recognition

The Company periodically enters into research and development contracts with customers related primarily to key encryption products. When the contracts provide for milestone or other interim payments, the Company will recognize revenue under the milestone method in accordance with Accounting Standards Codification ("ASC") 605-28 *Revenue Recognition, Milestone Method*. The milestone method requires the Company to deem all milestone payments within each contract as either substantive or non-substantive. That conclusion is determined based upon a thorough review of each contract and the deliverables to which the Company has committed in each contract. For substantive milestones, the Company concludes that upon achievement of each milestone, the amount of the corresponding defined payment is commensurate with the effort required to achieve such milestone or the value of the delivered item. The payment associated with each milestone relates solely to past performance and is deemed reasonable upon consideration of the deliverables and the payment terms within the contract. Milestones may include, for example, the successful completion of design review or technical review, the submission and acceptance of technical drawings, delivery of hardware, software or regulatory agency certifications. The Company had one such milestone contract in process at December 31, 2014. All milestones under that contract were deemed substantive. During the six months ended July 5, 2015 and June 29, 2014, revenue recognized through the achievement of multiple milestones amounted to \$300,000 and \$2,300,000, respectively. There are no performance, cancellation, termination or refund provisions in the arrangement that contain material financial consequences to the Company. As of July 5, 2015, all contracts utilizing the milestone method were completed.

**(7) Dana Claim**

On March 3, 2006, Dana and 40 of its U.S. subsidiaries, filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York. On August 7, 2007, the Company entered into a comprehensive settlement agreement with Dana to resolve all outstanding disputes between the parties, terminate previously approved arbitration payments and replace three existing supply agreements with a single, revised contract running through 2014. In addition, Dana provided the Company with an allowed general unsecured non-priority claim in the face amount of \$89,900,000 (the "Claim").

The Claim provided to the Company was agreed to by the Company and Dana as consideration for the aggregate economic impact of the various elements the two parties were negotiating. After the aggregate Claim value of \$89,900,000 was established, the Company recorded the claim at the estimated fair value of \$76,483,000 and allocated the estimated fair value to each commercial issue negotiated. The revenues and resulting net income associated with each of those issues requiring the Company's continued involvement were deferred and were recognized over the applicable period of the involvement. For the six months ended June 29, 2014, the Company recognized into revenue \$4,329,000 related to the Claim. The Claim was fully amortized as of December 31, 2014.

**(8) Other (Income) Expense, Net**

During the three and six months ended July 5, 2015, the Company recognized other income of \$505,000 related to an arbitration settlement in the Dana dispute received in the second quarter. See Note 4 "Management's Plans" to the consolidated financial statements in this Form 10-Q. During the three and six months ended July 5, 2015, the company recognized net foreign currency related gains of \$37,000 and \$171,000, respectively related to the U.S. dollar denominated monetary asset position of our Mexican subsidiaries for which the Mexican peso is the functional currency.

During the three and six months ended June 29, 2014, the Company recognized net gains of \$123,000 and \$714,000, respectively, within the Sypris Technologies segment from the receipt of federal grant funds for improvements made under a flood relief program. Additionally, for the three and six months ended June 29, 2014, the Company recognized foreign currency translation losses of \$65,000 and \$96,000, respectively. These gains and losses are included in other (income) expense, net on the consolidated statements of operations.

**(9) (Loss) Earnings Per Common Share**

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

Our potentially dilutive securities include potential common shares related to our stock options and restricted stock. Diluted earnings per share considers the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares would have an anti-dilutive effect. Diluted earnings per share excludes the impact of common shares related to our stock options in periods in which the option exercise price is greater than the average market price of our common stock for the period. For the three and six months ended July 5, 2015, diluted weighted average common shares do not include the impact of any outstanding stock options and unvested compensation-related shares because the effect of these items on diluted net loss would be anti-dilutive. There were 789,000 and 983,000 potential common shares excluded from diluted earnings per share for the three and six months ended June 29, 2014, respectively.

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>July 5, 2015</b>	<b>June 29, 2014</b>	<b>July 5, 2015</b>	<b>June 29, 2014</b>
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
<b>(Loss) income attributable to stockholders:</b>				
Net (loss) income as reported	\$ (8,416)	\$ 370	\$ (21,449)	\$ 2,022
Less distributed and undistributed earnings allocable to restricted award holders	0	0	0	(46)
Less dividends declared attributable to restricted award holders	0	(15)	0	(25)
Net (loss) income allocable to common stockholders	<u>\$ (8,416)</u>	<u>\$ 355</u>	<u>\$ (21,449)</u>	<u>\$ 1,951</u>
<b>(Loss) income per common share attributable to stockholders:</b>				
Basic	\$ (0.43)	\$ 0.02	\$ (1.09)	\$ 0.10
Diluted	\$ (0.43)	\$ 0.02	\$ (1.09)	\$ 0.10
Weighted average shares outstanding – basic	19,701	19,622	19,675	19,525
Weighted average additional shares assuming conversion of potential common shares	0	60	0	41
Weighted average shares outstanding – diluted	<u>19,701</u>	<u>19,682</u>	<u>19,675</u>	<u>19,566</u>

#### **(10) Inventory**

Inventory consists of the following (in thousands):

	<b>July 5, 2015</b>	<b>December 31, 2014</b>
	<b>(Unaudited)</b>	
Raw materials	\$ 14,300	\$ 16,687
Work in process	11,674	11,702
Finished goods	5,589	6,991
Reserve for excess and obsolete inventory	(7,099)	(6,349)
	<u>\$ 24,464</u>	<u>\$ 29,031</u>

#### **(11) Property, Plant and Equipment**

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

	<b>July 5, 2015</b>	<b>December 31, 2014</b>
	<b>(Unaudited)</b>	
Land and land improvements	\$ 1,939	\$ 2,770
Buildings and building improvements	22,215	26,055
Machinery, equipment, furniture and fixtures	126,930	158,816
Construction in progress	830	2,100
	<u>151,914</u>	<u>189,741</u>
Accumulated depreciation	(124,116)	(152,087)
	<u>\$ 27,798</u>	<u>\$ 37,654</u>

## (12) Debt

Debt consists of the following:

	<u>July 5, 2015</u>	<u>December 31, 2014</u>
	<u>(Unaudited)</u>	
Revolving credit facility	\$ 16,749	\$ 17,000
Note payable – Meritor	3,047	0
Note payable – related party	5,500	0
	<u>\$ 25,296</u>	<u>\$ 17,000</u>

The Company's Revolving Credit and Security Agreement, dated May 12, 2011 with PNC (which we refer to as the "Loan Agreement" or our "Credit Facility") was amended during the first quarter of 2015 to, among other things: (i) waive certain existing or potential events of default, (ii) limit total borrowings to \$25,000,000, (iii) restrict the payment of dividends, (iv) increase the applicable margin on borrowings which will result in an initial interest rate of approximately 6% and increasing by 50 basis points beginning June 2015 and each month thereafter to an estimated interest rate of 10% in January 2016, (v) revise the maturity date to January 15, 2016, (vi) revise certain financial covenants to include a minimum cumulative free cash flow covenant, (vii) establish minimum excess availability of \$1,000,000 initially, through May 31, 2015, and then in the amount of up to \$5,000,000 on or before September 30, 2015, and (viii) require the Company to raise new capital by securing subordinated debt or divesting certain real property or a combination thereof on or before September 30, 2015 (and, if earlier than September 30, 2015, to maintain minimum excess availability of up to \$5,000,000 thereafter). Obligations under the Credit Facility are guaranteed by all of our U.S. subsidiaries and are secured by a first priority lien on substantially all domestic assets of the Company.

The Company has engaged an investment banking firm on March 20, 2015 to provide financial advisory services in connection with its efforts to secure new subordinated debt. The Company also engaged a commercial real estate firm to provide advisory and brokerage services related to a potential disposition of certain real property owned by the Company.

On July 2, 2015, the Company further amended its Credit Facility to reduce the reserved amount available to be borrowed under the Loan Agreement from \$25,000,000 to \$22,500,000 prior to the sale of certain assets used in the Company's manufacturing business in Morganton, North Carolina ("Morganton Sale"), and to further reduce such reserved amount to \$10,000,000 after the Morganton Sale. The Amendment also waives certain existing or potential events of default under the Loan Agreement, amends the Company's borrowing base formula, relaxes the Company's financial covenants to reflect its near term forecasts, and commits the Company to repay all amounts borrowed under the Loan Agreement on or before September 30, 2015 and to take a number of mutually agreed actions designed to accomplish that goal, including the continued retention of various advisers to assist in the Company's efforts to divest non-core, underutilized or other appropriate assets and to modify its cost structure as needed, and the completion of the Morganton Sale. The Company agreed to pay PNC a fee of \$500,000 in connection with the execution of the Amendment and a success fee of \$500,000 on September 30, 2015 (or upon any earlier acceleration or repayment of the Loan Agreement).

In addition to the aforementioned pursuit of funding sources, the Company is also considering opportunities to support its cash flow from operations in 2015 through sources of cash from either investing or financing activities. The Company is exploring alternatives to monetize certain assets of the Company for values in excess of the availability being provided under the Credit Facility, in order to generate additional sources of funds to the Company.

In connection with the amendments to the Credit Facility, the Company has received the proceeds of subordinated indebtedness from Gill Family Capital Management in an amount of \$5,500,000. Gill Family Capital Management (GFCM) is an entity controlled by our president and chief executive officer, Jeffrey T. Gill and one of our directors, R. Scott Gill. Gill Family Capital Management, Inc., Jeffrey T. Gill and R. Scott Gill are significant beneficial stockholders of the Company. The promissory note bears interest at a rate of 8.00% per year and matures on April 12, 2016. All principal and interest on the promissory note will be due and payable on the maturity date.

On July 2, 2015, the Company entered into a secured promissory note (the “Meritor Note”) in the principal amount of \$3,047,000, with Meritor, in exchange for the release of certain outstanding net trade payables owed to Meritor for ongoing purchases of raw materials and the guarantee of certain inventory values related to Meritor’s business as collateral under the Credit Facility. The Meritor Note is secured by substantially all of the collateral for the Loan Agreement, is senior to the promissory note previously issued to GFCM and is subordinate to the rights under the Credit Facility. The Meritor Note bears interest at a rate of 10.0% per year and matures on September 30, 2015 or upon any earlier acceleration or repayment of the Loan Agreement. All principal and interest on the Meritor Note will be due and payable on the maturity date.

On July 9, 2015, the Company entered an asset purchase agreement to sell certain assets and related liabilities used in the Company’s manufacturing facility in Morganton, North Carolina, to Meritor for \$12,500,000. The Buyer also agreed to lease the Morganton facility for an initial five-year term, for \$2,000,000 in rent, pre-paid at the closing, and an additional \$1,200,000 to be paid within 30 days of closing either to purchase the facility or to extend the lease for an additional 15 years at the Buyer’s option. At closing, the parties also entered into a Meritor Note Amendment, whereby the Company has issued an additional secured obligation to Meritor of \$412,000 on July 9, 2015 and further agreed to increase the Meritor Note by up to an additional \$335,000 in the near future as needed to reflect certain potential roof repairs required at the Morganton facility.

Actual borrowing availability under the Credit Facility is determined by a daily borrowing base collateral calculation that is based on specified percentages of the value of eligible accounts receivable, inventory and machinery and equipment, less certain reserves and subject to certain other adjustments. Based on that calculation, at July 5, 2015, we had actual total borrowing availability under the Credit Facility of \$19,825,000, of which we had drawn \$16,749,000, leaving \$2,143,000 available for borrowing, after accounting for the letter of credit. Standby letters of credit up to a maximum of \$5,000,000 could be issued under the Credit Facility of which \$933,000 and \$755,000 were issued at July 5, 2015 and December 31, 2014, respectively.

The Credit Facility contains a number of covenants that, among other things, limit or restrict our ability to dispose of assets, incur additional indebtedness, incur guarantee obligations, engage in sale and leaseback transactions, prepay other indebtedness, modify organizational documents and certain other agreements, create restrictions affecting subsidiaries, make dividends and other restricted payments without bank approval, create liens, make investments, make acquisitions, engage in mergers, change the nature of our business and engage in certain transactions with affiliates.

Non-compliance with the Company’s debt covenants, including its covenants to repay the Credit Facility and the Meritor Note, as amended, in full by September 30, 2015, would provide the debt holders with certain contractual rights, including the right to demand immediate repayment of all outstanding borrowings. Since the loss of the Dana business (see Note 4 “Management’s Plans”), the Company has also experienced negative cash flows from operating activities which could hamper or materially increase the costs of the Company’s ability to comply with such covenants by refinancing its debts before September 30, 2015. The Company’s consolidated financial statements have been prepared assuming the ongoing realization of assets, satisfaction of liabilities and continuity of operations as a going concern in the ordinary course of business, but there can be no assurances that the Company’s current initiatives and plans will ultimately succeed and a substantial doubt exists with respect to such assumptions, which could materially and adversely impair the Company’s ability to operate, its cash flows, financial condition and ongoing results. However, management currently believes that the Company’s ongoing initiatives, including its current initiatives to refinance its current debt obligations and its parallel efforts to sell certain non-core or underutilized assets or business lines, as more fully described elsewhere in this report, will be successful within the time frames and on terms acceptable to PNC and Meritor.

### **(13) Segment Data**

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

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>July 5, 2015</b>	<b>June 29, 2014</b>	<b>July 5, 2015</b>	<b>June 29, 2014</b>
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
<b>Net revenue from unaffiliated customers:</b>				
Sypris Technologies	\$ 32,010	\$ 83,710	\$ 60,080	\$ 159,549
Sypris Electronics	8,746	9,403	17,685	17,808
	<u>\$ 40,756</u>	<u>\$ 93,113</u>	<u>\$ 77,765</u>	<u>\$ 177,357</u>
<b>Gross profit (loss):</b>				
Sypris Technologies	\$ 581	\$ 11,383	\$ (3,523)	\$ 22,537
Sypris Electronics	(615)	(556)	332	(1,146)
	<u>\$ (34)</u>	<u>\$ 10,827</u>	<u>\$ (3,191)</u>	<u>\$ 21,391</u>
<b>Operating (loss) income:</b>				
Sypris Technologies	\$ (2,370)	\$ 7,040	\$ (11,738)	\$ 15,153
Sypris Electronics	(3,111)	(3,168)	(4,701)	(6,245)
General, corporate and other	(2,356)	(2,196)	(4,291)	(4,811)
	<u>\$ (7,837)</u>	<u>\$ 1,676</u>	<u>\$ (20,730)</u>	<u>\$ 4,097</u>

	<b>July 5, 2015</b>	<b>December 31, 2014</b>
	<b>(Unaudited)</b>	
<b>Total assets:</b>		
Sypris Technologies	\$ 58,575	\$ 95,108
Sypris Electronics	27,010	26,874
General, corporate and other	2,323	7,699
	<u>\$ 87,908</u>	<u>\$ 129,681</u>

#### **(14) Commitments and Contingencies**

The provision for estimated warranty costs is recorded at the time of sale and periodically adjusted to reflect actual experience. The Company's warranty liability, which is included in accrued liabilities in the accompanying balance sheets as of July 5, 2015 and December 31, 2014, was \$772,000 and \$825,000, respectively. The Company's warranty expense for the six months ended July 5, 2015 and June 29, 2014 was \$83,000 and \$145,000, respectively.

Additionally, the Company sells three and five-year extended warranties for one of its link encryption products. The revenue from the extended warranties is deferred and recognized ratably over the contractual term. As of July 5, 2015 and December 31, 2014, the Company had deferred \$666,000 and \$839,000, respectively, related to extended warranties.

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

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

As of July 5, 2015, the Company had outstanding purchase commitments of approximately \$6,223,000, primarily for the acquisition of inventory and manufacturing equipment. As of July 5, 2015, the Company also had outstanding letters of credit of \$933,000 primarily under the aforementioned captive insurance program.

#### (15) Income Taxes

The provision for income taxes includes federal, state, local and foreign taxes. The Company's effective tax rate varies from period to period due to the proportion of foreign and domestic pre-tax income expected to be generated by the Company. The Company provides for income taxes for its domestic operations at a statutory rate of 35% and for its foreign operations at a statutory rate of 30% in 2015 and 2014. The Company's foreign operations are also subject to minimum income taxes in periods prior to 2015 where positive cash flows exceed taxable income. Reconciling items between the federal statutory rate and the effective tax rate also include the expected usage of federal net operating loss carryforwards, state income taxes, valuation allowances and certain other permanent differences.

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

The Company expects to repatriate available non-U.S. cash holdings in 2015 and 2016 to support management's strategic objectives and fund ongoing U.S. operational cash flow requirements; therefore current earnings from non-U.S. operations are not treated as permanently reinvested. The U.S. income tax expense recorded in 2015 on these non-U.S. earnings is expected to be offset by the benefit of a partial release of a valuation allowance on U.S. net operating loss carryforwards. Should the U.S. valuation allowance be released at some future date, the U.S. tax expense on foreign earnings not permanently reinvested might have a material effect on our effective tax rate. For the year ending December 31, 2015, the Company expects any additional tax expense from non-U.S. withholding and other taxes expected to be incurred on repatriation of current earnings would not be material.

#### (16) Employee Benefit Plans

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

	Three Months Ended		Six Months Ended	
	July 5, 2015	June 29, 2014	July 5, 2015	June 29, 2014
	(Unaudited)		(Unaudited)	
Service cost	\$ 3	\$ 0	\$ 7	\$ 6
Interest cost on projected benefit obligation	411	448	845	895
Net amortizations, deferrals and other costs	177	123	347	265
Expected return on plan assets	(558)	(592)	(1,122)	(1,199)
	<u>\$ 33</u>	<u>\$ (21)</u>	<u>\$ 77</u>	<u>\$ (33)</u>

**(17) Accumulated Other Comprehensive Loss**

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

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

	<u>July 5, 2015</u>	<u>December 31, 2014</u>
	<u>(Unaudited)</u>	
Foreign currency translation adjustments	\$ (8,318)	\$ (7,265)
Employee benefit related adjustments – U.S.	(17,584)	(17,584)
Employee benefit related adjustments – Mexico	(186)	(186)
Accumulated other comprehensive loss	<u>\$ (26,088)</u>	<u>\$ (25,035)</u>

**(18) Fair Value of Financial Instruments**

Cash, accounts receivable, accounts payable and accrued liabilities are reflected in the consolidated financial statements at their carrying amount which approximates fair value because of the short-term maturity of those instruments. The carrying amount of debt outstanding at July 5, 2015 under the Credit Facility, the Meritor Note and the related party note payable approximates fair value because borrowings mature between September 2015 and April 2016.

**(19) Subsequent Events**

On July 9, 2015, the Company entered an asset purchase agreement (the "Agreement") to sell certain assets used in the Company's manufacturing facility in Morganton, North Carolina, to Meritor. The Company retained the Morganton plant's axle shaft manufacturing lines and certain related assets, intellectual property and inventories, which will be transitioned to the Company's Louisville, Kentucky plant later this year. All other Morganton equipment, related assets and intellectual property were sold to Meritor (the "Morganton Sale") for \$10,500,000 in cash paid at the closing and other consideration. Meritor purchased related inventories and accounts receivable and assumed or released certain accounts payable and other accrued liabilities, for \$2,000,000 (subject to customary post-closing adjustments to actual). Meritor also agreed to lease the Morganton facility for an initial five-year term for \$2,000,000 in rent, pre-paid at the closing, and an additional \$1,200,000 to be paid within 30 days of closing either to purchase the facility or to extend the lease for an additional 15 years at Meritor's option. The proceeds of \$14,500,000 at closing, and \$1,200,000 received within 30 days of closing, approximated \$15,700,000 in total consideration for the Morganton Sale.

At closing, the parties also entered into a Meritor Note Amendment, whereby the Company has issued an additional secured obligation to Meritor of \$412,000 on July 9, 2015 and further agreed to increase the Meritor Note by up to an additional \$335,000 in the near future as needed to reflect certain potential roof repairs required at the Morganton facility. (See Note 12 "Debt".)

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

### Overview

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

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

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

### *Sypris Technologies Outlook*

In North America, production levels for light, medium and heavy duty trucks have steadily increased over the past five years from a low in the depressed economic environment of 2008 and 2009. The commercial vehicle industry overall is expecting modest growth in production levels through 2015. Oil and gas markets, served by our engineered products line of Tube Tums® products, have been impacted to some degree, as some of our customers' revenues and near term capital expenditures appear to have declined along with oil prices generally.

More specifically, Sypris Technologies' production levels are expected to decline significantly in 2015. Our shipments to Dana have been minimal since December 31, 2014, in the context of a dispute over the enforceability of a five-year contract renewal signed by the parties in 2013. In 2014, Dana represented approximately 59% of our net revenue. In July 2013, Sypris and Dana signed an amended and restated supply agreement to extend the supply agreement term beyond December 31, 2014, the binding effect of which is currently in dispute. Dana has repudiated this July 2013 agreement. Sypris disputes Dana's ability to do so and is seeking to recover its lost margins and additional remedies with respect to the revenues to which Sypris was entitled under the renewed agreement.

Dana initiated an ancillary action in Ohio state court challenging the arbitrability of the existence and enforceability of the amended and restated July 2013 supply agreement on January 17, 2014. The parties have conducted discovery, and the Ohio trial court has granted an initial motion for judgment on the pleadings or summary judgment, which Sypris has appealed. If the case goes to trial and if ruled in the Company's favor, the dispute would revert to the arbitrator to determine damages.

The parties also asserted various damages claims against each other arising out of their prior supply agreement and sought the assistance of an arbitrator in connection with these disputes. The parties had an arbitration hearing in January 2015, and the ruling was received on April 29, 2015, awarding Sypris \$0.5 million.

The loss of Dana's revenues has created significant challenges for the Company, especially in the near-term as we seek to control our costs while rebuilding and diversifying our customer base. See the discussion in Note 4 "Management's Plans" to the consolidated financial statements in this Form 10-Q which discussion is incorporated in this Item by reference.

### *Revenue Recovery Plans*

As a result of these disputes with Dana and the loss of the Dana business, the Company has taken significant actions during the fourth quarter of 2014 and the first half of 2015, including but not limited to the following: (i) bid on significant new business opportunities with existing and potential customers resulting from the strength of the commercial vehicle market and a perceived shift in market share among tier one suppliers, (ii) reduced workforce at the locations most impacted by the loss of Dana, (iii) reduced employment costs by reduced work schedules, senior management pay reductions, deferral of merit increases and certain benefit payments, and (iv) utilized labor for preventative maintenance on equipment and facilities, and deployment of Toyota Production System management and production practices. The Company is in the advanced stages of negotiations with several customers about potential new programs, although the typical cycle time for adding such programs can require six months or more.

Additionally, subsequent to quarter end, the Company sold certain assets used in the Company's manufacturing facility in Morganton North Carolina, to its largest customer, Meritor. The net cash proceeds of \$14.5 million from the sale received at closing and \$1.2 million subsequent to closing were used to pay down a portion of the debt outstanding (see Note 5 "Assets Held for Sale," Note 12 "Debt," and Note 19 "Subsequent Events," to the consolidated financial statements.)

For our high pressure closures and related engineered products lines, we are aggressively seeking to expand our customer base beyond the oil and gas pipeline markets as well as broadening our market share within those markets. However, there can be no assurance that our plans to mitigate the loss of the Dana business and to effectively manage our costs during the transition will be successful. See Note 4 "Management's Plans" to the consolidated financial statements in this Form 10-Q.

### *Sypris Electronics Outlook*

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

Sypris Electronics' revenue has declined year-over-year since 2009 primarily due to our inability to replace the declining demand for certain legacy products and services with competitive new offerings. While we have begun to generate revenue from the ramp-up of new electronic manufacturing services and other technical service programs, the process of fully replacing our legacy programs will continue through 2015 and 2016. The Company is continuing to develop new products and pursue new programs to attempt to replenish its revenue stream within Sypris Electronics.

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

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

## Results of Operations

The tables below compare our segment and consolidated results for the three and six month periods of operations of 2015 to the three and six month periods of operations of 2014. The tables present the results for each period, the change in those results from 2014 to 2015 in both dollars and percentage change and the results for each period as a percentage of net revenue.

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

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

### Three Months Ended July 5, 2015 Compared to Three Months Ended June 29, 2014

	Three Months Ended,		Year Over	Year Over	Results as Percentage of	
	July 5, 2015	June 29, 2014	Year Change	Year Change	Net Revenue for the Three Months Ended	
			Favorable (Unfavorable)	Favorable (Unfavorable)	July 5, 2015	June 29, 2014
(in thousands, except percentage data)						
Net revenue:						
Sypris Technologies	\$ 32,010	\$ 83,710	\$ (51,700)	(61.8)%	78.5%	89.9%
Sypris Electronics	8,746	9,403	(657)	(7.0)	21.5	10.1
Total	40,756	93,113	(52,357)	(56.2)	100.0	100.0
Cost of sales:						
Sypris Technologies	31,429	72,327	40,898	56.5	98.2	86.4
Sypris Electronics	9,361	9,959	598	6.0	107.0	105.9
Total	40,790	82,286	41,496	50.4	100.1	88.4
Gross profit (loss):						
Sypris Technologies	581	11,383	(10,802)	(94.9)	1.8	13.6
Sypris Electronics	(615)	(556)	(59)	(10.6)	(7.0)	(5.9)
Total	(34)	10,827	(10,861)	(100.3)	(0.1)	11.6
Selling, general and administrative	7,327	9,141	1,814	19.8	18.0	9.8
Research and development	195	10	(185)	NM	0.5	0.0
Severance	281	—	(281)	NM	0.7	—
Operating (loss) income	(7,837)	1,676	(9,513)	NM	(19.2)	1.8
Interest expense, net	1,154	155	(999)	(644.5)	2.8	0.2
Other (income) expense, net	(575)	75	650	NM	(1.4)	0.1
(Loss) income before taxes	(8,416)	1,446	(9,862)	NM	(20.6)	1.5
Income tax (benefit) expense, net	—	1,076	(1,076)	NM	—	1.1
Net (loss) income	\$ (8,416)	\$ 370	\$ (8,786)	NM	(20.6)%	0.4%

Six Months Ended July 5, 2015 Compared to Six Months Ended June 29, 2014.

	Six Months Ended,		Year Over	Year Over	Results as Percentage of	
	July 5, 2015	June 29, 2014	Change	Change	Net Revenue for the Six Months Ended	
			Favorable (Unfavorable)	Favorable (Unfavorable)	July 5, 2015	June 29, 2014
(in thousands, except percentage data)						
Net revenue:						
Sypris Technologies	\$ 60,080	\$ 159,549	\$ (99,469)	(62.3)%	77.3%	90.0%
Sypris Electronics	17,685	17,808	(123)	(0.7)	22.7	10.0
Total	77,765	177,357	(99,592)	(56.2)	100.0	100.0
Cost of sales:						
Sypris Technologies	63,603	137,012	73,409	53.6	105.9	85.9
Sypris Electronics	17,353	18,954	1,601	8.4	98.1	106.4
Total	80,956	155,966	75,010	48.1	104.1	87.9
Gross profit (loss):						
Sypris Technologies	(3,523)	22,537	(26,060)	(115.6)	(5.9)	14.1
Sypris Electronics	332	(1,146)	1,478	129.0	1.9	(6.4)
Total	(3,191)	21,391	(24,582)	(114.9)	(4.1)	12.1
Selling, general and administrative	16,445	17,133	688	4.0	21.1	9.7
Research and development	528	161	(367)	(228.0)	0.7	0.1
Severance	566	—	(566)	NM	0.7	—
Operating (loss) income	(20,730)	4,097	(24,827)	NM	(26.7)	2.3
Interest expense, net	1,488	287	(1,201)	(418.5)	1.9	0.2
Other (income), net	(754)	(453)	301	66.4	(1.0)	(0.3)
(Loss) income before taxes	(21,464)	4,263	(25,727)	NM	(27.6)	2.4
Income tax (benefit) expense, net	(15)	2,241	2,256	NM	—	1.3
Net (loss) income	\$ (21,449)	\$ 2,022	\$ (23,471)	NM	(27.6)%	1.1%

*Net Revenue.* Sypris Technologies derives its revenue from manufacturing services and product sales. Net revenue for Sypris Technologies for the three and six month periods ended July 5, 2015 decreased \$51.7 million and \$99.5 million from the prior year comparable periods, respectively. The loss of the Dana business accounted for \$52.3 million and \$102.4 million of the decline for the three and six months ended July 5, 2015, respectively. Partially offsetting this was an increase in other volumes of \$0.5 million and \$3.5 million in the three and six months ended July 5, 2015, respectively, attributable to favorable demand from our commercial vehicle market customers.

Sypris Electronics derives its revenue from product sales and technical outsourced services. Net revenue for Sypris Electronics for the three and six month periods ended July 5, 2015 decreased \$0.7 million and \$0.1 million from the prior year comparable periods, respectively, reflecting the decline in engineering services due to the completion of a program during the period partially offset by the ramp up and completion of a new electronic manufacturing service program. Sypris Electronics' outlook continues to be negatively affected by our inability to replace the declining demand for certain legacy products and services with competitive new offerings and budgetary and funding uncertainty within the U.S. DoD.

*Gross Profit.* Sypris Technologies' gross profit decreased to \$0.6 million and a loss of \$3.5 million in the three and six month periods ended July 5, 2015, respectively, from a gross profit of \$11.4 million and \$22.5 million in the prior year comparable periods. The net decrease in sales volumes resulted in a decrease in gross profit of approximately \$11.3 million and \$22.8 million for the three and six month periods ended July 5, 2015. Additionally, productivity challenges experienced primarily due to the significant loss of business from Dana resulted in a decrease in gross profit of \$0.3 million and \$4.4 million for the three and six month periods, when compared to the prior year comparable periods. Partially offsetting this was a decrease in depreciation expense of \$0.7 million and \$1.1 million, respectively over the prior year periods. See Note 4 "Management's Plans" to the consolidated financial statements in this Quarterly Report on Form 10-Q.

Sypris Electronics' gross profit was a loss of \$0.6 million and profit of \$0.3 million in the three and six month periods ended July 5, 2015, respectively, as compared to losses of \$0.6 million and \$1.1 million in the prior year comparable periods. The improvement in gross profit for the six months ended July 5, 2015 was primarily as a result of a favorable mix in sales of higher margin products and services.

*Selling, General and Administrative.* Selling, general and administrative expense decreased by \$1.8 million and \$0.7 million for the three and six month periods ended July 5, 2015, respectively, as compared to the same periods in 2014 primarily as a result of an decrease in legal expenses incurred in connection with contract negotiations and the related disputes with Dana (see Note 4 "Management's Plans" to the consolidated financial statements in this Quarterly Report on Form 10-Q). As the legal activity regarding the contract negotiations and litigation is substantially complete until the appeals process is finalized, we expect legal fees related to litigation to decrease for the remainder of 2015 as compared to 2014 based on the current status of litigation with Dana. Selling, general and administrative expense increased as a percentage of revenue to 18.0% and 21.1% for the three and six month periods ended July 5, 2015, respectively, as compared to 9.8% and 9.7% for the three and six months ended June 29, 2014, respectively as a result of the rapid decline in revenue.

*Research and Development.* Research and development costs were \$0.5 million for the six months ended July 5, 2015 as compared to \$0.2 million for six month comparable 2014 period in support of Sypris Electronics' self-funded product and technology development activities.

*Severance.* Severance costs were \$0.3 million and \$0.6 million for the three and six months ended July 5, 2015 and were comprised exclusively of headcount reductions related to the cessation of shipments to Dana within Sypris Technologies. See Note 4 "Management's Plans" to the consolidated financial statements in this Quarterly Report on Form 10-Q. Additional severance costs could be incurred as part of the Company's ongoing efforts to reduce its costs.

*Interest Expense.* Interest expense for the three and six months ended July 5, 2015 increased primarily due to an increase in the weighted average debt outstanding and an increase in interest rates as a result of recent amendments to the Credit Facility in 2015 and the notes payable to Meritor and GFCM entered into during 2015, which increased the Company's interest rate structure (see Note 12 "Debt" to the consolidated financial statements in this Quarterly Report on Form 10-Q). Our weighted average debt outstanding increased to \$23.5 million and \$20.6 million for the three and six month periods of 2015, respectively, from \$16.4 million and \$15.2 million during the three and six month periods of 2014, respectively.

*Other (Income) Expense, Net.* The Company recognized other income of \$0.5 million and \$0.8 million for the three and six months ended July 5, 2015 compared to other expense of \$0.1 million and income of \$0.5 million for the three and six months ended June 29, 2014, respectively. Other income, net for the three and six months ended includes gains of \$0.5 million from the Dana arbitration settlement. Additionally, other income net for the three and six months ended July 5, 2015 includes foreign currency gains of \$0.1 million and \$0.2 million, respectively, related to the net U.S. dollar denominated monetary asset position of our Mexican subsidiaries for which the Mexican peso is the functional currency. Other income, net for the first six months of 2014 includes gains of \$0.7 million within Sypris Technologies from the receipt of federal grant funds for improvements made under a flood relief program, partially offset by foreign currency related losses of \$0.1 million.

*Income Taxes.* Income tax expense for the three and six months ended July 5, 2015 was negligible, as compared to \$1.1 million and \$2.2 million for the three and six months ended June 29, 2014, respectively. Income tax expense for the three and six months ended June 29, 2014 primarily represents tax on foreign operations at the statutory rate of 30%. In the U.S., our recent history of operating losses does not allow us to satisfy the "more likely than not" criterion for recognition of deferred tax assets. Therefore, there is generally no federal income tax recognized on the pre-tax income or losses in the U.S., as valuation allowance adjustments offset the associated tax effect. However, the Company has provided for certain state taxes expected to be paid in the U.S.

## Liquidity, Capital Resources

As described in more detail elsewhere in this report, as a result of the loss of Dana as a customer, the Company is forecasting substantially reduced levels of revenue and cash flows in 2015. These developments have required us to reexamine our strategies and cut our costs significantly. Reductions in our available liquidity will also require closer monitoring of the timing of our capital expenditures and cash flows in order to manage our business operations.

In response, we have taken significant actions during the fourth quarter of 2014 and the first half of 2015 to pursue new business opportunities with existing and potential customers, identify alternative uses for the related assets and other contingency plans. Additionally, subsequent to quarter end, the Company sold certain assets used in the Company's manufacturing facility in Morganton, North Carolina within the Sypris Technologies segment. Through August 10, 2015, we have received approximately \$15,700,000 in total consideration for the Morganton Sale and related transactions, all of which has been applied to pay down the amounts drawn under our Credit Facility.

Our ability to service our indebtedness will require a significant amount of cash. Our ability to generate this cash will depend largely on future operations including the success of our revenue recovery plans. Based upon our current forecast for 2015 and our recent refinancing efforts with alternative lenders, we expect to be able to meet the financial covenants of our amended Credit Facility, and we believe that we will have sufficient liquidity to finance our operations throughout 2015. Although we believe the assumptions underlying our current forecast are reasonable, we have considered the possibility of even lower revenues and other risks. If we are unable to achieve our forecasted revenue, or if our costs are higher than expected, we may be required to sell additional assets to repay indebtedness. Any such sale of assets may hinder or delay our plans to increase our revenues.

If we have insufficient cash flow to fund our liquidity needs and are unable to refinance our indebtedness or raise additional capital, we would risk being in default under our existing amended Credit Facility and the Meritor Note, unless our lenders agreed to modify or waive such requirements. In such circumstances, we believe that the Company would have the continuing ability to sell certain of its assets, particularly its underutilized manufacturing facilities, if necessary to repay its outstanding indebtedness. However, there can be no assurances that such efforts will succeed, and if we sold such facilities we may be unable to pursue certain opportunities for new revenues that are part of our recovery plan and we may be required to defer our planned capital expenditures. See the discussion in Note 12 "Debt" to the consolidated financial statements in this Form 10-Q which discussion is incorporated in this Item by reference.

*Credit Facility and Recent Amendments.* Actual borrowing availability under the Credit Facility is determined by a daily borrowing base collateral calculation that is based on specified percentages of the value of eligible accounts receivable, inventory and machinery and equipment, less certain reserves and subject to certain other adjustments. Based on that calculation, at July 5, 2015, we had actual total borrowing availability under the Credit Facility of \$19.8 million, of which we had drawn \$16.7 million, leaving \$2.1 million available for borrowing, after accounting for the letter of credit. Standby letters of credit up to a maximum of \$5.0 million can be issued under the Credit Facility of which \$0.9 million and \$0.8 million were issued at July 5, 2015 and December 31, 2014, respectively. The obligations under the Credit Facility are guaranteed by all of our U.S. subsidiaries and are secured by a first priority lien on substantially all domestic assets of the Company.

As of August 10, 2015, after applying the proceeds of the Morganton Sale and related transactions, the principal amount of our outstanding debt consisted of \$2.9 million outstanding under the Credit Facility, in addition to \$3.5 million also due on September 30, 2015 under the Meritor Note, and \$5.5 million due on April 12, 2016 under the Gill Family Capital Management Note, for a total of \$11.9 million (excluding trade credit, letters of credit, and other liabilities). As of August 10, 2015, we also had \$6.2 million available for additional borrowings under the Credit Facility.

As of December 31, 2014, the Company was in compliance with all covenants under the Credit Facility. However, during the first quarter of 2015, the Company faced potential defaults under certain covenants of the Credit Facility caused primarily by the loss of Dana as a customer (see Note 4 "Management's Plans" to the consolidated financial statements in this Form 10-Q). The Credit Facility was amended during the first quarter of 2015 to, among other things, (i) waive certain existing or potential events of default, (ii) limit total borrowings to \$25.0 million, (iii) restrict the payment of dividends, (iv) increase the applicable margin on borrowings which will result in an initial interest rate of approximately 6% and increasing by 50 basis points beginning June 2015 and each month thereafter to an estimated interest rate of 10% in January 2016, (v) revise the maturity date to January 15, 2016, (vi) revise certain financial covenants to include a minimum cumulative free cash flow covenant, (vii) establish minimum excess availability of \$1.0 million initially, through May 31, 2015, and then in the amount of \$5.0 million on or before September 30, 2015, and (viii) require the Company to raise new capital by securing subordinated debt or divesting certain real property or a combination thereof on or before September 30, 2015 (and, if earlier than September 30, 2015, to maintain minimum excess availability of \$5.0 million thereafter).

On July 2, 2015, the Company completed an additional amendment to its Credit Facility. The parties agreed to reduce the reserved amount available to be borrowed under the Loan Agreement from \$25.0 million to \$22.5 million prior to the sale of certain assets used in the Company's manufacturing business in Morganton, North Carolina ("Morganton Sale"), and to further reduce such reserved amount to \$10.0 million after the Morganton Sale. The Amendment also waives certain existing or potential events of default under the Loan Agreement, amends the Company's borrowing base formula, relaxes the Company's financial covenants to reflect its near term forecasts, and commits the Company to repay all amounts borrowed under the Loan Agreement on or before September 30, 2015, and to take a number of mutually agreed actions designed to accomplish that goal, including the continued retention of various advisers to assist in the Company's efforts to divest non-core, underutilized or other appropriate assets and to modify its cost structure as needed, and the completion of the Morganton Sale. The Company agreed to pay PNC a fee of \$0.5 million in connection with the execution of the Amendment, and a success fee of \$0.5 million on September 30, 2015 (or upon any earlier acceleration or repayment of the Loan Agreement).

*Gill Family Capital Management Note.* In connection with the Amendments to the Credit Facility, the Company has received the proceeds of new subordinated indebtedness from Gill Family Capital Management, Inc. ("Gill Family Capital Management") in an amount of \$5.5 million. Gill Family Capital Management is an entity controlled by our president and chief executive officer, Jeffrey T. Gill and one of our directors, R. Scott Gill. Gill Family Capital Management, Inc., Jeffrey T. Gill and R. Scott Gill are significant beneficial stockholders of the Company. The promissory note bears interest at a rate of 8.0% per year and matures on April 12, 2016. All principal and interest on the promissory note will be due and payable on the maturity date.

In addition to the aforementioned pursuit of funding sources, the Company is also considering opportunities to support its cash flow from operations in 2015 through sources of cash from either investing or financing activities. The Company is exploring alternatives to monetize certain assets of the Company for values in excess of the availability being provided under the Credit Facility, thereby generating additional sources of liquidity for the Company.

*Short-Term Outlook.* Non-compliance with the Company's debt covenants, including its covenants to repay the Credit Facility and the Meritor Note, as amended, in full by September 30, 2015, would provide the debt holders with certain contractual rights, including the right to demand immediate repayment of all outstanding borrowings. Since the loss of the Dana business (see Note 4 "Management's Plans"), the Company has also experienced negative cash flows from operating activities which could hamper or materially increase the costs of the Company's ability to comply with such covenants by refinancing its debts before September 30, 2015. The Company's consolidated financial statements have been prepared assuming the ongoing realization of assets, satisfaction of liabilities and continuity of operations as a going concern in the ordinary course of business, but there can be no assurances that the Company's current initiatives and plans will ultimately succeed and a substantial doubt exists with respect to such assumptions, which could materially and adversely impair the Company's ability to operate, its cash flows, financial condition and ongoing results. However, Management currently believes that the Company's ongoing initiatives, including its current initiatives to refinance its current debt obligations and its parallel efforts to sell certain non-core or underutilized assets or business lines, as more fully described elsewhere in this report, will be successful within the time frames and on terms acceptable to PNC and Meritor.

The Credit Facility also contains a number of covenants that, among other things, limit or restrict our ability to dispose of assets, incur additional indebtedness, incur guarantee obligations, engage in sale and leaseback transactions, prepay other indebtedness, modify organizational documents and certain other agreements, create restrictions affecting subsidiaries, make dividends and other restricted payments without bank approval, create liens, make investments, make acquisitions, engage in mergers, change the nature of our business and engage in certain transactions with affiliates.

*Meritor Note.* On July 2, 2015, the Company entered into a secured promissory note (the "Meritor Note") in the principal amount of \$3.0 million, with Meritor, in exchange for the release of certain outstanding net trade payables owed to Meritor for ongoing purchases of raw materials, and the guarantee of certain inventory values related to Meritor's business as collateral under the Company's Revolving Credit and Security Agreement, dated May 12, 2011 (the "Loan Agreement"). The Meritor Note is secured by substantially all of the collateral for the Loan Agreement, is senior to the promissory note previously issued to GFCM, and is subordinate to the rights of PNC. The Meritor Note bears interest at a rate of 10.0% per year and matures on September 30, 2015 or upon any earlier acceleration or repayment of the Loan Agreement. All principal and interest on the Meritor Note will be due and payable on the maturity date.

*Morganton Sale to Meritor.* On July 9, 2015, the Company entered an asset purchase agreement to sell certain assets and related liabilities used in the Company's manufacturing facility in Morganton, North Carolina, to Meritor for \$12.5 million. Meritor also agreed to lease the Morganton facility for an initial five-year term, for \$2.0 million in rent, pre-paid at the closing, and an additional \$1.2 million to be paid within 30 days either to purchase the facility or to extend the lease for an additional 15 years at Meritor's option. At closing, the parties also entered into a Meritor Note Amendment, whereby the Company has issued an additional secured obligation to Meritor of \$0.4 million on July 9, 2015 and further agreed to increase the Meritor Note by up to an additional \$0.3 million in the near future as needed to reflect certain potential roof repairs required at the Morganton facility.

*Purchase Commitments.* We also had purchase commitments totaling approximately \$6.2 million at July 5, 2015, primarily for manufacturing equipment and inventory.

### **Cash Flows from Operating, Investing and Financing Activities**

*Operating Activities.* Net cash used by operating activities was \$11.0 million in the first six months of 2015 as compared to net cash provided of \$4.7 million in the same period of 2014. The aggregate decrease in accounts receivable including the collection of Dana accounts receivable in 2015 provided cash of \$25.3 million. Similarly, decreases in accounts payable, including amounts paid to Dana under a rebill arrangement for inventory, resulted in a usage of cash of \$14.0 million. Cash of \$1.4 million was used to finance an increase in inventory during the first six months of 2015, primarily due to a timing delay on shipments within Sypris Electronics. Other current assets increased and used \$3.0 million of cash primarily as a result of an increase in deferred costs related to the development of a cyber-range and a change in VAT taxes receivable by our Mexican subsidiaries.

*Investing Activities.* Net cash used by investing activities was \$0.9 million for the first six months of 2015 as compared to \$2.5 million for the first six months of 2014. Capital expenditures in both periods represented maintenance levels of investment.

*Financing Activities.* Net cash provided by financing activities was \$6.4 million for the first six months of 2015 as compared to net cash used of \$2.5 million for the first six months of 2014. Net cash provided by financing activities in the first six months of 2015 included proceeds from the subordinated note from Gill Family Capital Management of \$5.5 million and proceeds from the subordinated note from Meritor of \$3.0 million. Partially offsetting this was a reduction under the Credit Facility of \$0.3 million, dividend payments of \$0.4 million and payments of \$0.1 million for minimum statutory tax withholding on stock-based compensation. Additionally, we paid \$1.4 million in financing fees in conjunction with the amendments of our Credit Facility in the first six months of 2015.

Net cash used in financing activities for the first six months of 2014 includes a debt reduction of \$1.0 million on the Credit Facility, dividend payments of \$0.8 million and payments of \$0.7 million for the repurchase of stock and minimum statutory tax withholdings on stock-based compensation.

### **Critical Accounting Policies**

See the information concerning our critical accounting policies included under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation - Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014. There have been no significant changes in our critical accounting policies during the six months ended July 5, 2015.

## Forward-looking Statements

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

A number of significant factors could materially affect our specific business operations and cause our performance to differ materially from any future results projected or implied by our prior statements. Many of these factors are identified in connection with the more specific descriptions contained throughout this report. Other factors which could also materially affect such future results currently include: our failure to develop and implement plans to mitigate the impact of loss of revenues from Dana or to adequately diversify our revenue sources on a timely basis; our failure to secure debt financing necessary to refinance the Credit Facility and our other debt obligations; the fees, costs and supply of, or access to, debt, equity capital, or other sources of liquidity, including the potentially dilutive effects of any refinancing arrangements, and the potentially material costs of our compliance with covenants in, or the potential default under or acceleration of, our Credit Facility or the terms of our other debt agreements; the risks of any default under our Accommodation Agreement with Meritor, which could cause Meritor to exercise certain access rights that could have a material adverse effect on the Company’s ability to operate and its financial results; volatility of our customers’ forecasts, scheduling demands and production levels which negatively impact our operational capacity and our effectiveness to integrate new customers; reliance on major customers or suppliers; the cost, quality, timeliness, efficiency and yield of our operations and capital investments, including working capital, production schedules, cycle times, scrap rates, injuries, wages, overtime costs, freight or expediting costs; our ability to successfully develop, launch or sustain new products and programs; dependence on, retention or recruitment of key employees especially in challenging markets; inventory valuation risks including excessive or obsolescent valuations; potential impairments, non-recoverability or write-offs of assets or deferred costs; our inability to successfully complete definitive agreements for our targeted acquisitions due to negative due diligence findings or other factors; declining revenues and backlog in our Sypris Electronics business lines as we attempt to transition from legacy products and services into new market segments and technologies; the costs of compliance with our auditing, regulatory or contractual obligations; our inability to patent or otherwise protect our inventions or other intellectual property from potential competitors; our reliance on third party vendors and sub-suppliers; adverse impacts of new technologies or other competitive pressures which increase our costs or erode our margins; cost and availability of raw materials such as steel, component parts, natural gas or utilities; regulatory actions or sanctions (including FCPA, OSHA and Federal Acquisition Regulations, among others); potential weaknesses in internal controls over financial reporting and enterprise risk management; disputes or litigation involving customer, supplier, employee, lessor, landlord, creditor, stockholder, product liability or environmental claims; U.S. government spending on products and services that Sypris Electronics provides, including the timing of budgetary decisions; changes in licenses, security clearances, or other legal rights to operate, manage our work force or import and export as needed; breakdowns, relocations or major repairs of machinery and equipment; pension valuation, health care or other benefit costs; labor relations; strikes; union negotiations; cyber security threats and disruptions; changes or delays in customer budgets, funding or programs; failure to adequately insure or to identify environmental or other insurable risks; revised contract prices or estimates of major contract costs; risks of foreign operations; currency exchange rates; war, terrorism, or political uncertainty; unanticipated or uninsured disasters, losses or business risks; inaccurate data about markets, customers or business conditions; or unknown risks and uncertainties and the risk factors disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

#### **ITEM 4. CONTROLS AND PROCEDURES**

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

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

#### **PART II. OTHER INFORMATION**

##### **ITEM 1. LEGAL PROCEEDINGS**

We are involved from time to time in litigation and other legal or environmental proceedings incidental to our business. On November 25, 2013, Sypris Technologies, Inc. initiated an arbitration proceeding against Dana Limited under the Non-Administered Arbitration Rules of the International Institute for Conflict Prevention & Resolution alleging that Dana Limited had entered and then repudiated a five year extension of the parties' long term supply agreement, to run through 2019. Sypris seeks contractual damages associated with Dana's repudiation of the extended agreement and the resulting loss of these revenues. On January 17, 2014, Dana initiated a declaratory judgment action in the Court of Common Pleas for Lucas County, Ohio challenging the arbitrability of the existence and enforceability of the extended supply agreement and seeking a ruling that the extended agreement was unenforceable. On February 28, 2015, the Lucas County Court granted Dana's motion, and Sypris has initiated an appellate review of that ruling in the Sixth District Court of Appeals for Ohio.

On December 30, 2013, Sypris filed a Notice of Supplemental Claims in an arbitration proceeding, seeking up to approximately \$9.0 million in damages for Dana's alleged breach of the parties' original 2007 supply agreement; Dana filed a counterclaim for certain unpaid price rebates in the amount of approximately \$3.0 million. The parties had an arbitration hearing in January 2015, and the ruling was received on April 29, 2015, awarding Sypris \$0.5 million.

##### **ITEM 1A. RISK FACTORS**

Information regarding risk factors appears in Part I — Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Forward-Looking Statements," in this Quarterly Report on Form 10-Q, and in Part I — Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014. There have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K.

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

The following table summarizes our shares of common stock repurchased during the second quarter ended July 5, 2015 (dollars in thousands except per share data):

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as a Part of Publicly Announced Plans or Programs</b>	<b>Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (a)</b>
4/6/2015 – 5/3/2015	—	\$ —	—	\$ 3,877
5/4/2015 – 5/31/2015	—	\$ —	—	\$ 3,877
6/1/2015 – 7/5/2015	—	\$ —	—	\$ 3,877

- (a) On December 20, 2011, our Board of Directors approved and we announced an authorization for the repurchase of up to \$5.0 million of our outstanding shares of common stock. The Board also authorized an Executive Equity Repurchase Agreement whereby management, including officers and directors, would grant the Company a first right to purchase shares at current market prices (calculated as the average of several days' closing prices) at any time such a party to the agreement departed the Company or intended to sell more than 1,500 shares of common stock. The agreement has a five-year term, subject to earlier termination by the Company, and participation by each individual is voluntary.

The amended Credit Facility contains restrictions on our ability to repurchase shares of our common stock. The Company does not expect to repurchase shares of its common stock in 2015 except in connection with shares withheld or repurchased to satisfy withholding obligations in connection with outstanding equity awards.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

None.

**ITEM 6. EXHIBITS**

<b>Exhibit Number</b>	<b>Description</b>
10.1	Amended Promissory Note between Gill Family Capital Management, Inc., Sypris Solutions, Inc., Sypris Technologies, Inc., Sypris Electronics, LLC, Sypris Data Systems, Inc., Sypris Technologies Marion, LLC, Sypris Technologies Kenton, Inc., Sypris Technologies Mexican Holdings, LLC, Sypris Technologies Northern, Inc., Sypris Technologies Southern, Inc. and Sypris Technologies International, Inc. dated as of June 11, 2015.
10.2	Amendment No. 3 to Loan Documents between PNC Bank, National Association, Sypris Solutions, Inc., Sypris Technologies, Inc., Sypris Electronics, LLC, Sypris Data Systems, Inc., Sypris Technologies Marion, LLC, Sypris Technologies Kenton, Inc., Sypris Technologies Mexican Holdings, LLC, Sypris Technologies Northern, Inc., Sypris Technologies Southern, Inc. and Sypris Technologies International, Inc. dated as of July 2, 2015.
10.3	Promissory Note between Meritor Heavy Vehicle Systems, LLC, Sypris Solutions, Inc., Sypris Technologies, Inc., Sypris Electronics, LLC, Sypris Data Systems, Inc., Sypris Technologies Marion, LLC, Sypris Technologies Kenton, Inc., Sypris Technologies Mexican Holdings, LLC, Sypris Technologies Northern, Inc., Sypris Technologies Southern, Inc. and Sypris Technologies International, Inc. dated as of July 2, 2015.
10.4	Asset Purchase Agreement between Meritor Heavy Vehicle Systems, LLC and Sypris Solutions, Inc. dated as of July 9, 2015.
10.4.1	Access Agreement between Meritor Heavy Vehicle Systems, LLC, Gill Family Capital Management, Inc. and Sypris Technologies Kenton, Inc., Sypris Technologies, Inc. and Sypris Solutions, Inc. dated as of July 9, 2015.
10.4.2	Accommodation Agreement between Meritor Heavy Vehicle Systems, LLC, Gill Family Capital Management, Inc. and Sypris Technologies Kenton, Inc., Sypris Technologies, Inc. and Sypris Solutions, Inc. dated as of July 9, 2015.
10.4.3	Amended Promissory Note between Meritor Heavy Vehicle Systems, LLC, Sypris Solutions, Inc., Sypris Technologies, Inc., Sypris Electronics, LLC, Sypris Data Systems, Inc., Sypris Technologies Marion, LLC, Sypris Technologies Kenton, Inc., Sypris Technologies Mexican Holdings, LLC, Sypris Technologies Northern, Inc., Sypris Technologies Southern, Inc. and Sypris Technologies International, Inc. dated as of July 9, 2015.
10.5	2010 Sypris Omnibus Plan effective as of May 5, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8 filed on May 19, 2015 (Commission File No. 333-204299).
10.6	Asset Purchase Agreement between Reynolds Machine Co., Inc. and Sypris Technologies Kenton, Inc. dated May 22, 2015.
31(i).1	CEO certification pursuant to Section 302 of Sarbanes - Oxley Act of 2002.
31(i).2	Principal Financial Officer certification pursuant to Section 302 of Sarbanes - Oxley Act of 2002.
32	CEO and Principal Financial Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document

<b>Exhibit Number</b>	<b>Description</b>
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

**SIGNATURES**

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

SYPRIS SOLUTIONS, INC.  
(Registrant)

Date: August 18, 2015

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

Date: August 18, 2015

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

THIS INSTRUMENT, AND THE RIGHTS AND OBLIGATIONS EVIDENCED HEREBY, ARE SUBORDINATE IN THE MANNER AND TO THE EXTENT SET FORTH IN THAT CERTAIN AMENDED AND RESTATED SUBORDINATION AGREEMENT DATED JUNE 11, 2015 BETWEEN PNC BANK, NATIONAL ASSOCIATION, AS AGENT, AND GILL FAMILY CAPITAL MANAGEMENT, INC., AND CONSENTED TO BY THE BORROWERS DEFINED THEREIN.

**AMENDED AND RESTATED PROMISSORY NOTE**

This Amended and Restated Promissory Note represents an amendment and restatement of, and not a novation of, that certain Promissory Note made by Makers in favor of the Lender dated effective March 12, 2015, in the maximum principal amount of \$4,000,000.00.

\$5,500,000.00

Louisville, Kentucky  
June 11, 2015

FOR VALUE RECEIVED, each of the undersigned, **SYPRIS SOLUTIONS, INC.**, a Delaware corporation, **SYPRIS TECHNOLOGIES, INC.**, a Delaware corporation ("Technologies"), **SYPRIS ELECTRONICS, LLC**, a Delaware limited liability company ("Electronics"), **SYPRIS DATA SYSTEMS, INC.**, a Delaware corporation, **SYPRIS TECHNOLOGIES MARION, LLC**, a Delaware limited liability company, **SYPRIS TECHNOLOGIES KENTON, INC.**, a Delaware corporation, **SYPRIS TECHNOLOGIES MEXICAN HOLDINGS, LLC**, a Delaware limited liability company, **SYPRIS TECHNOLOGIES NORTHERN, INC.**, a Delaware corporation, **SYPRIS TECHNOLOGIES SOUTHERN, INC.**, a Delaware corporation, and **SYPRIS TECHNOLOGIES INTERNATIONAL, INC.**, a Delaware corporation (each a "Maker" and collectively, the "Makers"), hereby jointly and severally promise and agree to pay to the order of **GILL FAMILY CAPITAL MANAGEMENT, INC.**, a Delaware corporation with principal office and place of business at 101 Bullitt Lane, Suite 450, Louisville, Kentucky 40222 (the "Lender"), the principal sum of up to FIVE MILLION FIVE HUNDRED THOUSAND DOLLARS (\$5,500,000.00) (the "Loan"), together with interest thereon as provided below. The terms and provisions of this Promissory Note (this "Note") are as follows:

1. Calculation of Interest. From the date hereof to and until April 12, 2016, which date shall be the maturity date of this Note (the "Maturity Date"), the outstanding principal balance of this Note shall bear interest at the fixed rate per annum equal to eight percent (8.00%).

2. Payment of Principal and Interest. All principal and interest on this Note shall be due and payable in full on the Maturity Date.

3. Interest Calculated on 30-Day Month. All accrued interest on this Note shall be calculated on the basis of the actual number of days elapsed over twelve (12) assumed months consisting of thirty (30) days each.

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

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

6. Security Agreements; Mortgages; Security for Note; Subordination Agreement. This Note is secured by, among other instruments, each of the following: [i] that certain Security Agreement dated as of March 12, 2015 by and between the Makers and the Lender (as amended from time to time, the "General Security Agreement"), [ii] that certain Patent Security Agreement dated as of March 12, 2015 by and among Technologies, Electronics, and the Lender (as amended from time to time, the "Patent Security Agreement"), [iii] that certain Trademark Security Agreement dated as of March 12, 2015 by and between Electronics and the Lender (as amended from time to time, the "Trademark Security Agreement") (the General Security Agreement, the Patent Security Agreement and the Trademark Security Agreement are collectively referred to herein as the "Security Agreements"), and [iv] one or more mortgage(s) and deed(s) of trust executed and delivered by certain of the Makers to and for the benefit of the Lender with respect to real property owned by such Makers (as amended from time to time, collectively, the "Mortgages") (the Security Agreements, Mortgages, and this Note may be referred to individually as a "Loan Instrument" and collectively as the "Loan Instruments"). This Note is subject to the terms and provisions of that certain Subordination Agreement of even date herewith by and between the Lender and PNC Bank, National Association (the "Senior Lender"), as consented to by the Makers (the "Subordination Agreement").

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 2 Invalidity. If any part of this Note shall be adjudged invalid or unenforceable, whether in general or in any particular circumstance, then such partial invalidity or enforcement shall not cause the remainder of this Note to be or to become invalid or unenforceable, and if a provision hereof is held invalid or unenforceable, and if a provision hereof is held invalid or unenforceable in one or more of its applications, the Lender and the Makers hereby agree that said provision shall remain in effect in all valid applications that are severable from the invalid or unenforceable application or applications.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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IN WITNESS WHEREOF, the Makers agree to each of the terms set forth above and has executed this Note as of the 11th day of June, 2015.

**Sypris Solutions, Inc.,**  
a Delaware corporation

By: /s/ John R. McGeeney  
Title: Vice President, General Counsel & Secretary

**Sypris Technologies, Inc.,**  
a Delaware corporation

By: /s/ John R. McGeeney  
Title: General Counsel

**Sypris Electronics, LLC,**  
a Delaware limited liability company

By: /s/ John R. McGeeney  
Title: General Counsel

**SYPRIS DATA SYSTEMS, INC.,**  
a Delaware corporation

By: /s/ John R. McGeeney  
Title: General Counsel

**SYPRIS TECHNOLOGIES MARION, LLC,**  
a Delaware limited liability company

By: /s/ John R. McGeeney  
Title: General Counsel

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

By: /s/ John R. McGeeny  
Title: General Counsel

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

By: /s/ John R. McGeeny  
Title: General Counsel

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

By: /s/ John R. McGeeny  
Title: General Counsel

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

By: /s/ John R. McGeeny  
Title: General Counsel

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

By: /s/ John R. McGeeny  
Title: General Counsel

(the "Makers")







COMMONWEALTH OF KENTUCKY                    )  
  ) SS:  
COUNTY OF JEFFERSON                        )

The foregoing instrument was subscribed, sworn to and acknowledged before me this 11th day of June, 2015, by John R. McGeeney, as the General Counsel of **SYPRIS TECHNOLOGIES SOUTHERN, INC.**, a Delaware corporation, to be his free act and voluntary deed and the free act and voluntary deed of such company.

/s/ Andrea Luescher  
NOTARY PUBLIC

[SEAL]

My Commission Expires: July 20, 2017

COMMONWEALTH OF KENTUCKY                    )  
  ) SS:  
COUNTY OF JEFFERSON                        )

The foregoing instrument was subscribed, sworn to and acknowledged before me this 11th day of June, 2015, by John R. McGeeney, as the General Counsel of **SYPRIS TECHNOLOGIES INTERNATIONAL, INC.**, a Delaware corporation, to be his free act and voluntary deed and the free act and voluntary deed of such company.

/s/ Andrea Luescher  
NOTARY PUBLIC

[SEAL]

My Commission Expires: July 20, 2017

**AMENDMENT NO. 3 TO LOAN DOCUMENTS**

SYPRIS SOLUTIONS, INC. ("Holdings"), SYPRIS TECHNOLOGIES, INC. ("Technologies"), SYPRIS ELECTRONICS, LLC ("Electronics"), SYPRIS DATA SYSTEMS, INC. ("Data Systems"), SYPRIS TECHNOLOGIES MARION, LLC ("Marion"), SYPRIS TECHNOLOGIES KENTON, INC. ("Kenton"), SYPRIS TECHNOLOGIES MEXICAN HOLDINGS, LLC ("Mexican Holdings"), SYPRIS TECHNOLOGIES NORTHERN, INC. ("Northern"), SYPRIS TECHNOLOGIES SOUTHERN, INC. ("Southern"), and SYPRIS TECHNOLOGIES INTERNATIONAL, INC. ("International") (each a "Borrower", and collectively the "Borrowers") and PNC BANK, NATIONAL ASSOCIATION, as Agent ("PNC", and in such capacity, "Agent") and Lender, agree as follows in this Amendment No. 3 to Loan Documents (the "Amendment") effective as of June 29, 2015 (the "Effective Date"):

**1. Recitals.**

- 1.1 As of May 12, 2011, Borrowers and PNC, as Lender and Agent, entered into a Revolving Credit and Security Agreement (as amended, extended, modified, or restated, the "Loan Agreement"). Capitalized terms used herein and not otherwise defined will have the meanings given such terms in the Loan Agreement as amended. The Loan Agreement, the Other Documents, and all related loan and/or security documents related thereto are referred to herein as the "Loan Documents".
- 1.2 Borrowers have informed Agent and Lenders that (i) the aggregate balance of Revolving Advances outstanding exceeds the lesser of (a) the Maximum Revolving Advance Amount less the Maximum Undrawn Amount of all Letters of Credit or (b) the Formula Amount, in violation of Sections 2.5 and 8.2(c) of the Loan Agreement, (ii) the Borrowers failed to maintain Free Cash Flow of not less than (\$5,397,000) as of May 31, 2015 for the three month period then ending, in violation of Section 6.5(b) of the Loan Agreement, and (iii) the Borrowers may have failed to comply with Section 6.7 of the Loan Agreement, requiring Borrowers to pay, discharge, and otherwise satisfy in full all of its debts and liabilities. Such events constitute Events of Default under Sections 10.2 and 10.5 of the Loan Agreement (collectively, the "Existing Events of Default").
- 1.3 Borrowers have requested, and Agent and Lenders have agreed, to waive the Existing Events of Default and to amend the Loan Documents, on the terms and subject to the conditions set forth herein.

2. **Waiver of Existing Events of Default.** Subject to the terms and conditions contained herein, upon the effectiveness of this Amendment, Agent and Lenders hereby waive the Existing Events of Default; provided, however that such waiver shall in no way constitute a waiver of any other Defaults or Events of Default which may have occurred but which are not specifically referenced as the Existing Events of Default, nor shall this waiver obligate Agent or any Lender to provide any further waiver of any other Default or Event of Default (whether similar or dissimilar, including any further Default or Event of Default resulting from a failure to comply with the terms of the Loan Agreement, including without limitation the covenants set forth in Sections 2.5, 8.2(c), and 6.5(b) thereof). Other than in respect of the Existing Events of Default, this waiver shall not preclude the future exercise of any right, power, or privilege available to Agent or any Lender whether under the Loan Agreement, the Other Documents or otherwise. Agent has not been advised by the Borrowers of the existence of, and is not otherwise aware of, any Defaults or Events of Default other than the Existing Events of Default, and the Borrowers have represented to Lender that no Default or Event of Default, other than the Existing Events of Default, has occurred and is continuing under any of the Loan Documents.
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3. **Amendments.**

3.1 **New Definitions.** Section 1.2 of the Loan Agreement is hereby amended to add the following defined terms in alphabetical order:

“**Acquired Meritor Assets**” shall mean the tangible and intangible assets (other than axle shaft manufacturing assets) located at the Borrowers’ facility located in Morganton, North Carolina, including but not limited to (i) machinery, equipment, fixtures, and tooling, (ii) computer hardware and software owned by the Borrowers, (iii) patents and patent applications related to such assets, (iv) drawings, work instructions, trade secrets, and other non-registered intellectual property necessary for or used in the continued operation of the business at such facility, (v) rights under license or other agreements that are necessary for the continued operation of the business, (vi) accounts receivable related to such assets, and (vii) usable, non-obsolete raw, work-in-process, and finished goods inventory at such facility, in each case directly related to products of Meritor, Sisamex, or USM.

“**Exigent Circumstances**” means an event or circumstance that materially and imminently threatens the ability of the Agent to realize upon the Collateral, such as, without limitation, fraud, fraudulent removal, concealment, or abscondment thereof, destruction (other than to the extent covered by insurance) or material waste thereof, or if Agent is required, in Agent’s Permitted Discretion, to pay expenses on behalf of the Borrowers to ensure the continuity of Borrowers’ operations.

“**Letter of Intent**” shall mean the letter of intent between Meritor and Holdings dated June 29, 2015.

“**Meritor**” shall mean Meritor Heavy Vehicle Systems, LLC.

“**Meritor Guaranteed Inventory**” shall mean raw materials, work-in-process, and finished goods Inventory, as applicable, for Meritor, which is not defective, which is located in the United States, and which is less than 90 days old, and for which Meritor has provided a guaranty of purchase subject to documentation in form and substance reasonably acceptable to Agent.

“**Meritor Sale**” shall mean the purchase by Meritor of the Acquired Meritor Assets for a purchase price consisting of (i) \$10,500,000 for machinery and equipment, (ii) net book value of the usable, non-obsolete inventory, and (iii) \$2,000,000 for a 5 year lease of the real estate owned by Technologies located in Morganton, North Carolina.

“**Third Amendment Date**” shall mean June 29, 2015.

“**Trigger Event**” shall mean the earlier to occur of the following: (i) July 7, 2015 or (ii) the Meritor Sale.

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3.2 Definitions. Section 1.2 of the Loan Agreement is hereby amended by amending and restating the following defined terms:

“Amortizing Tranche” shall mean the portion of the Formula Amount calculated in accordance with Section 2.1(a)(y) (vii)(A).

“Free Cash Flow” shall mean, for Holdings and its Subsidiaries on a consolidated basis for any period, the net cash flow as calculated in accordance with Exhibit A attached hereto, provided that in no circumstances shall any interco receipt/US or interco receipt/MX be included in cash receipts or cash disbursements.

“Maximum Revolving Advance Amount” shall mean (i) prior to the closing of the Meritor Sale, \$22,500,000 and (ii) at all times following the closing of the Meritor Sale, \$10,000,000.

3.3 Borrowing Base. Section 2.1 of the Loan Agreement is hereby amended and restated in its entirety as follows:

2.1. Revolving Advances.

( a ) Amount of Revolving Advances. Subject to the terms and conditions set forth in this Agreement including Section 2.1(b), each Lender, severally and not jointly, will make Revolving Advances to Borrowers in aggregate amounts outstanding at any time equal to such Lender’s Commitment Percentage of the lesser of (x) the Maximum Revolving Advance Amount, minus the Maximum Undrawn Amount of all Letters of Credit or (y) an amount equal to the sum of:

(i) up to 85% of Eligible Receivables, plus

(ii) up to the lesser of (A) 75% of Eligible Finished Goods Inventory, or (B) 85% of the appraised orderly liquidation value of Eligible Finished Goods Inventory (as evidenced by an Inventory appraisal satisfactory to Agent in its Permitted Discretion exercised in good faith), in each case other than Meritor Guaranteed Inventory, plus

(iii) up to the lesser of (A) 65% of Eligible Raw Material Inventory, or (B) 85% of the appraised orderly liquidation value of Eligible Raw Materials Inventory (as evidenced by an Inventory appraisal satisfactory to Agent in its Permitted Discretion exercised in good faith), in each case other than Meritor Guaranteed Inventory, plus

(iv) up to the lesser of (A) 65% of Eligible Work-In-Process Inventory, (B) 85% of the appraised orderly liquidation value of Eligible Work-In-Process Inventory (as evidenced by an Inventory appraisal satisfactory to Agent in its Permitted Discretion exercised in good faith), in each case other than Meritor Guaranteed Inventory, or (C) \$10,000,000 plus

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(v) up to 90% of the net book value of Meritor Guaranteed Inventory, minus

(vi) the amount by which the sum of Section 2.1(a)(y)(ii) plus Section 2.1(a)(y)(iii) plus Section 2.1(a)(y)(iv) plus Section 2.1(a)(y)(v) exceeds \$10,000,000, plus

(vii) (I) prior to the closing of the Meritor Sale, (A) up to the lesser of (i) \$6,428,000, or (ii) 80% of the appraised orderly liquidation value of all Eligible Equipment (as evidenced by an appraisal satisfactory to Agent in its Permitted Discretion exercised in good faith), minus (B) each reduction to the Amortizing Tranche required hereunder plus (C) \$500,000 and (II) following the closing of the Meritor Sale, \$0, minus

(viii) the Maximum Undrawn Amount of all Letters of Credit, minus

(ix) such reserves as Agent may deem proper and necessary from time to time in its Permitted Discretion, subject to Section 2.1(b) hereof.

The amount derived from the sum of Section 2.1(a)(y) at any time and from time to time shall be referred to as the "Formula Amount". The Revolving Advances shall be evidenced by one or more secured promissory notes (collectively, the "Revolving Credit Note") substantially in the form attached hereto as Exhibit 2.1(a).

(b) Discretionary Rights. The Advance Rates may be increased or decreased by Agent at any time and from time to time in the exercise of its Permitted Discretion. Each Borrower consents to any such increases or decreases and acknowledges that decreasing the Advance Rates or increasing or imposing reserves may limit or restrict Advances requested by Borrowing Agent. The rights of Agent under this subsection are subject to the provisions of Section 16.2(b). Notwithstanding the foregoing, Agent agrees not to adjust the Advance Rates in effect on the Third Amendment Date or institute any new reserves, except to the extent reasonably required by Exigent Circumstances as determined by Agent in its Permitted Discretion.

(c) Consigned Inventory. In the event that any Inventory supplied by Meritor after the Third Amendment Date becomes subject to a consignment or consignment agreement for which Agent has been noticed under applicable law, all Inventory related to Meritor products, including without limitation, Meritor Guaranteed Inventory, shall be immediately deemed to be ineligible under the Formula Amount.

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3.4 Financial Covenants. Section 6.5 of the Loan Agreement is hereby amended and restated in its entirety as follows:

6.5 Free Cash Flow. Cause to be maintained Free Cash Flow as of the end of each week on a cumulative basis commencing with the week ending July 5, 2015, of not less than the amounts set forth in the chart below for the corresponding measurement periods set forth in the chart below:

Measurement Period	Free Cash Flow
Week ending July 5, 2015	\$(1,266,000)
Week ending July 12, 2015	\$(2,932,000)
Week ending July 19, 2015	\$(6,160,000)
Week ending July 26, 2015	\$(5,557,000)
Week ending August 2, 2015	\$(6,427,000)
Week ending August 9, 2015	\$(6,242,000)
Week ending August 16, 2015	\$(7,686,000)
Week ending August 23, 2015	\$(7,238,000)
Week ending August 30, 2015	\$(6,873,000)
Week ending September 6, 2015	\$(6,432,000)
Week ending September 13, 2015	\$(7,813,000)
Week ending September 20, 2015	\$(7,764,000)
Week ending September 27, 2015	\$(6,583,000)

3.5 Payment of Indebtedness. Section 6.7 of the Loan Agreement is hereby deleted in its entirety.

4. Meritor.

4.1 Borrowers agree that if Meritor repudiates, breaches, attempts to terminate, or challenges the validity of, or its liability under, any of its agreements with Borrowers in connection with the Meritor sale, or ceases negotiations to conclude the Meritor Sale, such event shall constitute an Event of Default, and in addition Borrowers shall provide immediate notice to Agent if Meritor repudiates, breaches, or attempts to terminate, its obligations with respect to the Meritor Sale or negotiations in connection therewith.

4.2 Borrowers shall provide to Meritor a subordinated second lien in connection with the subordinated indebtedness not to exceed \$5,000,000 consisting of outstanding rebill receivables, and Agent consents to such lien; provided, however, that Agent shall have received an Intercreditor and Subordination Agreement executed by Meritor and acknowledged by the Borrowers with respect to such lien, in form and substance reasonably satisfactory to Agent.

5. Representations, Warranties and Covenants. To induce Agent and Lenders to enter into this Amendment, each Borrower represents, warrants, and covenants, as applicable, as follows:

5.1 No Claims. Each Borrower represents and warrants that it has no claims, counterclaims, setoffs, actions or causes of actions, damages or liabilities of any kind or nature whatsoever whether at law or in equity, in contract or in tort, existing as of the date of this Amendment (collectively, "Claims") against Agent or Lender, their direct or indirect parent corporations or any direct or indirect Affiliates of such parent corporations, or any of the foregoing's respective directors, officers, employees, agents, attorneys and legal representatives, or the heirs, administrators, successors or assigns of any of them (collectively, "Lender Parties") that directly or indirectly arise out of, are based upon or are in any manner connected with any Prior Related Event (defined below). As an inducement to Agent and Lender to enter into this Amendment, each Borrower on behalf of itself, and all of its respective successors and assigns hereby knowingly and voluntarily releases and discharges all Lender Parties from any and all Claims, whether known or unknown in existence as of the date hereof, that directly or indirectly arise out of, are based upon or are in any manner connected with any Prior Related Event. As used herein, the term "Prior Related Event" means any transaction, event, circumstance, action, failure to act, occurrence of any sort or type, whether known or unknown, which occurred, existed, was taken, permitted or begun at any time prior to the Effective Date or occurred, existed, was taken, was permitted or begun in accordance with, pursuant to or by virtue of any of the terms of the Loan Documents or any documents executed in connection with the Loan Documents or which was related to or connected in any manner, directly or indirectly to the relationship between the Borrowers and Agent or Lender or to the extension of credit represented by the Loan Documents.

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- 5.2 Authorization. Each Person executing this Amendment on behalf of a Borrower is a duly elected and acting manager or officer of such Borrower and is duly authorized by the board of directors, members or managers, as applicable, of such Borrower to execute and deliver this Amendment on behalf of such Borrower. The entry into and performance of this Amendment and the related documents have been duly authorized by each Borrower. Each Borrower has the full right, power and authority to enter into this Amendment and perform its respective obligations hereunder.
  - 5.3 No Misrepresentations. No information or material submitted to Agent in connection with this Amendment contains any material misstatement or misrepresentation nor omits to state any material fact or circumstance.
  - 5.4 No Conflicts. The execution and delivery of this Amendment and all deliveries required hereunder, and the performance by each Borrower of its obligations hereunder do not and will not conflict with any provision of law or the organizational documents of Borrowers or of any agreement binding upon Borrowers.
  - 5.5 Enforceability. This Amendment and each of the related documents is a legal and valid and binding obligation of Borrowers, enforceable against Borrowers in accordance with its terms.
  - 5.6 Events of Default. After giving effect to this Amendment, no Default or Event of Default is continuing under any of the Loan Documents.
  - 5.7 Ratification. Except as expressly modified herein, the Loan Documents, as amended, are and remain in full force and effect. The Loan Documents are hereby ratified and confirmed as the continuing obligation of the Borrowers. The Borrowers hereby reaffirm and grant to the Agent a security interest in and lien upon all of the Collateral.
  6. Conditions Precedent. The closing and the effectiveness of this Amendment is subject to the following conditions precedent:
    - 6.1 Amendment. Agent shall have received this Amendment duly executed by the Borrowers.
    - 6.2 Note. Agent shall have received an Amended and Restated Revolving Credit Note in the amount of \$22,500,000 duly executed by Borrowers in favor of PNC.
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- 6.3 Sisamex Terms. Agent shall have received evidence satisfactory to Agent that Sisamex and Holdings have agreed upon revised payment terms such that Sisamex will pay Holdings on 30 day terms.
- 6.4 Letter of Intent. Agent shall have received a Letter of Intent between Meritor and Holdings, in form and substance reasonably acceptable to Agent.
- 6.5 Meritor Guaranty. Agent shall have received a guaranteed inventory agreement executed by Meritor pursuant to which Meritor shall guaranty to Agent that it shall purchase the Meritor Guaranteed Inventory free and clear of offsets.
- 6.6 Borrowing Base Certificate. Agent shall have received an updated Borrowing Base Certificate from Borrowers.
- 6.7 Amendment Fee. Agent shall have received a non-refundable amendment fee in the amount of \$500,000 which shall be fully earned as of the date of this Amendment.
- 6.8 Other. All corporate and other proceedings, and all documents, instruments and other legal matters in connection with this Amendment and the related documentation shall be satisfactory in form and substance to Agent and its counsel.
7. **Post-Closing Covenants**. The following covenants shall amend and restate the post-closing conditions contained in Amendment No. 2 dated March 12, 2015 other than those contained in Section 7.5 of Amendment No. 2 which shall remain in full force and effect; provided, that notwithstanding anything to the contrary contained in Section 7.5.2 thereof, so long as Agent has been given reasonable notice (at least two Business Days in advance) of a request for payoff documentation, Agent will not receive the fee described therein if Agent has not received payment in full of the Obligations solely as a direct result of Agent's failure to provide a payoff letter and lien release in connection therewith.
- 7.1 Projections. On each day following the date hereof, Keystone Consulting Group, LLC ("Keystone") shall deliver to Agent projections showing sufficient Undrawn Availability for the Borrowers to operate their business through July 7, 2015.
- 7.2 Meritor Inventory Report. On Tuesday of each week, commencing with the first Tuesday following the date hereof, Borrowers shall deliver to Agent a report describing the Meritor Guaranteed Inventory, including the amount and value thereof.
- 7.3 Compliance Certificate. On Tuesday of each week, commencing with the first Tuesday following the date hereof, Borrowers shall deliver to Agent an updated Compliance Certificate. The form of Compliance Certificate shall be amended and restated and replaced with the form of Compliance Certificate attached hereto as Exhibit B.
- 7.4 Consulting Retention. Borrowers shall have continued the engagement of Keystone, or engage another restructuring firm reasonably acceptable to Agent, pursuant to an engagement letter in form and substance reasonably satisfactory to Agent.
- 7.5 Projections. On or before July 7, 2015, Borrowers shall prepare and deliver to Agent 90-day cash flow projections through the quarter ending September 30, 2015, consisting of a 13-week cash flow projection, prepared and fully reviewed by Keystone, together with weekly updates and reconciliations of actual to budgeted line items on each Wednesday thereafter.
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- 7.6 Meritor Sale. On or before July 7, 2015, the Meritor Sale shall have closed pursuant to an asset purchase agreement which is not adverse to Agent or Lenders and which is substantially consistent with the Letter of Intent, and Borrowers shall have received proceeds of not less than (i) \$10,500,000 for machinery and equipment, (ii) net book value of the usable, non-obsolete inventory, and (iii) \$2,000,000 for a 5 year lease of the real estate owned by Technologies located in Morganton, North Carolina in Borrowers' account maintained with PNC and applied to the Obligations, and the Borrowers shall have delivered to Agent an updated Borrowing Base certificate.
- 7.7 Investment Banker. On or before July 10, 2015, Borrowers shall deliver to Agent evidence reasonably satisfactory to Agent that Borrowers have retained, or continued the retention of, an investment banker reasonably acceptable to Agent, for the purpose of selling underutilized assets of the Borrowers or its affiliates, and such other assets as Keystone indicates will be necessary and appropriate to repay the Obligations in full on or before September 30, 2015.
- 7.8 Reserved.
- 7.9 Sisamex Terms. On or before July 1, 2015, Holdings shall have received from Sisamex, as a result of the change in payment terms to 30 days, not less than \$1,000,000, which funds shall be received in Borrowers' collection account maintained at PNC and applied to the Obligations. On or before August 1, 2015, Agent shall have received evidence satisfactory to Agent that Sisamex and Holdings have agreed upon further revised payment terms through September 30, such that Sisamex will pay Holdings on 10 day terms, resulting in a payment to Holdings on or before August 1, 2015, which funds shall be received in Borrowers' collection account maintained at PNC and applied to the Obligations.
- 7.10 Morganton Facility. On or before the date that is the earlier of (x) 30 days from the closing of the Meritor Sale and (y) August 12, 2015 Meritor shall have paid to Borrower not less than \$1,200,000 in cash, which funds shall be received in Borrowers' collection account maintained at PNC and applied to the Obligations, as funding for either the purchase from the Borrowers of the Borrowers' facility located in Morganton, North Carolina, or the entry into a 20-year lease of such facility.
- 7.11 Prospective Buyers and Lenders. On or before August 14, 2015, Borrowers shall provide Agent and Lenders, with copies of any engagement letters, non-binding letters of intent, and term sheets received from any prospective lenders and buyers evidencing that the Borrowers would be able to satisfy in full the Obligations on or before September 30, 2015 if the proposed transactions in such letters or term sheets are successfully closed.
- 7.12 Communication. Borrowers (i) through Keystone, shall provide Agent and Lenders with weekly updates, including without limitation calls, in form and substance acceptable to Agent, with respect to Borrowers' refinancing, restructuring, and asset sale opportunities (such updates to include (a) a list of entities and persons who have signed confidentiality agreements, (b) any management presentations made to prospective lenders or buyers, and (c) any other material information with respect to Borrowers' efforts to refinance the obligations of Agent and Lenders and sell assets) and (ii) instruct Keystone and any other advisors to communicate with Agent and Lenders on a routine basis regarding all material matters related to Borrowers, and in each case Agent will use good faith efforts to include Borrowers in such communications; provided, that failure of Agent to do so shall not result in liability to Agent.
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- 7.13 **Refinancing Opportunities.** Borrowers shall use their reasonable best efforts to diligently pursue opportunities to refinance the Obligations in full and shall provide Agent with notice of any and all material developments in connection with any such efforts.
- 7.14 **Commitment Letter.** On or before September 15, 2015, the Borrowers shall have received, and shall have provided to Agent, (i) a commitment letter(s) evidencing a commitment(s) of a lender or lenders to extend financing to the Borrowers, (ii) a commitment letter(s) evidencing a commitment(s) of a buyer to purchase assets of the Borrowers, (iii) a commitment letter for an equity infusion or capital contribution into Borrowers, or (iv) a combination of commitment letters set forth in Sections 7.14(i), (ii) and (iii), in each case above such that Borrowers shall receive aggregate proceeds of not less than an amount required to repay the Obligations in full on September 30, 2015 and in each case such commitment letters shall be in form and substance reasonably satisfactory to Agent.
- 7.15 **Repayment.** Borrowers shall cause all Obligations to be repaid in full on or before September 30, 2015.
- 7.16 **Fee.** On or before the earlier of (i) September 30, 2015, (ii) repayment of the Obligations in full, or (iii) acceleration of the Obligations, Agent shall have received a non-refundable fee in the amount of \$500,000 which has been fully earned as of the date hereof.
- 7.17 **Intercreditor Agreement.** At the time Borrowers execute any security agreement in favor of Meritor in connection with Section 4.2 hereof, Agent shall have received an Intercreditor and Subordination Agreement executed by Meritor and acknowledged by the Borrowers, in form and substance reasonably satisfactory to Agent, reflecting a subordinated silent second lien of Meritor in connection with subordinated indebtedness not to exceed \$5,000,000 consisting of outstanding rebill receivables.
- 7.18 **Other Actions.** Borrowers hereby agree to take all such actions and to execute and/or deliver to Agent and Lenders all such documents, assignments, financing statements and other documents, as Agent and Lenders may reasonably require from time to time, to effectuate and implement the purposes of this Amendment.
8. **Security Interest.** As security for the payment and performance of the Obligations, and satisfaction by the Borrowers of all covenants and undertakings contained in the Loan Agreement and other Loan Documents, each of the Borrowers reconfirms the prior grant of the security interest in and first priority, perfected lien in favor of Agent, for its benefit and the benefit of each Lender, upon and to, all of its right, title and interest in and to the Collateral, whether now owned or hereafter acquired, created or arising and wherever located, and, to the extent not previously granted, hereby grants in favor of Agent, for its benefit and the benefit of each Lender, a lien and security interest in each Borrower's right, title, and interest in and to the litigation between Dana Limited and Sypris Technologies, Inc., and any Affiliates.
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9. **General.**

- 9.1 This Amendment constitutes an “Other Document” as defined in the Loan Agreement. The Loan Documents are hereby modified to include this Amendment within the definition of the term “Other Documents” or “Loan Documents” as used therein.
- 9.2 All representations and warranties made by Borrowers herein will survive the execution and delivery of this Amendment.
- 9.3 This Amendment will be binding upon and inure to the benefit of Borrowers, Agent, and Lender and their respective successors and assigns.
- 9.4 This Amendment will in all respects be governed and construed in accordance with the laws of the State of Ohio.
- 9.5 This Amendment and the documents and instruments to be executed hereunder constitute the entire agreement among the parties with respect to the subject matter hereof and shall not be amended, modified or terminated except by a writing signed by the party to be charged therewith.
- 9.6 Each Borrower agrees to execute such other instruments and documents and provide Agent with such further assurances as Agent may reasonably request to more fully carry out the intent of this Amendment.
- 9.7 This Amendment may be executed in a number of identical counterparts. If so, each such counterpart shall collectively constitute one agreement. Any signature delivered by a party by facsimile transmission or other electronic means shall be deemed to be an original signature hereto.
- 9.8 No provision of this Amendment is intended or shall be construed to be for the benefit of any third party.
- 9.9 **THE PARTIES EACH HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER THIS AMENDMENT.**
- 9.10 **EACH BORROWER WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT SUCH BORROWER MAY HAVE TO CLAIM OR RECOVER FROM THE AGENT OR ANY LENDER IN ANY LEGAL ACTION OR PROCEEDING ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES.**

Signature Page Follows

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Executed as of July 2, 2015, and effective  
as of the Effective Date

**SYPRIS SOLUTIONS, INC.**  
as Borrower

By: /s/ John R. McGeeney  
Name: John R. McGeeney  
Title: Vice President, General Counsel, and Secretary

**SYPRIS TECHNOLOGIES, INC.**  
**SYPRIS ELECTRONICS, LLC**  
**SYPRIS DATA SYSTEMS, INC.**  
**SYPRIS TECHNOLOGIES MARION, LLC**  
**SYPRIS TECHNOLOGIES KENTON, INC.**  
**SYPRIS TECHNOLOGIES MEXICAN HOLDINGS, LLC**  
**SYPRIS TECHNOLOGIES NORTHERN, INC.**  
**SYPRIS TECHNOLOGIES SOUTHERN, INC. SYPRIS TECHNOLOGIES**  
**INTERNATIONAL, INC.**  
as Borrowers

By: /s/ John R. McGeeney  
Name: John R. McGeeney  
Title: General Counsel

**PNC BANK, NATIONAL ASSOCIATION,**  
as Lender and Agent

By: /s/ Jay Danforth  
Name: Jay Danforth  
Title: Vice President

[SIGNATURE PAGE TO AMENDMENT NO. 3 TO LOAN DOCUMENTS]

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THIS INSTRUMENT, AND THE RIGHTS AND OBLIGATIONS EVIDENCED HEREBY, ARE SUBORDINATE IN THE MANNER AND TO THE EXTENT SET FORTH IN THAT CERTAIN SUBORDINATION AGREEMENT DATED JULY 2, 2015 BETWEEN PNC BANK, NATIONAL ASSOCIATION, AS AGENT, AND MERITOR HEAVY VEHICLE SYSTEMS, LLC, AND CONSENTED TO BY THE BORROWERS DEFINED THEREIN.

PROMISSORY NOTE

\$3,046,807.61

July 2, 2015

FOR VALUE RECEIVED, each of the undersigned, SYPRIS SOLUTIONS, INC., a Delaware corporation, SYPRIS TECHNOLOGIES, INC., a Delaware corporation ("Technologies"), SYPRIS ELECTRONICS, LLC, a Delaware limited liability company ("Electronics"), SYPRIS DATA SYSTEMS, INC., a Delaware corporation, SYPRIS TECHNOLOGIES MARION, LLC, a Delaware limited liability company, SYPRIS TECHNOLOGIES KENTON, INC., a Delaware corporation, SYPRIS TECHNOLOGIES MEXICAN HOLDINGS, LLC, a Delaware limited liability company, SYPRIS TECHNOLOGIES NORTHERN, INC., a Delaware corporation, SYPRIS TECHNOLOGIES SOUTHERN, INC., a Delaware corporation, and SYPRIS TECHNOLOGIES INTERNATIONAL, INC., a Delaware corporation (each a "Maker" and collectively, the "Makers"), hereby jointly and severally promise and agree to pay to the order of MERITOR HEAVY VEHICLE SYSTEMS, LLC., a Delaware limited liability company, with principal office and place of business at 2135 West Maple Road, Troy, Michigan 48084 (the "Lender"), the principal sum of THREE MILLION FORTY-SIX THOUSAND EIGHT HUNDRED AND SEVEN DOLLARS AND SIXTY-ONE CENTS (\$3,046,807.61) (the "Loan"), together with interest thereon as provided below. The terms and provisions of this Promissory Note (this "Note") are as follows:

1. Evidence of Indebtedness. This Note evidences indebtedness owed by the Makers to the Lender pursuant to that certain letter agreement of even date herewith between Sypris Solutions, Inc. and the Lender.

2. Calculation of Interest. From the date hereof to and until the earlier of (i) the date on which all principal and interest on all loans and other amounts owing under the Revolving Credit, Term Loan and Security Agreement, dated as of May 12, 2011 among the Makers, the financial institutions from time to time party thereto and PNC Bank, National Association, as agent (as amended from time to time, the "Credit Agreement") have been paid in full and the commitment of the lenders thereunder to provide loans and extend credit thereunder has terminated and (ii) September 30, 2015, which date shall be the maturity date of this Note (the "Maturity Date"), the outstanding principal balance of this Note shall bear interest at the fixed rate per annum equal to ten percent (10.00%).

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3. Payment of Principal and Interest. All principal and interest on this Note shall be due and payable in full on the Maturity Date.

4. Interest Calculated on 30-Day Month. All accrued interest on this Note shall be calculated on the basis of the actual number of days elapsed over twelve (12) assumed months consisting of thirty (30) days each.

5. Default Rate. Commencing five (5) days after written notice from the Lender (by facsimile transmission or otherwise) to the Makers to the effect that any installment of principal of and/or accrued interest on this Note is overdue (provided such notice shall be given no earlier than five (5) days after the due date of any such installment), such overdue installment of principal and/or accrued interest, provided it remains unpaid, shall commence to bear interest at the fifteen percent (15%) per annum (the "Default Rate"), and such overdue installment of principal and/or accrued interest together with all interest accrued thereon at the rate set forth herein shall continue to be immediately due and payable in full to the Lender. In the event the Lender accelerates the maturity date of this Note due to the occurrence of any Event of Default hereunder, the entire unpaid principal balance of this Note together with all accrued and unpaid interest thereon shall, beginning five (5) days after notice of acceleration of the maturity date of this Note has been given to the Makers, commence to bear interest at the Default Rate, and all such unpaid principal together with all interest accrued and unpaid thereon, including, without limitation, all interest accrued and accruing thereon as provided in this sentence, shall continue to be immediately due and payable in full to the Lender.

6. Place of Payment. All payments of principal and interest on this Note shall be made to the Lender in legal tender of the United States of America at its offices located at 2135 West Maple Road, Troy, Michigan 48084, or to such other person or such other place as may be designated in writing by the Lender.

7. Security Agreements; Mortgages; Security for Note; Subordination Agreement. This Note is secured by, among other instruments, each of the following: (i) that certain Security Agreement of even date herewith by and between the Makers and the Lender (the "General Security Agreement"), (ii) that certain Patent Security Agreement of even date herewith by and among Technologies, Electronics, and the Lender (the "Patent Security Agreement"), (iii) that certain Trademark Security Agreement of even date herewith by and between Electronics and the Lender (the "Trademark Security Agreement") (the General Security Agreement, the Patent Security Agreement and the Trademark Security Agreement are collectively referred to herein as the "Security Agreements"), and (iv) one or more mortgage(s) and deed(s) of trust executed and delivered by certain of the Makers to and for the benefit of the Lender with respect to real property owned by such Makers (collectively, the "Mortgages") (the Security Agreements, Mortgages, and this Note may be referred to individually as a "Loan Instrument" and collectively as the "Loan Instruments"). This Note is subject to the terms and provisions of that certain Subordination Agreement of even date herewith by and between the Lender and PNC Bank, National Association (the "Senior Lender"), as consented to by the Makers (the "Subordination Agreement").

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

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

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

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

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

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

9.1 Financial Statements. Each Maker shall furnish to the Lender all financial statements and other financial information in form and at the times required to be furnished to the Senior Lender under the Credit Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

16. [RESERVED].

17. No Third Party Beneficiaries. This Note is issued to the Lender and the covenants and representations and warranties made by the Makers hereunder are for the exclusive benefit of the Lender and its successors and assigns, and no other person shall be deemed to be beneficiary of this Note or the covenants or representations and warranties made by the Makers hereunder.

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

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

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

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

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

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

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

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

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

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

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IN WITNESS WHEREOF, the Makers agree to each of the terms set forth above and has executed this Note as of the 2nd day of July, 2015.

**SYPRIS SOLUTIONS, INC.**, a Delaware corporation

By: /s/ John R. McGeeney  
Title: General Counsel

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

By: /s/ John R. McGeeney  
Title: General Counsel

**SYPRIS ELECTRONICS, LLC**, a Delaware limited liability company

By: /s/ John R. McGeeney  
Title: General Counsel

**SYPRIS DATA SYSTEMS, INC.**,  
a Delaware corporation

By: /s/ John R. McGeeney  
Title: General Counsel

**SYPRIS TECHNOLOGIES MARION, LLC**, a Delaware limited  
liability company

By: /s/ John R. McGeeney  
Title: General Counsel

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

By: /s/ John R. McGeeney  
Title: General Counsel

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

By: /s/ John R. McGeeney  
Title: General Counsel

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

By: /s/ John R. McGeeney  
Title: General Counsel

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

By: /s/ John R. McGeeney  
Title: General Counsel

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

By: /s/ John R. McGeeney  
Title: General Counsel

ASSET PURCHASE AGREEMENT

by and between

MERITOR HEAVY VEHICLE SYSTEMS, LLC

and

SYPRIS SOLUTIONS, INC.

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Dated as of July 9, 2015

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## EXHIBITS

- Exhibit A Definitions
- Exhibit B-1 Form of Access Agreement
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- Exhibit C Form of Lease
- Exhibit D Form of Transition Agreement
- Exhibit E Certain Provisions of Morganton Facility Purchase Agreement

ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT dated as of July 9, 2015 by and between MERITOR HEAVY VEHICLE SYSTEMS, LLC, a Delaware limited liability company ("Buyer"), and SYPRIS SOLUTIONS, INC., a Delaware corporation ("Seller").

WITNESSETH:

WHEREAS, Seller desires to sell and cause to be sold, and Buyer desires to purchase, the Assets (as defined herein), and Seller desires to transfer and cause to be transferred, and Buyer desires to assume, the Assumed Liabilities (as defined herein), all pursuant to the terms and subject to the conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual representations, warranties, covenants and agreements hereinafter contained, the parties agree as follows:

ARTICLE I

DEFINITIONS

Capitalized terms used in this Agreement shall have the meanings specified in Exhibit A.

ARTICLE II

SALE AND PURCHASE OF ASSETS

Section 2.1. Sale and Purchase of Assets. Subject to the terms and conditions set forth herein and in reliance upon the representations and warranties contained herein, at the Closing, for the consideration specified in Section 4.1, Seller will sell, assign, convey, transfer and deliver, and cause the Seller Subsidiaries to sell, assign, convey, transfer and deliver, to Buyer, and Buyer will purchase and acquire from Seller and the Seller Subsidiaries, all of Seller's and the Seller Subsidiaries' right, title and interest in and to the following, in each case free and clear of any Liens, other than Permitted Liens, as the same shall exist on the Closing Date:

(a) all machinery, equipment, tooling, furniture and fixtures, plant and office equipment, repair parts, repair stock, tools and other personal property located at the Morganton Facility (or located at another facility of Seller, a Seller Subsidiary or a supplier of Seller or any Seller Subsidiary) that are owned by or, to the extent assignable (after both parties have complied with their obligations under Section 2.2 to facilitate such assignment), leased, consigned, loaned or bailed to Seller or a Seller Subsidiary and that are used in the Business, excluding those set forth on Schedule 2.1(a) (the "Excluded Assets"), together with any rights, claims and interests arising out of maintenance or service contracts relating thereto or the breach of any express or implied warranty by the manufacturers or sellers of any such assets or any component part thereof; provided, however, that the parties acknowledge that the Excluded Assets list may be incomplete or inaccurate, and the parties agree to work together cooperatively and in good faith for the thirty (30) days after the Closing, to correct such list to add to such list any machinery, equipment, tooling, furniture and fixtures, plant and office equipment, repair parts, repair stock, tools, gauges and related inspection equipment, overhead equipment material handling equipment and other personal property that is exclusively related to the Excluded Business and to remove from such list any such items that are not exclusively related to the Excluded Business.

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(b) all computer hardware and software located at the Morganton Facility that is owned by Seller and used by the Business;

(c) all Patents and Other Intellectual Property, owned by or, to the extent assignable (after both parties have complied with their obligations under Section 2.2 to facilitate such assignment), licensed to Seller or any Seller Subsidiary, that are used in, or necessary for the continued operation of, the Business (excluding only those software licenses listed in item 16 of Schedule A to the Transition Agreement (other than the software licenses listed in item 15 of Schedule A to the Transition Agreement which are contemplated to be transferred to Buyer)) (the "Business Intellectual Property"), including those set forth on Schedule 2.1(c);

(d) all raw material inventory, work-in progress inventory and finished goods inventory (including all such inventories that are held by third parties) that directly relate to products of the Business manufactured for Buyer, Sisamex or USM, or any of their respective Affiliates (the "Business-Related Inventory"), which Business-Related Inventory shall be calculated in accordance with Schedule 4.1(c)(i) for purposes of identifying the usable and non-obsolete inventory acquired by Buyer. Any inventory falling into the categories called excess, obsolete or scrap on Schedule 4.1(c)(i) which is not included in the Business-Related Inventory calculation will be retained by Seller (and Seller agrees that any such excluded inventory for Buyer or Sisamex will be scrapped by Seller);

(e) all accounts receivable that directly relate to the products of the Business manufactured for Buyer, Sisamex or USM, or any of their respective Affiliates (the "Business-Related Accounts Receivable");

(f) the purchase orders with USM set forth on Schedule 2.1(f) (the "USM Purchase Orders");

(g) all assignable (after both parties have complied with their obligations under Section 2.2 to facilitate such assignment) rights under licenses or other agreements that are necessary for the continued operation of the Business (excluding only those software licenses listed in item 16 of Schedule A to the Transition Agreement (other than the software licenses listed in item 15 of Schedule A to the Transition Agreement which are contemplated to be transferred to Buyer)), including those referenced in Section 2.1(c) and those set forth on Schedule 2.1(g) (the "Business Contracts"); provided, however, that the parties acknowledge such rights shall not be deemed "necessary" to the extent that practical alternative sources of supply are reasonably available on a timely basis under the circumstances (it being understood that nothing herein will limit Buyer's rights under the Transition Agreement);

(h) all rights under Permits (to the extent transferable) that relate to the Business, including those set forth in Schedule 2.1(h);

(i) except to the extent based upon, arising out of, relating to or caused by any Excluded Asset or Excluded Liability (or otherwise subject to indemnification by Seller or Seller Subsidiaries or their Affiliates) and then solely to the extent that Seller is not fulfilling any of its indemnification obligations with respect thereto, those causes of action, claims, rights under express or implied warranties, guarantees, indemnities and similar rights in favor of Seller and/or any Seller Subsidiary, rights of recovery, rights of set-off, rights of subrogation and all other rights and demands of any nature available to Seller and/or any Seller Subsidiary to the extent related to the Assets or the Business;

(j) the benefits of coverage provided by insurance policies of Seller and the Seller Subsidiaries (with respect to the Business or the Assets) in respect of matters occurring on or prior to the Closing Date to the extent set forth in Section 8.7; and

(k) all books and records that are reasonably required to operate the Business and other books and records as may be mutually agreed by the parties acting reasonably and in good faith.

The assets, properties and rights of Seller and the Seller Subsidiaries to be sold, assigned, conveyed, transferred and delivered to Buyer pursuant to this Agreement are herein collectively referred to as the "Assets".

Section 2.2. Non-Assignable Contracts and Permits. Anything contained herein to the contrary notwithstanding, this Agreement will not constitute an assignment, an attempted assignment or an agreement to assign any Contract (or rights thereunder) or Permit (or rights thereunder) if an assignment or attempted assignment of the same without the Consent of any other party or parties thereto would constitute a breach thereof or in any way impair the rights of Seller, any Seller Subsidiary or Buyer thereunder. If any such Consent is not obtained or if an attempted assignment would be ineffective or would impair Seller's, any Seller Subsidiary's or Buyer's rights under any such Contract or Permit so that Buyer would not receive all such rights, then Seller will, and will cause each Seller Subsidiary to, and Buyer will use its commercially reasonable efforts to cause the full benefits of any such Contract (or rights thereunder) or Permit (or rights thereunder) to be provided to Buyer in the most cost-effective and practical manner available under the circumstances. In addition, Seller will, and will cause each Seller Subsidiary to, take such other actions (at Seller's reasonable expense) as may reasonably be requested by Buyer in order to place Buyer, insofar as reasonably possible, in the same position as if such Contract (or rights thereunder) or Permit (or rights thereunder) had been transferred as contemplated hereby and so that all the benefits relating thereto shall inure to Buyer. Notwithstanding the foregoing, if any such Consent is not obtained prior to the Closing, Seller will continue to use and will cause each Seller Subsidiary to continue to use, and Buyer will use, its commercially reasonable efforts (at Seller's reasonable expense) to obtain all such Consents (and, if and when such Consents are obtained, the transfer of the applicable Contract (or rights thereunder) or Permit (or rights thereunder) will be effected in accordance with the terms of this Agreement). The parties agree that if such Consents relate to Contracts that are necessary for the continued operation of the machinery and equipment at the Morganton Facility or Permits that are necessary for the continued operation of the plant, machinery and equipment at the Morganton Facility, Seller shall be responsible for all expenses incurred in obtaining such Consent pursuant to this Section 2.2. The parties further agree that if such Consents relate to other Contracts or Permits not covered by the immediately preceding sentence, Seller will be responsible for all expenses incurred in obtaining such Consents pursuant to this Section 2.2 up to an aggregate amount of \$20,000 and, if Buyer determines to incur such expenses, Seller and Buyer will share equally such expenses in excess of \$20,000.

### ARTICLE III

#### ASSUMPTION OF LIABILITIES

Section 3.1. Assumed Liabilities. Subject to the terms and conditions set forth herein, and in reliance upon the representations and warranties contained herein, at the Closing, in consideration for the sale, assignment, conveyance, transfer and delivery of the Assets to Buyer, Buyer will assume and undertake to pay, perform and discharge, in accordance with the terms thereof, only the following Liabilities of Seller and the Seller Subsidiaries (the "Assumed Liabilities"):

(a) accounts payable balances of Seller and the Seller Subsidiaries with suppliers, both direct and indirect, exclusively related to the Business, but only to the extent and in the amounts provided for on the Final Closing Statement; and

(b) express contractual performance obligations arising after the Effective Time of Seller and the Seller Subsidiaries arising under USM Purchase Orders that constitute Assets, and Business Contracts listed on Schedule 2.1(g) that constitute Assets and have been assigned to Buyer pursuant to Section 2.1(g), and Permits listed on Schedule 2.1(h) that constitute Assets and have been assigned to Buyer pursuant to Section 2.1(h); provided that, for the avoidance of doubt, the Assumed Liabilities will not include any Liabilities based upon, arising out of, related to or otherwise in connection with any tort, breach or violation of or noncompliance with or relating to any USM Purchase Order, any such Business Contract or any such Permit occurring or existing on or prior to the Closing Date, whether asserted prior to, on or after the Closing Date.

Buyer will assume no other Liabilities whatsoever.

Section 3.2. Retained Liabilities. Except as otherwise expressly provided for herein, neither Buyer nor any Affiliate of Buyer will assume or undertake to pay, perform or discharge and none thereof will be liable for, and Seller, the Seller Subsidiaries and their Affiliates will remain liable for and pay, perform and discharge when due, all Liabilities of Seller, the Seller Subsidiaries and their respective Affiliates not constituting Assumed Liabilities.

#### ARTICLE IV

##### PURCHASE PRICE

###### Section 4.1. Purchase Price.

(a) Closing Payment. Subject to the terms and conditions set forth herein, in consideration for the sale, assignment, conveyance, transfer and delivery of the Assets, Buyer will, at the Closing (i) pay to Seller, by wire transfer of immediately available U.S. Dollars to a bank account designated by Seller, an amount equal to (A) \$10,500,000, plus (B) the aggregate amount of the Business-Related Accounts Receivable and the Business-Related Inventory set forth on the Estimated Closing Statement, minus (C) the aggregate amount of the Assumed Liabilities set forth on the Estimated Closing Statement (the "Purchase Price"), and (ii) assume the Assumed Liabilities.

(b) Estimated Closing Statement. At the Closing, Seller shall deliver to Buyer a statement (the "Estimated Closing Statement") setting forth the aggregate amount of (i) the Business-Related Accounts Receivable; (ii) the Business-Related Inventory; and (iii) the Assumed Liabilities, in each case together with a breakdown thereof.

(c) Closing Statement.

(i) Within 90 days after the Closing Date, Buyer will prepare and deliver to Seller a statement (the "Closing Statement") setting forth the aggregate amount of (i) the Business-Related Accounts Receivable, the Business-Related Inventory and Assumed Liabilities, in each case as of the close of business on the Closing Date. The amounts set forth on the Closing Statement will be determined in accordance with GAAP utilizing the same accounting methods, practices, policies, procedures, classifications, judgments, estimation methodologies and standards as utilized by Seller in the preparation of its audited consolidated financial statements for the year ended December 31, 2014, except that Business-Related Inventory shall be calculated in accordance with Schedule 4.1(c)(i) for purposes of identifying the usable and non-obsolete inventory acquired by Buyer. The date on which the Statement is delivered to Seller is referred to herein as the "Delivery Date". Seller will cause its employees and the employees of its subsidiaries and Affiliates (including the Seller Subsidiaries) to assist Buyer and its Representatives in the preparation of the Closing Statement, provided such assistance will not interfere with the normal work duties of such employees. Seller will cause Buyer and Buyer's Representatives to be provided with access at all reasonable times, following reasonable notice, to the personnel, properties, books and records of Seller and its subsidiaries and Affiliates (including the Seller Subsidiaries) to the extent required for such purposes.

(ii) The Closing Statement will be deemed to be the final, binding and conclusive Closing Statement (the "Final Closing Statement") for all purposes on the 60th day after the Delivery Date unless Seller delivers to Buyer written notice of its disagreement (a "Notice of Disagreement") prior to such date specifying in reasonable detail the nature of Seller's objections to the Closing Statement. Seller hereby waives the right to assert any objection to the Closing Statement that is not asserted in a Notice of Disagreement delivered to Buyer within 60 days after the Delivery Date. If a Notice of Disagreement is delivered to Buyer within such 60 day period, then the Closing Statement (as adjusted, if necessary) will be deemed to be the Final Closing Statement for all purposes on the earlier of (x) the date Buyer and Seller resolve in writing all differences they have with respect to the Closing Statement or (y) the date the disputed matters are resolved in writing by the Arbitrator. In the event that disputed matters are resolved by the Arbitrator (as set forth below in accordance with the terms hereof), the Final Closing Statement will consist of the applicable amounts from the Closing Statement (or amounts otherwise agreed to in writing by Buyer and Seller) as to items that have not been submitted for resolution to the Arbitrator, and the amounts determined by the Arbitrator as to items that were submitted for resolution by the Arbitrator.

(iii) During the 30 day period following the delivery of a Notice of Disagreement, Buyer and Seller will seek in good faith to resolve any differences they may have with respect to matters specified in the Notice of Disagreement. If, at the end of such 30 day period, Buyer and Seller have not reached agreement, they will jointly engage a mutually acceptable arbitrator who shall be a member of a recognized accounting firm and shall be independent and impartial (the "Arbitrator") to resolve the matters which remain in dispute with respect to the Closing Statement by arbitration in accordance with the procedures set forth in this Section 4.1(c). In the event Buyer and Seller are unable to agree on the Arbitrator within 7 days after the end of such 30 day period, the parties agree the Arbitrator shall be appointed through the American Arbitration Association's List and Appointment service. In connection with such engagement of the Arbitrator, each of Buyer and Seller agrees to execute, if requested by the Arbitrator, a reasonable engagement letter including customary indemnities. Promptly after such engagement of the Arbitrator, Buyer or Seller will provide the Arbitrator with a copy of this Agreement, the Closing Statement and the Notice of Disagreement. The Arbitrator will have the authority to request in writing such additional written submissions from either Buyer or Seller as it deems appropriate, provided that a copy of any such submission will be provided to the other party at the same time as it is provided to the Arbitrator. Neither party will make (or permit any of its subsidiaries or Affiliates to make) any additional submission to the Arbitrator except pursuant to such a written request by the Arbitrator. Neither party will communicate (nor permit any of its subsidiaries or Affiliates to communicate) with the Arbitrator without providing the other party a reasonable opportunity to participate in such communication with the Arbitrator (other than with respect to written submissions in response to the written request of the Arbitrator, which shall be simultaneously provided to the other party). The Arbitrator will have 45 days to review the documents provided to it pursuant to this Section 4.1(c)(iii). Within such 45 day period, the Arbitrator will furnish simultaneously to both parties its written determination with respect to each of the adjustments in dispute submitted to it for resolution. The Arbitrator will resolve the differences regarding the Closing Statement based solely on the information provided to the Arbitrator by Buyer and Seller pursuant to the terms of this Agreement (and not independent review). The Arbitrator's authority will be limited to resolving disputes with respect to whether the Closing Statement was prepared in accordance with Section 4.1(c)(i) with respect to the individual items on the Closing Statement in dispute (it being understood that the Arbitrator will have no authority to make any adjustments to any financial statements or amounts other than amounts set forth in the Closing Statement that are in dispute). In resolving any disputed item, the Arbitrator may not assign a value to such item greater than the greatest value for such item asserted by either party or less than the smallest value for such item asserted by either party.

(iv) The decision of the Arbitrator will be, for all purposes, conclusive, non appealable, final and binding upon Buyer and Seller. Such decision will be subject to specific performance pursuant to Section 10.15, and judgment may also be entered thereon as an arbitration award pursuant to the Federal Arbitration Act, 9 U.S.C. §§ 1-16, in any court of competent jurisdiction specified in Section 10.12. The fees of the Arbitrator will be borne by Buyer and Seller in the same proportion that the dollar amount of disputed items lost by a party bears to the total dollar amount in dispute resolved by the Arbitrator. Each party will bear the fees, costs and expenses of its own accountants and all of its other expenses in connection with matters contemplated by this Section 4.1(c).

(d) Adjustment Amount.

(i) Upon the Closing Statement being deemed the Final Closing Statement in accordance with Section 4.1(c), the Purchase Price will be adjusted, up or down, as follows:

(A) if the Adjustment Amount is a positive number (such amount, the "Increase Amount"), the Purchase Price will be increased by the Increase Amount and such amount will be paid by Buyer to Seller within three business days after the date the Closing Statement is deemed the Final Closing Statement; and

(B) if the Adjustment Amount is a negative number (such amount, the "Decrease Amount"), the Purchase Price will be decreased by the Decrease Amount and such amount will be paid by Seller to Buyer within three business days after the date the Closing Statement is deemed the Final Closing Statement.

(ii) The "Adjustment Amount", which may be positive or negative, shall mean (i) the aggregate amount of Business-Related Accounts Receivable set forth in the Final Closing Statement, minus the aggregate amount of Business-Related Accounts Receivable set forth in the Estimated Closing Statement, plus (ii) the aggregate amount of Business-Related Inventory set forth in the Final Closing Statement, minus the aggregate amount of Business-Related Inventory set forth in the Estimated Closing Statement, plus (iii) the aggregate amount of Assumed Liabilities set forth in the Estimated Closing Statement, minus the aggregate amount of Assumed Liabilities set forth in the Final Closing Statement.

(iii) Any payment required under this Section 4.1(d) will be made by wire transfer of immediately available U.S. Dollars to a bank account designated by Buyer or Seller, as the case may be.

## ARTICLE V

### CLOSING

Section 5.1. Closing. The closing of the purchase and sale of the Assets and the assumption of the Assumed Liabilities (the "Closing") will take place at the offices of Chadbourne & Parke LLP, 1301 Avenue of the Americas, New York, New York, at 10:00 a.m. local time, on the date hereof. The date of the Closing is referred to herein as the "Closing Date". The Closing will be deemed to be effective at the close of business on the Closing Date (the "Effective Time").

Section 5.2. Closing Deliveries of Seller. At the Closing, Seller will deliver and cause to be delivered:

- (a) such bills of sale and instruments of assignment, conveyance and transfer as shall reasonably be requested by Buyer to effect or evidence the sale, assignment, conveyance, transfer and delivery of the Assets to Buyer;
- (b) each of the Ancillary Agreements, executed by Seller and/or the applicable Seller Subsidiary;
- (c) an amendment to the Subordinated Note and related documentation in a form mutually agreed up on by Seller and Buyer;
- (d) lien releases executed by PNC and Gill in a form acceptable to Buyer;
- (e) a waiver letter duly executed by PNC pursuant to which PNC waives any default under that certain Revolving Credit, Term and Loan and Security Agreement, dated as of May 12, 2011 (as amended), among Seller, certain of its affiliates and PNC, arising from the failure of the transactions contemplated by this Agreement to close on or before July 7, 2015; and
- (f) all other documents required to be delivered by Seller, each Seller Subsidiary and each of its and their Affiliates to Buyer at the Closing pursuant to this Agreement.

Section 5.3. Closing Deliveries of Buyer. At the Closing, Buyer will deliver or cause to be delivered:

- (a) the Purchase Price pursuant to Section 4.1(a);
- (b) such instruments of assumption as shall reasonably be requested by Seller to effect or evidence the assumption by Buyer of the Assumed Liabilities;
- (c) each of the Ancillary Agreements, executed by Buyer;
- (d) an amendment to the Subordinated Note in a form mutually agreed upon by Seller and Buyer; and
- (e) all other documents required to be delivered by Buyer to Seller or any Seller Subsidiary at the Closing pursuant to this Agreement.

Section 5.4. Transfer Taxes. All applicable sales and transfer Taxes (including Taxes, if any, imposed upon the transfer of real or personal property) and filing, recording, registration, stamp, documentary and other Taxes and fees that are payable in connection with this Agreement, the transactions contemplated by this Agreement or the documents giving effect to such transactions will be split equally between Seller and Buyer.

## ARTICLE VI

### REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer as follows:

Section 6.1. Organization. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Each Seller Subsidiary is a corporation or limited liability company duly organized or formed, validly existing and in good standing under the laws of the State of Delaware. Seller is the record or indirect beneficial owner of all of the issued and outstanding shares of capital stock or other equity interests of each of the Seller Subsidiaries. Each of Seller and each Seller Subsidiary has all requisite power and authority, corporate or otherwise, to own, lease and operate the Assets and to carry on the Business as presently conducted. Each of Seller and each Seller Subsidiary is duly qualified to transact business and in good standing as a foreign corporation in each jurisdiction in which the conduct or nature of its business as it relates to the Business or the ownership, leasing or holding of Assets by it makes such qualification necessary, except where the failure to be so qualified would not have or reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 6.2. Authority. Each of Seller, the Seller Subsidiaries and their Affiliates has all requisite power and authority, corporate or otherwise, to execute and deliver each Transaction Document delivered or to be delivered by it and to perform all of its obligations hereunder and thereunder. The execution, delivery and performance by each of Seller, the Seller Subsidiaries and their Affiliates of each Transaction Document delivered or to be delivered by it and the consummation by each of Seller, the Seller Subsidiaries and their Affiliates of the Transaction has been duly authorized by all necessary and proper action on the part of Seller, such Seller Subsidiary or such Affiliate, as the case may be. This Agreement has been duly executed and delivered by Seller and constitutes the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights in general and by general principles of equity. Each other Transaction Document to be delivered by each of Seller, the Seller Subsidiaries and their Affiliates will be duly executed and delivered by Seller, such Seller Subsidiary or such Affiliate and, when so executed and delivered, will constitute the legal, valid and binding obligation of Seller, such Seller Subsidiary or such Affiliate, as the case may be, enforceable against Seller, such Seller Subsidiary or such Affiliate, as the case may be, in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights in general and by general principles of equity.

Section 6.3. No Breach. None of the execution, delivery or performance by Seller, any Seller Subsidiary or any Affiliate of any thereof of any Transaction Document, or the consummation by Seller, the Seller Subsidiaries and its and their Affiliates of the Transaction, with or without the giving of notice or the lapse of time or both, does or will result in the creation of any Lien upon any of the Assets (except for Permitted Liens), or conflict with, or result in a breach or violation of or a default under, or give rise to a right of amendment, termination, cancellation or acceleration of any obligation or to a loss of a benefit under (i) the Certificate of Incorporation or By-laws (or similar governance document) of Seller, any Seller Subsidiary or any Affiliate of any thereof, (ii) any Contract of Seller, any Seller Subsidiary or any Affiliate of any thereof, (iii) any Law or Permit or other requirement to which Seller, any Seller Subsidiary or any Affiliate of any thereof or their respective properties or assets is subject, except, in the case of items (ii) and (iii) above only, for those which would not have or reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 6.4. Taxes.

(a) All federal, state, local and foreign Tax returns, reports, declarations, statements and other documents ("Tax Returns") required to be filed by or on behalf of Seller and each Seller Subsidiary or any predecessor corporation of any of them or any consolidated, combined, affiliated or unitary group of which Seller is or has been a member (together the "Seller Affiliated Group") with respect to (or which include) the Business or the Assets have been timely filed with the appropriate tax authorities or requests for extensions have been timely filed and any such extensions have been granted and have not expired. Each such Tax Return was complete and correct in all material respects.

(b) All Taxes with respect to taxable periods or portions thereof covered by such Tax Returns and all other Taxes (without regard to whether a Tax Return was or is required) for which Seller and each Seller Subsidiary or any predecessor corporation of any thereof or any member of the Seller Affiliated Group is otherwise liable with respect to (or which relate to) the Business or the Assets is otherwise liable, that are due have been paid in full.

Section 6.5. Proprietary Rights.

(a) Set forth on Schedule 6.5(a) are all Patents owned by Seller or Seller Subsidiaries which constitute Business Intellectual Property and the entity that owns such Business Intellectual Property.

(b) Except as set forth on Schedule 6.5(b), there are no Contracts of Seller, the Seller Subsidiaries or any of their Affiliates relating to the Business Intellectual Property, including the distribution or license of, or royalty payments with respect to, Business Intellectual Property, whether as licensor or licensee.

(c) Except as set forth on Schedule 6.5(c):

(i) Seller or a Seller Subsidiary owns all right, title and interest in and to all of the Seller-owned or Seller Subsidiary-owned Business Intellectual Property, free and clear of any Liens and free from any requirement of any past, present or future payments (other than maintenance and similar payments), charges or fees or conditions, rights or restrictions;

(ii) no Business Intellectual Property or any service rendered by Seller, any Seller Subsidiary or any Affiliate of any thereof in respect of the Business, or any product, process or material developed, manufactured, produced or used by Seller, any Seller Subsidiary or any Affiliate of any thereof in respect of the Business, is alleged to infringe upon or, to Seller's knowledge, infringes upon any Intellectual Property or other rights owned or held by any other Person;

(iii) to Seller's knowledge, there is no infringement or misappropriation of any Business Intellectual Property by any Person; and

(d) Seller has taken and has caused each Seller Subsidiary to take reasonable steps (including reasonable measures to protect secrecy and confidentiality) to protect its right, title and interest in and to all Business Intellectual Property.

(e) All employees of Seller, the Seller Subsidiaries or any Affiliate of any thereof who have access to confidential or proprietary information of Seller, the Seller Subsidiaries or any Affiliate of any thereof included in the Business Intellectual Property have a legal obligation of confidentiality to Seller, the Seller Subsidiaries or any Affiliate of any thereof with respect to such information.

(f) The existing documentation relating to trade secrets and confidential business and technical information included in the Business Intellectual Property (excluding customer drawings and licensed software), together with the undocumented knowledge of the employees of the Business, is current and sufficient in all material respects to identify and explain such trade secrets and confidential business and technical information and to allow its proper use.

(g) The Business Intellectual Property, together with any rights under Contracts covered by Section 2.2 but not yet assigned to Buyer, any services to be provided under the Transition Agreement, constitute all rights in Patents and Other Intellectual Property necessary to conduct in all material respects the Business in the manner as currently conducted and as it will be conducted through the Closing Date

Section 6.6. Assets and Properties.

(a) Except as set forth on Schedule 6.6(a), each of Seller and the Seller Subsidiaries has good, valid and marketable title to all of the Assets, free and clear of any Liens, other than Permitted Liens. The delivery by Seller or a Seller Subsidiary of the bills of sale and other instruments of assignment, conveyance and transfer pursuant to this Agreement will transfer to Buyer at the Closing good, valid and marketable title to the Assets, free and clear of all Liens, other than Permitted Liens.

(b) Seller has good and marketable fee simple title to the Morganton Facility, free and clear of all Liens, other than Permitted Liens.

(c) One or more of Seller or the Seller Subsidiaries (and no other Person) is in actual occupancy of the Morganton Facility and Seller and the Seller Subsidiaries enjoy peaceful and undisturbed possession thereof. There are no restrictions imposed by any Contract or by Law which preclude or restrict in any material respect the ability to use the Morganton Facility for the purposes for which it is currently being used. Except for the Lease Agreement, there are no other leases, tenancies or occupancy agreements affecting the Morganton Facility.

(d) All improvements at the Morganton Facility were constructed in compliance in all material respects with all applicable Laws (including building, planning and zoning Laws) and Permits affecting the Morganton Facility (provided that the representation and warranty in this sentence is subject to Seller's knowledge only to the extent such representation and warranty relates to the period prior to January 1, 2004). No improvements at the Morganton Facility and none of the current uses or conditions thereof violate in any material respect any applicable deed restrictions or other applicable covenants, restrictions, agreements, site plan approvals or variances or the certificate of occupancy for each of the improvements at the Morganton Facility. All improvements at the Morganton Facility are wholly within the boundaries of the real property covered by the deed relating thereto, and do not encroach upon the property of, or otherwise conflict in any material respect with the property rights of, any other Person.

(e) Schedule 6.6(e) sets forth service Contracts of Seller and Seller Subsidiaries that are material to the manufacturing operations at the Morganton Facility ("Material Facility Services Contracts"). Seller and Seller Subsidiaries have not received or given notice of any cancellation or termination of any Material Facility Services Contract and Seller and Seller Subsidiaries are not in material default (other than for delayed payments noted on Schedule 6.6(e)) under any such Material Facility Services Contracts, nor has any other event occurred which, but for the giving of notice or passage of time would constitute an event of default under any of the Material Facility Services Contracts.

(f) No assessment for public improvements has been made with respect to the Morganton Facility which remains unpaid including, but not limited to, assessments for construction of sewer or water lines or mains, streets, sidewalks or curbing. No notice or order by any Governmental Entity has been served upon Seller or any Seller Subsidiary which (i) requires the performance of any work or the making of any repairs or alterations on the premises of the Morganton Facility or in the streets bounding thereon or (ii) orders the installation, repair or alteration of any public improvements on or about the premises of the Morganton Facility or the streets bounding thereon which may or might create a lien on the premises of the Morganton Facility. The Morganton Facility is connected to public water and sewer lines in sufficient capacity to service the Morganton Facility for Buyer's intended use. There are no outstanding charges or fees in connection with the use, installation, connection or tap-in to any utilities, public or private, serving the Morganton Facility.

(g) Seller and Seller Subsidiaries have not received any notice of any condemnation proceedings or other proceeding in the nature of eminent domain with respect to the Morganton Facility and, to the knowledge of Seller, no such proceedings are threatened.

(h) The structure (i.e., foundation, load-bearing and exterior walls and roof) of the Morganton Facility is in good condition and free from material defect. The currently used systems (i.e. the heating, ventilating, air conditioning, electrical, plumbing, sprinkling, security and telecommunication systems) at the Morganton Facility are in good and operable condition considering the age of such systems and are in material compliance with applicable building, fire and safety codes.

(i) No notice has been received by Seller or any Seller Subsidiary from any insurance company providing insurance coverage for the Morganton Facility that policies insuring the Morganton Facility will not be renewed. No notice has been received by Seller or any Seller Subsidiary from, or issued by, any insurance company which has issued a policy with respect to the Morganton Facility or from any board of fire underwriters (or any other body exercising similar functions) claiming any defects or deficiencies or requiring the performance of any repairs, alterations or other work. No notice has been received in the last two years to the effect that any portion of the Morganton Facility has been subjected to material damage by fire or other casualty which material damage is unrepaired as of the date hereof.

(j) Except as set forth on Schedule 6.6(j), to Seller's knowledge, the machinery, equipment and other items of tangible personal property included in the Assets are structurally sound, are in good operating condition and repair considering the age of such equipment, and are adequate for the uses to which they are being put, and none of such machinery, equipment and other items of tangible personal property is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are consistent with past practice.

Section 6.7. Litigation. Except as set forth on Schedule 6.7, (i) no judgment, ruling, order, writ, decree, stipulation, injunction or determination by or with any arbitrator, court or other Governmental Entity to which Seller, a Seller Subsidiary or any Affiliate of any thereof is party or by which Seller, a Seller Subsidiary or any Affiliate of any thereof or any assets of any thereof is bound, and which relates to or affects the Business (or the operation thereof), the Assets, the Morganton Facility, the Assumed Liabilities, any Transaction Document or the Transaction is in effect and (ii) none of Seller, the Seller Subsidiaries or any Affiliate thereof is party to or engaged in or, to the knowledge of Seller, threatened with any Action which relates to or affects the Business (or the operation thereof), the Assets, the Morganton Facility, the Assumed Liabilities, any Transaction Document or the Transaction, and, to the knowledge of Seller, no event has occurred and no condition exists which could reasonably be expected to result in any such Action.

Section 6.8. Environmental Matters.

(a) Except as disclosed on Schedule 6.8, the Morganton Facility has not been used at any time: (i) as a site for the storage, except as authorized under applicable Environmental Laws, or disposal of any Hazardous Material or (ii) so as to cause a material violation of or to give rise to a material removal, restoration or reimbursement Liability under any Environmental Law (provided that the representations and warranties in this sentence are subject to Seller's knowledge, but only to the extent such representations and warranties relate to such events or conditions as existed or occurred during the period prior to January 1, 2004, including any continuing event or condition related thereto after such date). Except as set forth on Schedule 6.8, (A) none of Seller, any Seller Subsidiary or any Affiliate thereof has any material Environmental Liability whether directly or pursuant to any Contract, including with respect to or as a result of the presence, discharge, generation, treatment, storage, handling, removal, disposal, transportation, Release or threatened Release of any Hazardous Material at, onto or from the Morganton Facility, (B) each of Seller, the Seller Subsidiaries and their Affiliates and the Morganton Facility has complied and remains in compliance in all material respects with all Environmental Laws related to or affecting the Business, the Assets or the Morganton Facility, including in connection with the acquisition, storage, handling, transportation, processing, use or disposal of any goods or materials, whether as raw materials, work in process, finished goods or otherwise, and (C) Seller, the Seller Subsidiaries and their respective Affiliates are not aware of any facts, conditions or circumstances which could reasonably be expected to result in material additional costs of compliance or other Environmental Liabilities related to or affecting the Business, the Assets or the Morganton Facility in the future (provided that the representations and warranties in this sentence are subject to Seller's knowledge, but only to the extent such representations and warranties relate to such events or conditions as existed or occurred during the period prior to January 1, 2004, including any continuing event or condition related thereto after such date). Except as disclosed on Schedule 6.8, to Seller's knowledge, no underground tanks, asbestos containing materials or polychlorinated biphenyls are, or have at any time been, present at the Morganton Facility. No environmental assessment reports with respect to the Morganton Facility are in the possession or control of Seller, any Seller Subsidiary or any of their respective Affiliates that have not been made available to Buyer.

(b) None of the products of the Business manufactured by or on behalf of Seller or any Seller Subsidiary, including all such products manufactured pursuant to Contracts with Seller or any Seller Subsidiary, are manufactured with or contain any ozone depleting substance regulated pursuant to Section 611 of the Federal Clean Air Act and/or pursuant to any other Environmental Laws, and no such products are required to be labeled as having been manufactured with or containing a controlled substance pursuant to such Laws.

Section 6.9. Governmental Approvals. Except as set forth on Schedule 6.9, no material Consent or order of, with or to any Governmental Entity is required to be obtained or made by or with respect to Seller, any Seller Subsidiary or any Affiliate of any thereof in connection with the execution, delivery and performance by Seller, the Seller Subsidiary or any Affiliate of any thereof of any Transaction Document or any consummation by Seller, any Seller Subsidiary and any Affiliate of any thereof of the Transaction.

Section 6.10. Compliance With Applicable Law.

(a) Except as set forth on Schedule 6.10, (i) each of Seller and each Seller Subsidiary is in compliance in all material respects with all Laws applicable to the Business, the Assets and the Morganton Facility (including housing, zoning, building, safety and fire codes), (ii) no claims or complaints from any Governmental Entities or other Persons have been asserted or received by Seller, any Seller Subsidiary or any Affiliate of any thereof within the past three years related to or affecting the Business, the Assets or the Morganton Facility and, to the knowledge of Seller, no claims or complaints are threatened, alleging that Seller, any Seller Subsidiary or any Affiliate of any thereof is in violation in any material respect of any Laws or Permits applicable to the Business, the Assets or the Morganton Facility, and (iii) to the knowledge of Seller, no investigation, inquiry, or review by any Governmental Entity with respect to the Business, the Assets or the Morganton Facility is pending or threatened, nor has any Governmental Entity indicated to Seller, any Seller Subsidiary or any Affiliate of any thereof an intention to conduct any such investigation, inquiry or review.

(b) All Permits necessary for the operation of the Morganton Facility in accordance with its present use have been duly obtained and are in full force and effect.

(c) None of Seller, any Seller Subsidiary or any Affiliate of any thereof, with respect to the Business, nor any director, officer, agent, employee or other Person associated with or acting on behalf of Seller, any Seller Subsidiary or any Affiliate of any thereof, with respect to the Business, has, directly or indirectly, used any corporate funds for any unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity, made any unlawful payment to any Governmental Entity or governmental, administrative or regulatory official or employee or to any political party or campaign from corporate funds or made any bribe, unrecorded rebate, payoff, influence payment, kickback or other unlawful payment.

Section 6.11. Employees Matters.

(a) None of Seller, the Seller Subsidiaries nor any ERISA Affiliate is a party to any Contract regarding collective bargaining or other Contract with or to any labor union or association representing any employee engaged in the Business, nor does any labor union or collective bargaining agent represent any employee engaged in the Business. No Contract regarding collective bargaining has been requested by, or is under discussion between management of Seller, any Seller Subsidiary or any ERISA Affiliate (or any management group or association of which Seller, any Seller Subsidiary or any ERISA Affiliate is a member or otherwise a participant) and, any group of employees engaged in the Business or others, nor are there any representation proceedings or petitions seeking a representation proceeding presently pending against Seller, any Seller Subsidiary or any ERISA Affiliate with the National Labor Relations Board or any labor relations tribunal related to the Business, nor are there any other current activities, to the knowledge of Seller, to organize any employees engaged in the Business into a collective bargaining unit. There is no unfair labor practice charge or complaint pending or, to the knowledge of Seller, threatened that is related to the Business. During the past five years, there has not been any labor strike, material slow-down, material work stoppage, arbitration, material grievances or other material work-related dispute involving Seller, any Seller Subsidiary or any ERISA Affiliate with respect to the Business or otherwise related to the Business, and no such dispute (whether or not material) is now pending or, to the knowledge of Seller, threatened against Seller, any Seller Subsidiary or any ERISA Affiliate or the Business.

(b) Schedule 6.11(b) sets forth a complete and accurate list of each pension, retirement, savings, profit sharing, cash balance, money purchase, deferred compensation, medical, vision, dental, hospitalization, prescription drug and other health plan, cafeteria, flexible benefits, short-term and long-term disability, accident and life insurance plan, bonus, stock option, stock purchase, stock appreciation, phantom stock, restricted stock, stock appreciation rights, incentive and special compensation and other plan and each other employee benefit plan, program or Contract, whether or not subject to ERISA, which is related to the Business and to which Seller, any Seller Subsidiary or any ERISA Affiliate contributes or is required to contribute, or which Seller, any Seller Subsidiary or any ERISA Affiliate sponsors, maintains, administers or participates in, and which is applicable to employees or categories of employees engaged in the Business (hereinafter referred to collectively as the "Plans").

(c) Schedule 6.11(c) sets forth, in all material respects, a complete and accurate list of each employment, termination, retention, severance, termination or change of control agreement, Contract and policy (whether written or oral) with or for the benefit of, or otherwise related to, any employees engaged in the Business. All such Contracts and policies are valid and enforceable, and none of Seller, any Seller Subsidiary or any ERISA Affiliate of any thereof nor, to the knowledge of Seller, any employee is in default in any material respect under any thereof. Except as separately set forth on Schedule 6.11(c), none of the execution, delivery and performance of any Transaction Document or the consummation of the Transaction will result in any obligation to pay any employees engaged in the Business severance pay or termination, retention or other benefits.

(d) Schedule 6.11(d) contains a complete and accurate list of the following information (as of July 9, 2015) for each employee engaged in the Business, including each employee on leave of absence, layoff or disability status: job title; current base salary, commission or hourly rate and bonus eligibility paid or payable and any change in compensation since December 31, 2014; vacation accrued; job location, classification (full or part time and exempt or non-exempt), leave status and service credited for purposes of vesting and eligibility to participate under any Plans.

(e) Seller, any Seller Subsidiary and each ERISA Affiliate is in compliance with the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended and similar state laws.

(f) None of the Plans is subject to Title IV of ERISA or Section 412 of the Code and none of Seller, any Seller Subsidiary or any ERISA Affiliate has during any time in the six-year period immediately preceding the Closing Date contributed to, approved, maintained or administered any "employee pension benefit plan" within the meaning of Section 3(2) of ERISA which is or was subject to Title IV of ERISA or Section 412 of the Code and which is applicable to employees or categories of employees related to the Business. Within the six-year period immediately preceding the Closing Date, no ERISA Event has occurred with respect to any Plan and no ERISA Event is reasonably expected to occur with respect to any Plan. All contributions and premium payments in respect of any Plan have been timely and no contributions or premium payments are past due and owing. Each Plan which is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the IRS with respect thereto and with respect to all amendments for which the remedial amendment period has expired and no circumstances or event has occurred which is reasonably expected to jeopardize the qualified status of such Plan. Within the six-year period immediately preceding the Closing Date, there have been no inquiries, audits or investigations (whether written or oral) from the IRS, Department of Labor or Pension Benefit Guaranty Corporation or any other Governmental Entity with respect to any Plan.

(g) None of Seller, any Seller Subsidiary or any ERISA Affiliate of any thereof is required to contribute to any "multiemployer plan" (as defined in Section 4001(a)(3) of ERISA) which is applicable to employees or categories of employees related to the Business.

Section 6.12. Sufficiency of Assets. The Assets, together with Buyer's rights under the Lease Agreement and the Transition Agreement (and any rights under Contracts covered by Section 2.2 but not yet assigned to Buyer) constitute and will constitute on the Closing Date, (a) all of the material assets and rights that are used in the operation of the Business as it is being conducted as of the date hereof and as it will be conducted through the Closing Date and (b) all the property, real and personal, tangible and intangible, reasonably necessary for the conduct of the Business following the Effective Time as it is being conducted as of the date hereof and as it will be conducted through the Effective Time. Except as set forth on Schedule 6.12, no Affiliates of Seller own or has ever owned any assets, properties or rights related to the trailer beam business of the Morganton Facility or is engaged in or has ever engaged in such business.

Section 6.13. Absence of Material Adverse Effect and Certain Changes or Events.

(a) Except as set forth on Schedule 6.13(a), no conditions, circumstances or state of facts exist, and since December 31, 2014 there have not been any events, occurrences, changes, developments or circumstances, which would have or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(b) Except as set forth on Schedule 6.13(b), without limiting the generality of the foregoing, from and after December 31, 2014, Seller and the Seller Subsidiaries have caused the Business to be conducted only in the ordinary course of business consistent with past practices. Since December 17, 2014, neither Seller nor any Seller Subsidiary has removed any assets listed in the Appraisal Report from the Morganton Facility.

Section 6.14. Contracts. Except as set forth on Schedule 6.14:

(a) The USM Purchase Orders constitute all of the Contracts of Seller or any Seller Subsidiary with USM or any of its Affiliates with respect to the Business.

(b) Each USM Purchase Order and Business Contract is in full force and effect and is legal, valid, binding and enforceable in accordance with its terms.

(c) Seller, a Seller Subsidiary or an Affiliate of any thereof (and to the knowledge of Seller, the other party or parties thereto), have performed in all material respects all obligations required to be performed by them under each USM Purchase Order and Business Contract and are not in default under any USM Purchase Order or Business Contract. Seller has heretofore delivered to Buyer true and complete copies of all USM Purchase Orders and Business Contracts.

(d) None of the execution, delivery or performance of any Transaction Document or consummation of the Transaction will, under the terms, conditions or provisions of any USM Purchase Order, any assignable Business Contract or any Business Contract listed on Schedule 2.1(g) (A) require any Consent of, with or to any Person, (B) result in any increase in any payment or change in any term, (C) give rise to any right of amendment, termination, cancellation or acceleration of any right or obligation or to a loss of benefit or (D) grant any repayment or repurchase rights to any Person. (Seller will undertake to provide a comprehensive list of the non-assignable Business Contracts to Buyer within three days after the Closing.)

(e) There are no pending, or to the knowledge of Seller, threatened claims by USM, any customer of USM or any Governmental Authority relating to any USM Purchase Order or any products produced by Seller or any Seller Subsidiary or any Affiliate thereof relating to the Business, including products produced under any USM Purchase Order and, to the knowledge of Seller, no event has occurred and no condition exists, which could reasonably be expected to result in any such claim.

Section 6.15. Financial Information.

(a) The books and records of Seller and its Subsidiaries as they relate to the Assets and the Assumed Liabilities, and financial balance sheet information relating thereto, have been maintained and prepared in accordance with GAAP in a manner consistent with the audited consolidated financial statements of Seller and its Subsidiaries as of and for the twelve month period ending December 31, 2014, excluding footnote disclosures or other aspects of GAAP which have not been routinely applied at the Asset or Assumed Liability level.

(b) All of the Business-Related Accounts Receivable (other than those due from Buyer) arose from bona fide sales and deliveries of goods or performance of services in the ordinary course of business. All such receivables are currently due and payable and not subject to any performance obligations by Seller, any Seller Subsidiary or any Affiliate of any thereof prior to collection. All such receivables have been adequately reserved in the financial statements of Seller in accordance with GAAP, excluding footnote disclosures or other aspects of GAAP which have not been routinely applied at the accounts receivables level. There are no known or anticipated material impairments related to any such receivables, and, to Seller's knowledge, there is no dispute with respect to the amount or validity of any such receivables.

(c) The items of Business-Related Inventory are good and, in the case of finished goods inventory, saleable in the ordinary course of business at prevailing prices, except for inventory that a customer (other than Buyer) has indicated, directly or indirectly, it does not intend to purchase. All items of Business-Related Inventory have been procured and produced for sale in the ordinary course of business and consistent with anticipated requirements as of the time commitments were made, and the volume of production or purchases thereof and of orders therefor have not been materially reduced or increased in anticipation of the transactions contemplated by this Agreement.

Section 6.16. No Brokers. There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Seller or any of its Affiliates who is or might be entitled to any fee, commission or payment in connection with the negotiation, preparation, execution or delivery of this Agreement or the consummation of the Transaction.

## ARTICLE VII

### REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller as follows:

Section 7.1. Organization. Buyer is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware.

Section 7.2. Authority. Buyer has all requisite power and authority, limited liability company or otherwise, to execute and deliver each Transaction Document delivered or to be delivered by Buyer and to perform all of its obligations hereunder and thereunder. The execution, delivery and performance by Buyer of each Transaction Document delivered or to be delivered by Buyer and the consummation by Buyer of the Transaction have been or will be duly authorized by all necessary and proper action on the part of Buyer. This Agreement has been duly executed and delivered by Buyer and constitutes the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights in general and by general principles of equity. Each other Transaction Document to be delivered by Buyer will be duly executed and delivered by Buyer and, when so executed and delivered, will constitute the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights in general and by general principles of equity.

Section 7.3. No Breach. None of the execution, delivery or performance by Buyer of any Transaction Document or the consummation by Buyer of the Transaction does or will, with or without the giving of notice or the lapse of time or both, conflict with, or result in a breach or violation of or a default under, or give rise to a right of amendment, termination, cancellation or acceleration of any right or obligation or to a loss of a benefit under (a) the Certificate of Formation or limited liability company agreement of Buyer, (b) any Contract of Buyer or (c) any Law or Permit or other requirement to which Buyer or its properties or assets is subject, except, in the case of items (b) and (c) above only, for those which would not have or reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of Buyer to consummate the Transaction.

Section 7.4. Governmental Approvals. Except as set forth on Schedule 7.4, no material Consent or order of, with or to any Governmental Entity is required to be obtained or made by or with respect to Buyer in connection with the execution, delivery and performance by Buyer of any Transaction Documents or the consummation by Buyer of the Transactions.

Section 7.5. No Brokers. There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Buyer or any of its Affiliates who is or might be entitled to any fee, commission or payment in connection with the negotiation, preparation, execution or delivery of this Agreement or the consummation of the Transaction.

## ARTICLE VIII

### COVENANTS

#### Section 8.1. Covenants of Seller.

(a) Books and Records. Seller will not, and will cause each Seller Subsidiary and each of its and their Affiliates not to, dispose of or destroy any business records or files related to the Business which do not constitute Assets for the greater of (x) seven years after the Closing Date or (y) any applicable statutory or retention period (including any extension thereof). Prior to disposing of or destroying any such business records or files in accordance with the preceding sentence, Seller will provide not less than 30 days' prior written notice to Buyer, specifying the business records and files proposed to be disposed of or destroyed. If, prior to the scheduled date for such disposal or destruction, Buyer requests in writing that any of the business records or files proposed to be disposed of or destroyed be delivered to Buyer, Seller will arrange promptly for the delivery of the requested business records and files to a location specified by, and at the expense of, Buyer. Buyer agrees that Seller and Seller Subsidiaries and their Affiliates will not be liable for the inadvertent failure to so notify Buyer.

(b) Receipt of Assets. All assets, amounts and proceeds which are received (whether received in lock boxes, via wire transfer, by check or otherwise) or possessed by Seller, any Seller Subsidiary or any Affiliate of any thereof at or after the Effective Time in respect of the Assets or the Assumed Liabilities will be received or possessed and held in trust for the benefit of Buyer and will be forthwith paid over to Buyer in the form so received or possessed (with any necessary endorsement). Without limiting the generality of the foregoing, Seller will, and will cause each Seller Subsidiary and each of its and their Affiliates to, wire transfer to an account designated by Buyer all payments in respect of Business-Related Accounts Receivable received by Seller, any Seller Subsidiary or any Affiliate of any thereof within three business days after receipt thereof. Effective as of the Effective Time, Seller, on behalf of itself and its Affiliates, hereby grants to Buyer the right and authority to endorse without recourse the name of Seller, any Seller Subsidiary or any Affiliate of any thereof on any check or any other evidences of indebtedness or negotiable instruments received by Buyer on account of any Business-Related Accounts Receivable or other Assets transferred to Buyer hereunder.

(c) Tax Identification Number. Prior to the Closing Date, Seller will, and will cause each Seller Subsidiary to, furnish to Buyer an affidavit stating, under penalties of perjury, either (i) such Person's United States taxpayer identification number and confirming that such Person is not a foreign person pursuant to Section 1445(b)(2) of the Code, or (ii) the respective Assets sold by them hereunder do not constitute a "United States Real Property Interest" within the meaning of Section 897 of the Code.

(d) Confidential Information.

(i) From and after the Closing, Seller will, and will cause each of its Affiliates and its and their Representatives to, (A) maintain in strict confidence any and all information concerning the Business and (B) refrain from using any and all such information for its own benefit or to compete with or otherwise to the detriment of Buyer or its Affiliates or the Business which is related to trailer beams. It is understood that Seller shall not have any liability hereunder with respect to information that (x) is in or, through no fault of Seller or any of its Representatives, comes into the public domain or (y) Seller is legally required to disclose.

(ii) In the event that Seller or any of its Affiliates or its or their Representatives are required by Law to disclose any such information, Seller will promptly notify Buyer in writing so that Buyer may seek a protective order and/or other motion to prevent or limit the production or disclosure of such information. If such motion has been denied, then the Person required to disclose such information may disclose only such portion of such information which (A) in the written opinion of Seller's legal counsel is required by Law to be disclosed or (B) Buyer consents in writing to having disclosed. Seller will not, and will not permit any of its Affiliates or its or their Representatives to, oppose any motion for confidentiality brought by Buyer. Seller, its Affiliates and their respective Representatives will continue to be bound by its obligations pursuant to this Section 8.1(d) for any information that is not required to be disclosed, or that has been afforded protective treatment, pursuant to such motion.

Section 8.2. Public Announcements. No press release or announcement concerning the Transaction will be issued by either party or any of its Affiliates without the prior consent of the other party, except as such release or announcement may be required by law, rule or regulation, in which case the party required to make the release or announcement will allow the other party reasonable time to comment on such release or announcement in advance of such issuance, and which comments will be given reasonable consideration under the circumstances.

Section 8.3. Access to Information.

(a) From and after the Closing, Buyer will make or cause to be made available to Seller and its agents and employees all business records and files constituting Assets (other than information which is legally privileged, subject to confidentiality obligations to third parties or the provision of which is prohibited by law) during regular business hours as may be reasonably necessary for (i) preparing tax returns and financial statements and responding to tax audits covering operations and transactions at or prior to the Effective Time, (ii) investigating, settling, preparing for the defense or prosecution of, defending or prosecuting any Action, (iii) preparing reports to stockholders and Governmental Entities or (iv) such other purposes for which access to such documents is reasonably necessary; provided, however, that access to such business records and files will not unnecessarily interfere with or adversely affect the normal operations of Buyer and its subsidiaries and Affiliates and the reasonable out-of-pocket expenses of Buyer incurred in connection therewith will be paid by Seller.

(b) From and after the Closing, Seller will make or cause to be made available to Buyer and its agents and employees all business records and files of Seller, the Seller Subsidiaries and its and their Affiliates related to the Business which do not constitute Assets (other than information which is legally privileged, subject to confidentiality obligations to third parties or the provision of which is prohibited by law) during regular business hours for the same purposes, to the extent applicable, as set forth in Section 8.3(a); provided, however, that access to such business records and files will not unnecessarily interfere with or adversely affect the normal operations of Seller and its Affiliates and the reasonable out-of-pocket expenses of Seller and its Affiliates incurred in connection therewith will be paid by Buyer.

Section 8.4. Further Assurances. From time to time, as and when requested by either party to this Agreement, the other party will execute and deliver, or cause to be executed and delivered, all such documents and instruments and will take, or cause to be taken, all such reasonable actions, as such other party may reasonably deem necessary or desirable to consummate the Transaction.

Section 8.5. Employment.

(a) Buyer will offer employment in accordance with Buyer's standard hiring procedures and policies, commencing as of the Effective Time or any later mutually agreed time, to each of the employees of Seller and the Seller Subsidiaries at the Morganton Facility that Buyer determines, in its sole discretion, are needed to support the Business; provided, however, that nothing contained in this Section 8.5 is intended to confer upon any Continued Employee any right to continued employment after evaluation by Buyer of its employment needs after the Effective Time or such later mutually agreed time. Seller agrees that it will promptly terminate any employees of Seller and the Seller Subsidiaries employed as of the date hereof and located at the Morganton Facility other than those employees listed on Schedule 8.5(a) ("Continued Employees") who accept Buyer's offer of employment. Buyer agrees to pay to Seller at the Closing an aggregate amount equal to \$250,000 for Seller to apply to severance amounts payable to employees terminated pursuant to the immediately preceding sentence, it being understood and agreed that Seller shall be responsible for any additional severance costs in excess of \$250,000, except as expressly provided herein: (i) Buyer shall be responsible for any severance costs arising from the termination of any Continued Employee who accepts an offer of employment from Buyer; (ii) Buyer shall fully cooperate with Seller in good faith in the assignment of the employment agreements which apply to any Continued Employee and listed in Schedule 8.5(b), and Seller shall be solely responsible for, and shall defend and indemnify Buyer from and against any claim that the assignment of any such employment agreement triggers, the employee's right to receive 30% of their salary (while employed by Seller) in addition to their compensation from Buyer.

(b) On the Closing Date, Seller shall notify Buyer of any "employment loss" experienced by any employees of Seller or Seller Subsidiaries within ninety (90) days prior to the Effective Time as defined by the Worker Adjustment and Retraining Notification Act ("WARN Act"). Buyer shall provide any required notice under, and otherwise be responsible for, all obligations relating to the WARN Act with respect to any employees who accept an offer of employment from Buyer on or after the Closing Date. Seller represents that no action by Seller or Seller Subsidiaries resulting in an "employment loss" as defined under the WARN Act in the ninety (90) days prior to the Closing Date have caused any liabilities or obligations under the WARN Act and no such liabilities or obligations under the WARN Act are being transferred to Buyer through this Agreement or through any "employment loss" resulting from any action taken by Seller to terminate any employees who do not receive any offer of employment from Buyer. Buyer will defend and indemnify Seller and its Affiliates from and against any and all Damages arising from the termination of any employee by Buyer within 90 days following the Closing.

Section 8.6. Morganton Facility.

(a) On or before the date that is the earlier of (i) 30 days following the Closing Date and (ii) August 12, 2015, Buyer will pay to Seller an amount equal to \$1,200,000, which amount will constitute, as applicable, funding for (i) the additional lease payment with respect to an extension of the Lease Agreement pursuant to Section 8.6(c) or Section 8.6(d) or (ii) the purchase price for the Purchase of the Morganton Facility pursuant to Section 8.6(d).

(b) As soon as practical, Buyer shall commission a building inspection (the "Morganton Building Inspection"), a Phase I environmental study and a Phase II environmental study (the "Morganton Phase II Study") to determine whether there are any material defects or environmental contamination associated with the Morganton Facility. Meritor will use its reasonable efforts to have the Phase II Study completed within 60 days following the Closing Date.

(c) For 30 days following the later of the completion of the Morganton Building Inspection and Morganton Phase II Study, Seller will have the right, but not the obligation, to, unless Buyer exercises its right under Section 8.6(d) to purchase the Morganton Facility, extend the term of the Lease Agreement by 15 years (bringing the total term to 20 years) for an additional \$1,200,000 in lease payment, which additional payment shall have been funded as set forth in Section 8.6(a).

(d) For 30 days following completion of the later of the Morganton Building Inspection and the Morganton Phase II Study, Buyer will have the right, but not the obligation, to either (i) purchase the Morganton Facility from Seller at a price equal to \$3,200,000 (as such price may be adjusted as provided for in Section 8.6(e)) or (ii) extend the term of the Lease Agreement by 15 years (bringing the total term to 20 years) for an additional \$1,200,000 in lease payment, which additional payment shall have been funded as set forth in Section 8.6(a).

(e) If Buyer exercises its right to purchase the Morganton Facility pursuant to Section 8.6(d), (i) Buyer will receive a credit toward the purchase price of the Morganton Facility for the \$2,000,000 paid at the Closing by Buyer to Seller pursuant to the Lease Agreement and for the \$1,200,000 paid by Buyer to Seller pursuant to Section 8.6(a), and (ii) the parties will mutually agree upon an adjusted purchase price to reflect the cost of repairing any material defects identified in the Morganton Building Inspection and cost of remediating any Environmental Contamination identified in the Morganton Phase II Study, assuming the most cost-effective approach that is legally feasible (the "Adjusted Price"). Seller will refund to Buyer the amount by which \$3,200,000 exceeds the Adjusted Price (if applicable). For purposes hereof, "Environmental Contamination" means environmental contamination that is required to be remediated under any applicable federal, state, or local environmental or safety statute, ordinance, regulation, common law, decree, order or agreement with a Governmental Entity.

(f) If Buyer exercises its right to purchase the Morganton Facility pursuant to Section 8.6(d), then Seller and Buyer will negotiate in good faith acquisition documents with respect to the Morganton Facility, which acquisition documents shall (i) provide that Buyer shall acquire the Morganton Facility free and clear of all Liens, other than Permitted Liens, (ii) subject to the last sentence of this Section 8.6(f), assign to Buyer any indemnification rights of Seller or any of its Affiliates relating to the Morganton Facility, and (iii) include customary representations, warranties, closing conditions and indemnification provisions, including with respect to pre-closing-related building defects and environmental liabilities, including such provisions that are set forth on Exhibit E hereto. The indemnification rights contemplated to be assigned to Buyer pursuant to this Section 8.6(f) will remain with Seller and Buyer will have no rights thereto if such rights relate to matters covered by the indemnification obligations of Seller hereunder, except to the extent that Seller fails to fulfill such indemnification obligations, including by failing to assume or affirm that it has assumed the defense of such matter, attempting to cancel such indemnification rights, or failing to reasonably cure Buyer's reasonable grounds for insecurity regarding the provision of such indemnification, in which event such indemnification rights shall be assigned to Buyer.

(g) The parties understand that a portion of the roof, specifically panels "L" and "M" that were installed in 1994, at the Morganton Facility is damaged and in need of repair (the "Panel L/M Roof Damage"), and the estimated costs of such repair is \$335,000. The parties agree that Buyer may, at its option, undertake after the date hereof to hire a contractor to make such repairs and that Seller will reasonably cooperate with Buyer in connection therewith. The parties agree that, within 5 days of Buyer's entry into a contract with a contractor to make such repairs and pursuant to which contract Buyer has agreed to pay contractor for such repairs, the parties will amend the Subordinated Note to increase the principal amount of the Subordinated Note by the cost of the repairs set forth in such contract up to a maximum amount of \$335,000.

Section 8.7. Insurance.

(a) Rights in Insurance Policies. Subject to the last sentence of this Section 8.7(a), Buyer will have the right to (i) assert claims (and Seller will use and cause each Seller Subsidiary and each of its and their Affiliates to use reasonable best efforts to assist Buyer in asserting claims) with respect to the Business under insurance policies of Seller and its Affiliates which are "occurrence basis" policies ("Occurrence Basis Policies") arising out of insured incidents occurring from the date coverage thereunder first commenced until the Effective Time to the extent that the terms and conditions of any such Occurrence Basis Policies so allow and (ii) continue to prosecute claims with respect to the Business asserted with the insurance carrier prior to the Closing (and Seller will use and cause each Seller Subsidiary and each of its and their Affiliates to use reasonable best efforts to assist Buyer in connection therewith) under insurance policies of Seller and its Affiliates which are on a "claims made" basis ("Claims Made Policies") arising out of insured incidents occurring from the date coverage thereunder first commenced until the Effective Time to the extent that the terms and conditions of any such Claims Made Policies so allow, provided that Buyer shall reimburse Seller and its Affiliates for all of their reasonable out-of-pocket costs and expenses in connection with the foregoing. All recoveries in respect of such claims shall be for the account of Buyer. Seller will not have the rights contemplated by this Section 8.7(a) if such rights relate to matters covered by the indemnification obligations of Seller hereunder, except to the extent that Seller fails to fulfill such indemnification obligations, including by failing to assume or affirm that it has assumed the defense of such matter, attempting to cancel such historical insurance rights, or failing to reasonably cure Buyer's reasonable grounds for insecurity regarding the provision of such indemnification, in which event Buyer shall have the rights contemplated by this Section 8.7(a) to the extent required to resolve such failure, provided that Buyer shall exercise good faith efforts to resolve claims within applicable policy coverages (it being understood that Seller shall nevertheless remain responsible for any of its indemnification obligations that exceed such coverages).

(b) Seller Actions. Seller will not, and will cause each Seller Subsidiary and each of its and their Affiliates not to, amend, commute, terminate, buy-out, extinguish liability under or otherwise modify any Occurrence Basis Policies or Claims Made Policies under which Buyer has rights to assert claims pursuant to Section 8.7(a) in a manner that would adversely affect any such rights of Buyer. In the event Buyer consents to any such action, Seller will pay to Buyer its equitable share (based on the amount of premiums paid by or allocated to the Business in respect of the applicable policy) of any proceeds received by Seller or any of its Affiliates as a result of such action.

Section 8.8. Removal of Proprietary Information. Seller will take and will cause each Seller Subsidiary to take reasonable steps to isolate all third party or Seller's (or its Affiliates') proprietary information located at the Morganton Facility that is not related to (i) any trailer axle beam products or (ii) the products and anything related to the product families currently being produced at the Morganton Facility which is related to the Business (including information relating to former customers) in a manner that allows such information to be handled consistent with the terms of any agreement under which it was received (including by destroying or returning such information) or remove such information from the Morganton Facility.

Section 8.9. Vendor Payments. Seller shall pay on the date hereof to the vendors listed on Schedule 8.9 the amounts listed on Schedule 8.9, and Seller shall provide Buyer with evidence on the Closing Date that such payments have been made (including wire transfer information evidencing receipt of payment by such vendors).

## ARTICLE IX

### INDEMNIFICATION

Section 9.1. Indemnification by Seller. Seller and each Seller Subsidiary shall jointly and severally indemnify, defend and hold harmless Buyer and its Affiliates and their respective employees, directors, officers and Representatives (collectively, the "Buyer Group") from and against, and pay or reimburse, as the case may be, the Buyer Group for, any and all Damages, as incurred, suffered by Buyer or any other member of the Buyer Group based upon, arising out of, relating to or caused by:

(a) any falsity, breach or inaccuracy of any representation or warranty made by Seller, any Seller Subsidiary or any Affiliate of any thereof herein on the date of this Agreement or on the Closing Date;

(b) any breach or violation of any covenant or agreement of Seller, any Seller Subsidiary or any Affiliate of any thereof contained herein;  
or

(c) any Liabilities of Seller, any Seller Subsidiary or any Affiliate of any thereof that do not constitute Assumed Liabilities (including any Liability which is not an Assumed Liability that may become a Liability of Buyer by statute, regulation or common law) or the assertion against any member of the Buyer Group of any such Liability ("Excluded Liabilities"); provided that any Excluded Liability with respect to any Environmental Liability or building defects that is covered by the indemnification provision of Section 9.3 shall be subject to indemnification exclusively pursuant to Section 9.3.

Section 9.2. Indemnification by Buyer. Buyer shall indemnify, defend and hold harmless Seller and its Affiliates (including the Seller Subsidiaries) and their respective employees, directors, officers and Representatives (collectively, the "Seller Group") from and against, and pay or reimburse, as the case may be, the Seller Group for, any and all Damages, as incurred, suffered by Seller or any other member of the Seller Group based upon, arising out of, relating to or caused by:

(a) any falsity, breach or inaccuracy of any representation or warranty made by Buyer herein on the date of this Agreement or on the Closing Date;

(b) any breach or violation of any covenant or agreement of Buyer contained herein;

(c) the Assumed Liabilities or the assertion against any member of the Seller Group of any Assumed Liability; or

(d) any Liabilities arising from Buyer's operation of the Business or the use or possession of the Assets by Buyer after the Closing Date (other than with respect to any Liabilities for which Seller is obligated to indemnify the Buyer Group under this Article IX or under any Ancillary Agreement); provided that any Liability that is covered by the indemnification provision of Section 9.3 shall be subject to indemnification exclusively pursuant to Section 9.3.

Section 9.3. Environmental/Defect Indemnification.

(a) Without limiting Seller's obligations under Section 9.1, Seller and each Seller Subsidiary shall jointly and severally indemnify, defend and hold harmless the Buyer Group from and against, and pay or reimburse, as the case may be, the Buyer Group for, all Damages, as incurred, suffered by Buyer or any other member of the Buyer Group based upon, arising out of, relating to or caused by any Environmental Violations or Seller Hazardous Substances (including any Hazardous Substances identified in the Morganton Phase II Study) or building defects (including building defects identified in the Morganton Building Inspection), in each case occurring or existing on or prior to the date hereof, whether asserted prior to, on or after the date hereof (including such circumstances or conditions that may continue to exist after the date hereof, except to the extent resulting from actions taken by Buyer (other than the leasing of the Morganton Facility under the Lease Agreement or the consummation of the transactions contemplated by this Agreement) after the date hereof. Notwithstanding the foregoing, if Buyer elects to repair the Panel L/M Roof Damage and the Subordinated Note is amended in accordance with Section 8.6(g), the Panel L/M Roof Damage will not be covered by this Section 9.3(a).

(b) Buyer shall indemnify, defend and hold harmless the Seller Group from and against, and pay or reimburse, as the case may be, the Seller Group for, any and all Damages, as incurred, suffered by Seller or any other member of the Seller Group based upon, arising out of, relating to or caused by any Environmental Violation occurring after the date hereof and during the time period that Buyer is occupying the Morganton Facility as tenant under the Lease Agreement (other than any Environmental Violation by Seller or any of its Subsidiaries or Affiliates and other than with respect to any matters for which Seller is obligated to indemnify the Buyer Group under this Article IX).

(c) In the case of any alleged Environmental Violations with respect to which Seller is obligated to indemnify the Buyer Group under Section 9.3(a) or any requests from a Governmental Entity with respect to any Seller Hazardous Substances, Seller shall have the obligations (which obligations shall be performed within 45 days after (i) Seller is provided written notice of Seller's obligation to indemnify Buyer Group under Section 9.3(a) or (ii) requests from any Governmental Entity with respect to such Seller Hazardous Substances unless such time period is extended in Buyer's reasonable discretion ) to, conduct, direct, manage, implement, and retain exclusive control over any environmental remediation, investigation, or correspondence with any Governmental Entity regarding such environmental matters. In the event Seller does not comply with its obligations in the prior sentence, Buyer shall have the right to conduct, direct, manage, implement, and assume control over any remediation, investigation, or correspondence with any Governmental Entity regarding such environmental matters (and Seller shall reimburse Buyer for all costs and expenses incurred in connection therewith). In any event, Seller and Buyer agree that any investigation, remedial or compliance action shall be taken only if and to the extent required by applicable Law (including any Environmental Law) or Governmental Entity, and then only in the most reasonable, cost-effective method that is legally feasible under the circumstances, and that such action shall not exceed the least stringent requirements of applicable Environmental Laws and as allowed by applicable Governmental Entities.

(d) In the case of any alleged Environmental Violations with respect to which Buyer is obligated to indemnify the Seller Group under Section 9.3(b) or any requests from a Governmental Entity caused by any such Environmental Violation with respect to which Buyer is obligated to indemnify the Seller Group under Section 9.3(b), Buyer shall have the obligations (which obligations shall be performed within 45 days after (i) Buyer is provided written notice of Buyer's obligation to indemnify Seller Group under Section 9.3(b) or (ii) requests from any Governmental Entity with respect to such Environmental Violations unless such time period is extended in Seller's reasonable discretion ) to, conduct, direct, manage, implement, and retain exclusive control over any environmental remediation, investigation, or correspondence with any Governmental Entity regarding such environmental matters. In the event Buyer does not comply with its obligations in the prior sentence, Seller shall have the right to conduct, direct, manage, implement, and assume control over any remediation, investigation, or correspondence with any Governmental Entity regarding such environmental matters (and Buyer shall reimburse Seller for all costs and expenses incurred in connection therewith). In any event, Seller and Buyer agree that any investigation, remedial or compliance action shall be taken only if and to the extent required by applicable Law (including Environmental Law) or Governmental Entity, and then only in the most reasonable, cost-effective method that is legally feasible under the circumstances, and that such action shall not exceed the least stringent requirements of applicable Environmental Laws and as allowed by applicable Governmental Entities.

Section 9.4. Survival of Representations and Warranties. The respective representations and warranties of each of Seller and Buyer contained in this Agreement (other than Seller's representations and warranties with respect to organization contained in Section 6.1, authority contained in Section 6.2, no conflicts contained in Section 6.3(i), Taxes contained in Section 6.4, proprietary rights contained in Section 6.5, title contained in Section 6.6(a) and (b), environmental matters contained in Section 6.8, employee matters contained in Section 6.11 and brokers contained in Section 6.16 and Buyer's representations and warranties with respect to authority contained in Section 7.2 and brokers contained in Section 7.5) will survive the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the Closing Date and will continue in full force and effect until two years after the Closing Date and then terminate and expire with respect to any theretofore unasserted claims arising out of or otherwise in respect of any falsity, breach or inaccuracy of such representations and warranties. Seller's representations and warranties with respect to Taxes contained in Section 6.4, proprietary rights contained in Section 6.5, environmental matters contained in Section 6.8 and employee matters contained in Section 6.11 will survive the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the Closing Date until all applicable statutes of limitation (including any extensions thereof) have expired and then expire with respect to any theretofore unasserted claims arising out of or otherwise in respect of any falsity, breach or inaccuracy of such representations and warranties. Seller's representations and warranties with respect to organization contained in Section 6.1, authority contained in Section 6.2, no conflicts contained in Section 6.3(i), title contained in Section 6.6(a) and (b) and brokers contained in Section 6.16 and Buyer's representations and warranties with respect to authority contained in Section 7.2 and brokers contained in Section 7.5 will survive the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the Closing Date without time limitation. The obligations of each party to indemnify, defend and hold harmless Indemnitees pursuant to Section 9.1(a) and 9.2(a) shall terminate when the applicable representation or warranty expires pursuant to this Section 9.4; provided, however, that such obligations to indemnify, defend and hold harmless shall not terminate with respect to any individual item as to which the Indemnitee shall have, before the expiration of the applicable period, made a claim by delivering notice (stating in reasonable detail the basis of such claim) to the indemnifying Party.

Section 9.5. Deductible. No monetary amount shall be payable by Seller or Buyer to any member of the Buyer Group or Seller Group, respectively, with respect to the indemnification of any claims pursuant to Section 9.1(a), 9.1(b), 9.2(a) or 9.2(b) as the case may be (other than with respect to Seller's representations and warranties with respect to organization contained in Section 6.1, authority contained in Section 6.2, no conflicts contained in Section 6.3(i), Taxes contained in Section 6.4, title contained in Section 6.6(a) and (b) and brokers contained in Section 6.16 and Buyer's representations and warranties with respect to authority contained in Section 7.2 and brokers contained in Section 7.5) until the aggregate amount of Damages actually incurred by the Buyer Group or the Seller Group, as the case may be, with respect to such claims exceeds \$100,000 in the aggregate (the "Deductible"), in which event Seller or Buyer, as the case may be, shall be responsible only for the amount in excess of the Deductible. Claims made pursuant to the representations and warranties contained in or made pursuant to Sections 6.1, 6.2, 6.3(i), 6.4, 6.6(a), 6.6(b), 6.16, 7.2 and 7.5 will not be subject to the Deductible.

Section 9.6. Cap. No monetary amount shall be payable by Seller or Buyer to any member of the Buyer Group or Seller Group, respectively, with respect to the indemnification of any claims pursuant to Section 9.1(a) or 9.2(a) (other than with respect to Seller's representations and warranties with respect to organization contained in Section 6.1, authority contained in Section 6.2, no conflicts contained in Section 6.3(i), Taxes contained in Section 6.4, proprietary rights contained in Section 6.5, title contained in Section 6.6(a) and (b), environmental matters contained in Section 6.8, employee matters contained in Section 6.11 and brokers contained in Section 6.16 and Buyer's representations and warranties with respect to authority contained in Section 7.2 and brokers contained in Section 7.5), if the aggregate amount of Damages already paid by Seller or Buyer to members of the Buyer Group or Seller Group, respectively, pursuant to such indemnification obligations exceeds \$5,000,000 (the "Cap"). Claims made pursuant to the representations and warranties contained in or made pursuant to Sections 6.1, 6.2, 6.3(i), 6.4, 6.5, 6.6(a), 6.6(b), 6.8, 6.11, 6.16, 7.2 and 7.5 will not be subject to the Cap.

Section 9.7. Ancillary Agreements. Nothing in this Article IX is intended to limit the indemnity rights and obligations of the Parties and their Affiliates under the Ancillary Agreements.

Section 9.8. Effect on Final Purchase Price. Any indemnity payment made pursuant to this Agreement will be treated as an adjustment to the Purchase Price (and shall be allocated to the Purchase Price of the particular Assets to which it relates) for Tax purposes unless a determination (as defined in Section 1313 of the Code) or similar event under applicable Tax law, rule or regulation with respect to the Indemnitee causes such payment not to constitute an adjustment to the Purchase Price for United States federal income Tax purposes or foreign Tax purposes, as the case may be.

## ARTICLE X

### GENERAL PROVISIONS

Section 10.1. Assignment. Neither party to this Agreement will convey, assign or otherwise transfer any of its rights or obligations under any Transaction Document without the prior written consent of the other party, except that Buyer may (without obtaining any consent) assign its rights, interests and/or obligations under any Transaction Document, in whole or in part, to any successor to all or any portion of its business or to any Affiliate of Buyer. Any conveyance, assignment or transfer requiring the prior written consent of the other party which is made without such consent will be void ab initio. No assignment of this Agreement will relieve the assigning party of its obligations hereunder.

Section 10.2. Parties in Interest. This Agreement is binding upon and is for the benefit of the parties hereto and their respective successors and permitted assigns. This Agreement is not made for the benefit of any Person not a party hereto, and no Person other than the parties hereto or their respective successors and permitted assigns will acquire or have any benefit, right, remedy or claim under or by reason of this Agreement, except that members of the Buyer Group and the Seller Group will be entitled to the rights to indemnification provided to the Buyer Group and the Seller Group, respectively, hereunder.

Section 10.3. Amendment. This Agreement may not be amended, modified or supplemented except by a written agreement executed by Buyer and Seller.

Section 10.4. Waiver; Remedies. No failure or delay on the part of either Buyer or Seller in exercising any right, power or privilege under any Transaction Document will operate as a waiver thereof, nor will any waiver on the part of either Buyer or Seller of any right, power or privilege under any Transaction Document operate as a waiver of any other right, power or privilege under any Transaction Document, nor will any single or partial exercise of any right, power or privilege thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege under any Transaction Document. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies which the parties may otherwise have at law or in equity.

Section 10.5. Fees and Expenses. Except as otherwise provided in this Agreement, each of Seller and Buyer agrees to pay, without right of reimbursement from the other, all of their respective costs and expenses incurred by it (and, in the case of Seller, all costs and expenses incurred by the Seller Subsidiaries and its and their Affiliates) incident to the performance of their respective obligations hereunder, including the fees and disbursements of counsel, accountants, financial advisors, experts and consultants employed by the respective parties in connection with the Transaction, whether or not the Transaction is consummated; provided that this Section 10.6 shall not limit any Person's right to recover any Damages for breach of this Agreement or any other Transaction Document.

Section 10.6. Notices. All notices, requests, claims, demands and other communications required or permitted to be given under any Transaction Document will be in writing and will be delivered by hand, e-mailed or sent, postage prepaid, by registered, certified or express mail or reputable overnight courier service and will be deemed given when so delivered by hand, when e-mail confirmation is received if delivered by e-mail, or three business days after being so mailed (one business day in the case of express mail or overnight courier service). All such notices, requests, claims, demands and other communications will be addressed as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice in accordance with this Section 10.6:

(a) If to Buyer:

Meritor Heavy Vehicle Systems, LLC  
2135 West Maple Road  
Troy, MI 48084

Attention: Matthew Donley  
E-mail: Matthew.Donley@Meritor.com

with a copy to:

Meritor Heavy Vehicle Systems, LLC  
2135 West Maple Road  
Troy, MI 48084

Attention: Office of the General Counsel  
E-mail: Mark.Schaitkin2@Meritor.com

and

Chadbourne & Parke LLP  
1301 Avenue of the Americas  
New York, New York 10018

Attention: Marc A. Alpert, Esq.  
E-mail: malpert@chadbourne.com

(b) If to Seller:

Sypris Solutions, Inc.  
101 Bullitt Lane, Suite 450  
Louisville, KY 40222

Attention: Jeffrey T. Gill, President and CEO  
E-mail: jeff.gill@sypris.com

with a copy to:

Sypris Solutions, Inc.  
101 Bullitt Lane, Suite 450  
Louisville, KY 40222

Attention: John R. McGeeney, General Counsel  
E-mail: jmcgeeney@sypris.com

Section 10.7. Waiver of Compliance With Bulk Transfer Laws. Buyer hereby waives compliance by Seller and the Seller Subsidiaries with the provisions of any bulk transfer laws which may be applicable to the transactions contemplated by this Agreement. Seller and the Seller Subsidiaries shall jointly and severally indemnify, defend and hold harmless the Buyer Group from and against, and pay or reimburse, as the case may be, the Buyer Group for, any and all Damages, as incurred, suffered by any member of the Buyer Group based upon, arising out of or otherwise in any way relating to or in respect of such noncompliance.

Section 10.8. Captions; Currency. The article and section captions herein and the table of contents hereto are for convenience of reference only, do not constitute part of this Agreement and will not be deemed to limit or otherwise affect any of the provisions hereof. Unless otherwise specified, all references herein to numbered articles and sections are to articles and sections of this Agreement and all references herein to schedules and exhibits are to schedules and exhibits to this Agreement. Unless otherwise specified, all references contained in any Transaction Document, in any exhibit or schedule referred to therein or in any instrument or document delivered pursuant thereto to dollars or "\$" shall mean United States Dollars.

Section 10.9. Entire Agreement. This Agreement and the other Transaction Documents collectively constitute the entire agreement between the parties with respect to the subject matter hereof and this Agreement and the other Transaction Documents supersede all prior negotiations, agreements and understandings of the parties of any nature, whether oral or written, relating thereto.

Section 10.10. Severability. If any provision of any Transaction Document or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions thereof, or the application of such provision to Persons or circumstances other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

Section 10.11. Consent to Jurisdiction. Each of Seller and Buyer irrevocably submits to the exclusive jurisdiction of the state courts situated in Oakland County, Michigan and federal courts situated in Wayne County, Michigan for the purposes of any Action arising out of the Transaction, this Agreement or any other Transaction Document, any provision hereof or thereof or the breach, performance, enforcement, validity or invalidity hereof or thereof (and agrees not to commence any Action relating thereto except in such courts). Each of Seller and Buyer further agrees that service of any process, summons, notice or document hand delivered or sent by U.S. first class mail to such party's respective address set forth in Section 10.6 shall be effective service of process for any Action in Michigan with respect to any matters to which it has submitted to jurisdiction as set forth in the immediately preceding sentence. Each of Seller and Buyer irrevocably and unconditionally waives any objection to the laying of venue of any Action arising out of the Transaction, this Agreement or any other Transaction Document, any provision hereof or thereof or the breach, performance, enforcement, validity or invalidity hereof or thereof in the state courts situated in Oakland County, Michigan and federal courts situated in Wayne County, Michigan, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such Action brought in any such court has been brought in an inconvenient forum. Notwithstanding the foregoing, each party agrees that a final judgment in any action or proceeding so brought shall be conclusive and may be enforced by suit on the judgment in any jurisdiction or in any other manner provided in Law or in equity.

Section 10.12. Exhibits and Schedules. All exhibits and schedules attached hereto are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Capitalized terms used in any other Transaction Document or in the schedules hereto or thereto but not otherwise defined therein will have the respective meanings assigned to such terms in this Agreement.

Section 10.13. Governing Law. This Agreement will be governed by and construed in accordance with the internal laws of the State of Michigan applicable to contracts made and to be performed entirely within such State, without regard to the conflicts of law principles of such State.

Section 10.14. Counterparts. This Agreement may be executed in separate counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts will together constitute the same agreement.

Section 10.15. Specific Performance. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of any Transaction Document, the party or parties who are or are to be thereby aggrieved will have the right of specific performance and injunctive relief giving effect to its or their rights under such Transaction Document, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies will be cumulative. The parties agree that any such breach or threatened breach would cause irreparable injury, that the remedies at law for any such breach or threatened breach, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at law would be adequate is waived.

Section 10.16. Performance by the Seller Subsidiaries. Seller will cause to be performed and hereby guaranties the performance of all actions, agreements and obligations set forth herein to be performed by each Seller Subsidiary and each of its and their Affiliates.

Section 10.17. Interpretation. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any Federal, state, local, or foreign Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. For the purposes of this Agreement, (i) words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other gender as the context requires, (ii) the terms "hereof", "herein", and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, (iii) the word "including" and words of similar import when used in this Agreement shall mean "including, without limitation" and (iv) the word "or" shall not be exclusive.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the parties on the date first hereinabove written.

MERITOR HEAVY VEHICLE SYSTEMS, LLC

By: /s/ Robert H. Speed

Name: Robert H. Speed

Title: Authorized Signer

SYPRIS SOLUTIONS, INC.

By: /s/ John R. McGeeney

Name: John R. McGeeney

Title: Vice President, General Counsel and Secretary

DEFINITIONS

For purposes of this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and the plural forms of the terms defined):

"Access Agreement" means the Access Agreement dated as of the Closing Date by and between Seller and Buyer, substantially in the form attached hereto as Exhibit B-1.

"Accommodation Agreement" means the Accommodation Agreement dated as of the Closing Date by and between Seller and Buyer, substantially in the form attached hereto as Exhibit B-2.

"Action" means any legal, administrative, governmental or regulatory proceeding or other action, suit, proceeding, claim, arbitration, mediation, alternative dispute resolution procedure, inquiry or investigation by or before any arbitrator, mediator, court or other Governmental Entity.

"Adjustment Amount" shall have the meaning set forth in Section 4.1(d)(ii).

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person. For purposes of the immediately preceding sentence, the term "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by contract or otherwise.

"Agreement" means this Asset Purchase Agreement, as the same may be amended, modified or supplemented from time to time in accordance with its terms.

"A&R Commodities Supply Agreement" means the Amended and Restated Commodities Supply Agreement Buyer and Sypris Technologies Kenton, Inc. dated as of the date hereof, in a form mutually agreed to by Buyer and Seller, that amends and restates the existing 2015 Amendment to Commodities Supply Agreement dated as of November 4, 2014 between Sypris Technologies Kenton, Inc. and Buyer.

"Ancillary Agreements" means, collectively, the Access Agreement, the Accommodation Agreement, the Lease Agreement, the Transition Agreement, the Termination Agreement and the A&R Commodities Supply Agreement.

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"Appraisal Report" means the Machinery and Equipment Report of Great American Group dated January 2015 and effective as of December 17, 2014.

"Arbitrator" shall have the meaning set forth in Section 4.1(c)(iii).

"Assets" shall have the meaning set forth in Section 2.1.

"Assumed Liabilities" shall have the meaning set forth in Section 3.1.

"Business" means the business engaged in by Seller and the Seller Subsidiaries (and their respective predecessors) on or immediately prior to the Closing Date at the Morganton Facility, provided, however, that the Business shall not include the Excluded Business (it being understood that Assets are intended to exclude assets related to the Excluded Business but only if such assets are exclusively related to the Excluded Business).

"Business Contracts" shall have the meaning set forth in Section 2.1(g).

"Business Intellectual Property" shall have the meaning set forth in Section 2.1(c).

"Business-Related Accounts Receivable" shall have the meaning set forth in Section 2.1(e).

"Business-Related Inventory" shall have the meaning set forth in Section 2.1(d).

"Buyer" shall have the meaning set forth in the preamble to this Agreement.

"Buyer Group" shall have the meaning set forth in Section 9.1.

"Cap" shall have the meaning set forth in Section 9.6.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended to the date hereof.

"Claims Made Policies" shall have the meaning set forth in Section 8.7(a).

"Closing" shall have the meaning set forth in Section 5.1.

"Closing Date" shall have the meaning set forth in Section 5.1.

"Closing Statement" shall have the meaning set forth in Section 4.1(c)(i).

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Consents" means consents, waivers, approvals, requirements, allowances, novations, authorizations, declarations, filings, registrations and notifications.

"Continued Employees" means those employees of Seller and the Seller Subsidiaries to whom Buyer offers employment pursuant to Section 8.5, who accept such an offer of employment by Buyer and who actually commence such employment with Buyer.

"Contracts" means, with respect to any Person, all agreements, contracts, obligations, purchase orders, commitments and arrangements (whether written or oral and whether express or implied) (a) to which such Person is a party, (b) under which such Person has any rights, (c) under which such Person has any Liability or (d) by which such Person, or any of the assets or properties owned or used by such Person, is bound, including, in each case, all amendments, modifications and supplements thereto.

"Damages" means any and all losses, Liabilities, claims, damages, deficiencies, diminutions in value, fines, payments, Taxes, Liens, costs and expenses, whether known or unknown, asserted or unasserted, fixed, absolute or contingent, matured or unmatured, accrued or unaccrued, liquidated or unliquidated or due or to become due, and, whenever or however arising and whether or not resulting from Third Party Claims (including the costs and expenses of investigation and defense of any claim, whether or not such claim is deemed to be without merit; the costs and expenses of any and all Actions or other legal matters; all amounts paid in connection with any demands, assessments, judgments, settlements and compromises relating thereto; interest and penalties with respect thereto; and costs and expenses, including attorneys', accountants' and other experts' fees and expenses, incurred in investigating, preparing for or defending against any such Actions or other legal matters or in asserting, preserving or enforcing an Indemnitee's rights hereunder).

"Decrease Amount" shall have the meaning set forth in Section 4.1(d)(i)(B).

"Deductible" shall have the meaning set forth in Section 9.5.

"Delivery Date" shall have the meaning set forth in Section 4.1(c)(i).

"Effective Time" shall have the meaning set forth in Section 5.1.

"Environmental Laws" means any and all applicable Laws and Permits issued, promulgated or entered into by any Governmental Entity relating to the environment or the protection or preservation of human health or safety, including the health and safety of employees, the preservation or reclamation of natural resources, or the treatment, storage, disposal, management, Release or threatened Release of Hazardous Materials, in each case as in effect on the date hereof and as may be issued, promulgated, entered into or amended from time to time.

"Environmental Liabilities" means any and all Damages that are incurred as a result of the presence, Release or threatened Release of Hazardous Materials or a violation of Environmental Laws, including:

- (i) Damages for personal injury, or injury to property or natural resources occurring upon, off of, or arising from any of the real properties used at any time in the Business, including lost profits, consequential damages (including from business interruptions and from diminution in the value of any property), the cost of demolition and rebuilding of any improvements (including landscaping on real property), interest and penalties;
- (ii) fees incurred for the services of attorneys, consultants, contractors, experts, laboratories and all other costs incurred in connection with the investigation or remediation of Hazardous Materials or violation of Environmental Laws or the enforcement of any rights or remedies under Environmental Laws; and
- (iii) Liability to any third person or Governmental Entity.

"Environmental Violation" shall mean (i) any violation of any Environmental Law or (ii) any action, inaction or activity which is likely to result in any liability to any Federal, state or local government or any other Person for the costs of any investigation, removal or remedial action or natural resources damage or for bodily injury or property damage.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any Person, trade or business which, together with Seller or any Seller Subsidiary, is or was treated as a single-employer within the meaning of Section 414(b), (c), (m) or (o) of the Code or Section 4001(b) of ERISA.

"ERISA Event" means (a) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan; (b) the application for a minimum funding waiver with respect to any Plan; (c) the existence of an accumulated funding deficiency with respect to any Plan; (d) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (e) the cessation of operations at a facility of Seller, any Seller Subsidiary or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA; (f) the withdrawal by Seller, any Seller Subsidiary or any ERISA Affiliate from a multiple employer plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (g) the conditions for the imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan; (h) the adoption of an amendment to any Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (i) the institution by the Pension Benefit Guaranty Corporation of proceedings to terminate any Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, a Plan.

"Estimated Closing Statement" shall have the meaning set forth in Section 4.1(b).

"Excluded Assets" shall have the meaning set forth in Section 2.1(a).

"Excluded Business" means manufacturing of axle shafts and activities related thereto (including Mack/Volvo flanges and hubs), and the manufacturing of products for Dana Corporation (or its applicable Affiliate).

"Excluded Liabilities" shall have the meaning set forth in Section 9.1(c).

"Final Closing Statement" shall have the meaning set forth in Section 4.1(c)(ii).

"GAAP" means United States generally accepted accounting principles as in effect on the date of this Agreement.

"Gill" means Gill Family Capital Management.

"Governmental Entity" means, in any jurisdiction, any (i) federal, state, local, foreign or international government, (ii) court, arbitral or other tribunal, (iii) governmental or quasi-governmental authority of any nature (including any political subdivision, instrumentality, branch, department, official or entity) or (iv) agency, commission, authority or body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power of any nature.

"Hazardous Materials" means those materials, substances or wastes that are regulated by, or form the basis of liability under, any Environmental Law, including PCBs, pollutants, solid wastes, explosive, radioactive or regulated materials or substances, hazardous or toxic materials, substances, wastes or chemicals, petroleum (including crude oil or any fraction thereof) or petroleum distillates, asbestos or asbestos containing materials, materials listed in 49 C.F.R. Section 172.101 and materials defined as hazardous substances pursuant to Section 101(14) of CERCLA.

"Increase Amount" shall have the meaning set forth in Section 4.1(d)(i)(A).

"Indemnitee" means any member of the Buyer Group or the Seller Group who or which may seek indemnification under this Agreement.

"IRS" means the Internal Revenue Service.

"Knowledge", with respect to Seller, means the knowledge of any officer of Seller or any Seller Subsidiary or of Rosa Crawford; Joel Gaudin; Paul Ingle; Jonny McElrath; Travis Monk; Jennifer Nicholes; John Rhyne; Ray Robinson; Mike Shows; or Steve Straub (i) if any such Person is actually aware of such fact or other matter or (ii) if any such Person could be expected to discover or otherwise become aware of such fact or other matter after due inquiry concerning the existence of such fact or other matter (including review of applicable files relating to such fact or other matter).

"Laws" means all laws, statutes, constitutions, treaties, rules, regulations, policies, standards, directives, ordinances, codes, judgments, rulings, orders, writs, decrees, stipulations, injunctions and determinations of all Governmental Entities.

"Lease Agreement" means the Lease Agreement dated as of the Closing Date by and between Seller (as a guarantor), Sypris Technologies, Inc. (as landlord) and Buyer (as tenant), substantially in the form attached hereto as Exhibit C.

"Liabilities" means any and all claims, debts, liabilities, obligations and commitments of whatever nature, whether known or unknown, asserted or unasserted, fixed, absolute or contingent, matured or unmatured, accrued or unaccrued, liquidated or unliquidated or due or to become due, and whenever or however arising (including those arising out of any Contract or tort, whether based on negligence, strict liability or otherwise) and whether or not the same would be required by GAAP to be reflected as a liability in financial statements or disclosed in the notes thereto.

"Lien" means any charge, claim, equitable interest, lien, encumbrance, option, proxy, pledge, security interest, mortgage, right of first refusal, right of first offer, retention of title agreement, defect of title or restriction of any kind or nature, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership.

"Material Adverse Effect" means any circumstance, condition, event, occurrence, change, effect or development that, individually or in the aggregate, is materially adverse to (a) the business, condition (financial or otherwise), operations, results of operations, assets or liabilities of the Business or the Assets or (b) the ability of Seller, the Seller Subsidiaries and its and their Affiliates to consummate the Transaction.

"Material Facility Services Contracts" shall have the meaning set forth in Section 6.6(e).

"Morganton Building Inspection" shall have the meaning set forth in Section 8.6(b).

"Morganton Facility" means the Leased Premises (as defined in the Lease Agreement).

"Morganton Phase II Study" shall have the meaning set forth in Section 8.6(b).

"Notice of Disagreement" shall have the meaning set forth in Section 4.1(c)(ii).

"Occurrence Basis Policies" shall have the meaning set forth in Section 8.7(a).

"Other Intellectual Property" means all (a) trade secrets and confidential business and technical information (including ideas, research and development, know-how, formulas, technology, compositions, manufacturing and production processes and techniques, technical data, engineering, production and other designs, plans, drawings, engineering notebooks, industrial models, software specifications, financial, marketing and business data, pricing and cost information, business and marketing plans and customer and supplier lists and information); (b) works of authorship and all copyrights thereto; (c) copies and tangible embodiments of any or all of the foregoing (in whatever form or medium, including electronic media); and (d) other proprietary, intellectual property and other rights.

"Panel L/M Roof Damage" shall have the meaning set forth in Section 8.6(g).

"Patents" means patents, patent applications and invention disclosures.

"Permits" means all Consents, licenses, permits, certificates, variances, exemptions, franchises and other approvals issued, granted, given, required or otherwise made available by any Governmental Entity.

"Permitted Liens" means Liens for (a) Taxes, assessments and other governmental charges, if such Taxes, assessments or charges shall not be due and payable; and (b) inchoate workmen's, repairmen's or other similar Liens arising or incurred in the ordinary course of business consistent with past practices in respect of obligations which are not overdue, minor title defects and recorded easements, which workmen's, repairmen's or other similar Liens, minor title defects and recorded easements do not, individually or in the aggregate, impair the continued use, occupancy, value or marketability of title of the property to which they relate or the Business, assuming that the property is used on substantially the same basis as such property is currently being used in the Business.

"Person" means any individual, firm, partnership, joint venture, trust, corporation, limited liability entity, unincorporated organization, estate or other entity (including a Governmental Entity).

"Plans" shall have the meaning set forth in Section 6.11(b).

"PNC" means PNC Bank, National Association.

"Purchase Price" shall have the meaning set forth in Section 4.1(a).

"Release" shall have the meaning set forth in Section 101(22) of CERCLA.

"Representatives" means, with respect to any Person, such Person's Affiliates, directors, officers, employees, agents, consultants, advisors and other representatives, including legal counsel, accountants and financial advisors.

"Seller" shall have the meaning set forth in the preamble to this Agreement.

"Seller Affiliated Group" shall have the meaning set forth in Section 6.4(a).

"Seller Group" shall have the meaning set forth in Section 9.2.

"Seller Hazardous Substances" shall mean any Hazardous Materials that were present in, on, under, or from the Morganton Facility on or prior to the date hereof (including any Hazardous Materials that would reasonably be expected to result from the degradation of such Hazardous Materials, whether such Hazardous Materials reasonably expected to result from the degradation of such Hazardous Materials were present on, prior to or after the date hereof).

"Seller Subsidiaries" means Sypris Technologies, Inc., a Delaware corporation, and Sypris Technologies Kenton, Inc., a Delaware corporation.

"Sisamex" means Sistemas Automotrices de Mexico, S.A. de C.V.

"Subordinated Note" means the Promissory Note dated July 2, 2015 by Seller and certain other entities in favor of Buyer.

"Tax Returns" shall have the meaning set forth in Section 6.4(a).

"Taxes" means (a) all taxes, charges, duties, fees, levies or other assessments, including income, excise, property, sales, use, gross receipts, recording, insurance, value added, profits, license, withholding, payroll, employment, net worth, capital gains, transfer, stamp, social security, environmental, occupation and franchise taxes, imposed by any Governmental Entity, and including any interest, penalties and additions attributable thereto; (b) any Liability for the payment of any amounts described in clause (a) as a result of being a member of an affiliated, consolidated, combined, unitary or similar group or as a result of transferor or successor Liability or by operation of Law; and (c) any Liability for the payment of any amounts as a result of being a party to any tax sharing agreement or as a result of any express or implied obligation to indemnify any other Person with respect to the payment of any amounts of the type described in clauses (a) and (b).

"Termination Agreement" means the Termination Agreement between Buyer and Sypris Technologies Kenton, Inc. dated as of the date hereof, in a form mutually agreed to by Buyer and Seller, that terminates the Core Products and Housings Supply Agreement dated as of May 3, 2004.

"Transaction" means the transactions contemplated by the Transaction Documents.

"Transaction Documents" means this Agreement, the Ancillary Agreements and all other instruments, certificates and documents delivered or required to be delivered by Buyer, Seller, any Seller Subsidiary or any Affiliate of any thereof pursuant to this Agreement.

"Transition Agreement" means the Transition Agreement dated as of the Closing Date by and between Seller, Sypris Technologies, Inc. and Buyer, substantially in the form attached hereto as Exhibit D.

"USM" means U.S. Manufacturing Corporation.

"USM Purchase Orders" shall have the meaning set forth in Section 2.1(f).

"WARN Act" shall have the meaning set forth in Section 8.5(b).

**ACCESS AGREEMENT**

This Access Agreement (the "Agreement") is effective as of July 9, 2015 (the "Effective Date") among and between Meritor Heavy Vehicle Systems, LLC ("Customer"), Gill Family Capital Management, Inc. ("Gill") and Sypris Technologies Kenton, Inc. ("Sypris Technologies Kenton"), Sypris Technologies, Inc. ("Sypris Technologies") and Sypris Solutions, Inc. ("Sypris Solutions") (Sypris Technologies Kenton, Sypris Technologies and Sypris Solutions being hereinafter collectively referred to as "Supplier").

**RECITALS**

A. Pursuant to all of the various contractual obligations mutually agreed by the parties and their affiliates for the purchase and sale of Component Parts, as defined herein, (collectively, the "Supply Agreements" or individually, a "Supply Agreement"), Supplier is obligated to manufacture Customer's and its affiliates' and Sisamex's respective requirements of certain component parts or assembled goods (collectively, the "Component Parts" or individually, a "Component Part"). For certainty, Component Parts include service parts to the extent that Supplier has any obligation to supply such parts pursuant to any Supply Agreement.

B. Supplier and PNC Bank, National Association ("PNC" or "Lender"), are parties to a Revolving Credit and Security Agreement (as amended, the "Revolving Agreement"), whereby Lender has agreed to lend to Supplier monies in the amounts, and subject to the limitations, set forth in the Revolving Agreement.

C. Supplier owns the Facilities (as defined below) identified on Schedule A.

D. Supplier has requested that Customer provide certain financial and other accommodations to Supplier in accordance with the Accommodation Agreement among the Parties dated of even date hereof (the "Accommodation Agreement"). It is a condition of the Accommodation Agreement that Supplier grants Customer and any of its affiliates an access right to Supplier's Facilities.

E. Supplier is entering into this Agreement to afford Customer and any affected affiliates the right to use some or all of Supplier's assets located at the Facilities, as provided below if an Event of Default (as defined below) occurs.

**BASED ON THE FOREGOING RECITALS** and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Customer and Supplier agree that:

**TERMS AND CONDITIONS**

1. Defined Terms. In addition to those terms defined elsewhere in this Agreement, the following terms have the indicated meanings, unless the context otherwise requires:

"Accounts" means any "account" or "chattel paper," as defined in Sections 9-102(a)(2) and 9-102(a)(11), respectively, of the "Code" (defined below), owned now or hereafter by Supplier, and shall also mean and include: (i) all accounts receivable, contract rights, book debts, notes, drafts, instruments, documents, acceptances, payments under leases and other forms of obligations, now owned or hereafter received or acquired by or belonging or owing to Supplier (including under any trade name, styles, or division thereof) whether arising out of goods sold or leased or services rendered by Supplier or from any other transaction, whether or not the same involves the sale of goods or services by Supplier (including, without limitation, any such payment obligation or right to payment which might be characterized as an account, contract right, general intangible, or chattel paper under the Uniform Commercial Code in effect in any jurisdiction); (ii) all monies due to or to become due to Supplier under all contracts for the sale or lease of goods or the performance of services by Supplier (whether or not yet earned by performance on the part of Supplier) now in existence or hereafter arising; and (iii) deposit accounts, insurance refunds, tax refunds, tax refund claims and related cash and cash equivalents, now owned or hereafter received or acquired by or belonging or owing to Supplier.

“Chattel Paper” means all “chattel paper” as defined in Section 9-102(a)(11) of the Code.

“Code” means the Uniform Commercial Code as in effect in the State of Michigan as of the date of this Agreement.

“Contract Rights” means all rights of Supplier (including to payment) under each “Contract” (defined below).

“Contracts” or individually, “Contract”, means any licensing agreements and any and all other contracts, supply agreements, or other agreements used in the manufacture, production or assembly of Component Parts, and in or under which Supplier may now or hereafter have any right, title, or interest and which pertain to the lease, sale, or other disposition by Supplier of “Equipment” (defined below), “Inventory” (defined below), fixtures, real property, or the right to use or acquire personal property, as any of the same may from time to time be amended, supplemented, or otherwise modified, but excluding the Loan Documents.

“Designee(s)” means one or more third-party entities and/or persons engaged by Customer to assist Customer in the exercise of its access rights hereunder; provided, however, that Customer will not engage any such entity who: (i) at the time that Customer exercises its access rights under the Access Agreement or at any time during the prior two year period, is or has been a direct competitor of Supplier; or (ii) whose interests are aligned with those of a direct competitor of Supplier.

“Event of Default” The occurrence of any one or more of the following will be an “Event of Default” under this Agreement, unless a waiver or deferral thereof is agreed to in writing, in each instance, by Customer.

- (a) An authorized officer of Supplier repudiates or Supplier breaches its obligations under this Agreement or the Supply Agreements, the consequence of which is that such default is reasonably likely to result in a material interruption in the supply of Component Parts to Customer, or any of its affiliates, or Sisamex and such material interruption remains uncured for four (4) calendar days (the “Cure Period”), following notice by Customer, its affiliates, or Sisamex to Supplier and Lender; provided, however, that if any officer or plant manager of Supplier willfully causes a material interruption of supply, then no cure period shall apply;
- (b) Supplier breaches the terms of Paragraphs 4.5, 4.6, or 4.11 of the Accommodation Agreement, which breach remains uncured for two (2) calendar days following notice to Supplier and Lender;
- (c) Lender commences any affirmative enforcement action under the Revolving Agreement, as amended, if the action is reasonably likely to materially impact Supplier’s operations or ability to perform under this Agreement;
- (d) Lender repudiates or materially breaches the Revolving Agreement, as amended, and such repudiation or material breach is reasonably likely to materially disrupt the supply of Component Parts by Supplier;
- (e) Lender ceases funding under the Revolving Agreement, as amended, for any reason and such cessation is reasonably likely to materially disrupt the supply of Component Parts by Supplier; or
- (f) A Chapter 11 petition is filed under the United States Bankruptcy Code by or against Supplier and is subsequently converted to Chapter 7 or a Chapter 7 petition is filed by or against Supplier and an Order for relief is entered in the Chapter 7 case without the case being converted to a Chapter 11 within fourteen (14) days of such filing.

“Documents” means all “documents” as defined in Section 9-102(a)(30) of the Code.

“Equipment” means any “equipment,” as that term is defined in Section 9-102(a)(33) of the Code, now or hereafter owned by Supplier, which is used in the manufacture, production or assembly of the Component Parts, and shall also mean and include all machinery, equipment, vehicles, furnishings, and fixtures (as such terms are defined in Section 9-102 of the Code) now owned or hereafter acquired by Supplier, including, without limitation, all items of machinery and equipment of any kind, nature and description, whether affixed to real property or not, as well as all additions to, substitutions for, replacements of or accessions to any of the foregoing items and all attachments, components, parts (including spare parts), and accessories whether installed thereon or affixed thereto in each case to the extent used in the manufacture or production of Customer’s Component Parts.

“Facilities” or “Real Estate” means the real property and related manufacturing facilities identified in Exhibit A. “Facility” means any one of them individually.

“General Intangibles” means all “general intangibles,” as such term is defined in Section 9-102(a)(42) of the Code, now or hereafter owned by Supplier, which are used in the manufacture, production or assembly of Customer’s Component Parts, including, without limitation, customer lists, rights in intellectual property, goodwill, trade names, service marks, trade secrets, patents, trademarks, copyrights, applications therefor, permits, licenses, now owned or hereafter acquired by Supplier, but excluding items described in the definition of Accounts.

“Instruments” means all “instruments” as defined in Section 9-102(a)(47) of the Code.

“Intellectual Property” means all now existing or hereafter acquired patents, trademarks, copyrights, inventions, licenses, discoveries, processes, know-how, techniques, trade secrets, designs, specifications and the like (regardless of whether such items are now patented or registered, or registerable, or patentable in the future), and all technical, engineering, or other information and knowledge, production data and drawings, which are used in the manufacture, production or assembly of Component Parts, including without limitation, all items, rights and property defined as “intellectual property” under 11 U.S.C. Section 101, as amended from time to time.

“Inventory” means any “inventory,” as that term is defined in Section 9-102(a)(48) of the Code, wherever located, now owned or hereafter acquired by Supplier or in which Supplier now has or hereafter may acquire any right, title or interest including, without limitation, all goods and other personal property now or hereafter owned by Supplier which are leased or held for sale or lease or are furnished or are to be furnished under a contract of service or which constitute raw materials, work in process or materials used or consumed or to be used or consumed in Supplier’s manufacture of Component Parts, or in the processing, packaging or shipping of the same, and all finished goods.

“Obligations” means solely the obligation to provide Customer and/or its Designee(s) the “Right of Access” (as defined below).

“Operating Assets” means those assets located at or about the Facilities which are used in the manufacture, production, or assembly, of Component Parts, together with all other assets of Supplier, wherever located, which are necessary or helpful for production of Component Parts, including Equipment, Contract Rights, and General Intangibles (other than deposit accounts, claims against insurance companies, choses in action, proceeds of any indemnity, any guaranties, insurance refunds, tax refund claims, cash and cash equivalents), but specifically excluding any Accounts, Instruments, Inventory, Chattel Paper, the Proceeds thereof, or the Proceeds of General Intangibles.

“Proceeds” has the meaning provided it under the Code and, in any event, shall include, but not be limited to: (i) any and all proceeds of any insurance, indemnity, warranty, or guaranty payable to Supplier from time to time with respect to any of the Operating Assets or Real Estate (defined in paragraph 2 below); (ii) any and all payments (in any form whatsoever) made or due and payable to Supplier from time to time in connection with any requisition, confiscation, condemnation, seizure, or forfeiture of all or any part of the Operating Assets or Real Estate by any governmental body, authority, bureau, or agency (or any Person acting under color of governmental authority); and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Operating Assets or Real Estate.

“Promissory Note” shall mean the promissory note executed and delivered by Supplier to Customer as of the Effective Date pursuant to the terms of the Accommodation Agreement.

“Restricted Louisville Operating Assets” means those Operating Assets located at Supplier’s Louisville, Kentucky facility (the “Louisville Facility”) listed on Exhibit A-1 together with the additional assets described in the next sentence (the “Additional Assets”). In the event that Customer exercises its right of access at the Louisville Facility, Customer, Lender and Supplier shall, within three business days of Customer’s exercise of such access rights, cooperate in good faith, to complete a list of the Additional Assets with the intent that such list contain only those Additional Assets at the Louisville Facility which are reasonably necessary for the production of Component Parts at such facility and shall not have an aggregate orderly liquidation value of more than \$200,000 but in no event shall any one piece of equipment exceed \$50,000.

“Unrestricted Louisville Operating Assets” means all other assets of the Supplier located at the “Louisville Facility” other than the Restricted Louisville Operating Assets.

## 2. Right of Access.

(a) General. Supplier hereby grants Customer, its affiliates and/or its Designees the temporary and limited right, but not the obligation, to occupy one or more portions of the Facilities and use some or all of the Toluca Assets or the Restricted Louisville Operating Assets, solely to the extent necessary to manufacture Component Parts (“Right of Access”) for a period of up to 180 days for the Louisville Facility (the “Louisville Occupancy Period”) and for a period of up to 180 days at Supplier’s Toluca, Mexico facility (the “Toluca Occupancy Period” and, together with the Louisville Occupancy Period, the “Occupancy Periods”) commencing upon the date Customer provides the Access Notice referenced below after the occurrence of an Event of Default. Notwithstanding the above, if the Event of Default was solely an operational (non-financial) Default under Subsection (a) of the defined term “Events of Default”, Customer shall only be entitled to access the Facility where such operational default has occurred. Customer may exercise the Right of Access at a Facility by delivering written notice accompanied by telephonic notice to any officer of Sypris Solutions at least twenty-four (24) hours in advance after the applicable cure period to Supplier and Lender indicating its intention to exercise the Right of Access and identifying the applicable Facility(ies) (the “Access Notice”). Customer’s right of access at any accessed Facility shall terminate upon the occurrence of any of the following:

- (i) provided no material production default has occurred, at such time that (1) the Revolving Agreement and the Promissory Note have been fully paid; (2) any past due amounts owed by Supplier to Meritor have been fully paid; (3) any incremental funding by and direct expenses incurred by Customer during any Occupancy Period(s) (in excess of Supply Agreement prices) have been fully paid; (4) Supplier shall have established (as of the date that each of the conditions in Section 2(a)(i)(1)-(3) have been fulfilled) a minimum undrawn availability of \$7.5 million; and (5) Supplier is not in material default of any other loan or to supply-related creditors (excluding good faith disputes);
- (ii) if there has been a material production interruption of Component Parts of less than ten calendar days, in addition to the requirements in above (2)(a)(i)(1-5) having been satisfied, at such time that: (1) production pursuant to the Supply Agreements has been restored and remained satisfactory for 90 days after such production interruption; (2) key operational root causes of the production interruption have been addressed to Customer’s reasonable satisfaction; (3) any employee attrition has been resolved by hiring and retaining sufficient personnel for 90 days following such production interruption; and (4) Supplier shall have maintained a minimum undrawn availability of \$5.0 million for 90 days following payment in full of the Revolving Agreement.
- (iii) if there has been a material production interruption of Component Parts more than ten calendar days, in addition to the requirements in above Sections 2(a)(i)(1)-(5) and 2(a)(ii)(2)-(4) having been satisfied, at such time that production pursuant to the Supply Agreements has been restored and remains satisfactory for six months after such production interruption;

- (iv) June 30, 2016, unless otherwise extended by written agreement of all parties to this Agreement; or
  - (v) Customer has elected to terminate access as provided in the Accommodation Agreement.
- (b) Customer's Obligations. If Customer exercises the Right of Access, Customer, its affiliates, and/or its Designee(s) shall:
- (i) use reasonable care in the custody and preservation of the Supplier's assets and indemnify, defend and hold Lender and Supplier harmless from any costs, expenses, losses, damages, and liability relating to damage to property or any party (including the Operating Assets and the Real Estate) or injury to any party imposed or asserted against Lender or Supplier, caused directly or indirectly by Customer's, its affiliates' use of the Operating Assets and the Real Estate or the exercise of Customer's rights under this Agreement;
  - (ii) maintain the Operating Assets and the Real Estate in the same condition as existed on the date Customer exercised the Right of Access, ordinary wear and tear excepted, and within five (5) business days after the Right of Access is exercised, provide insurance on the Operating Assets and the Real Estate, comparable to the current insurance on all such assets naming the Supplier and Lender as the loss payees (in the case of Lender, lender loss payee) or additional insureds;
  - (iii) in addition to the Supply Agreement price for Component Parts produced during the Occupancy Period(s), pay (to the extent they exceed such price) the actual incremental costs and expenses incurred in connection with the manufacturing of the Component Parts during the Occupancy Period(s), including, without limitation, inventory, gross wages (including overtime, and benefits), utilities, other overhead expenses, prorated property taxes and assessments attributable to the Operating Assets and the Real Estate, and any payments due on account of any of the Operating Assets and Real Estate which are leased from unrelated third parties provided, however, that Customer or its affected affiliate shall only be responsible for its proportionate share (calculated by sales) of the operating expenses of an accessed facility, with the balance of such expenses to be borne by other customers who receive productions at such accessed facility (it being acknowledged that Lender shall have no obligation to contribute any funds to maintaining the operation of the Operating Assets or the Real Property);
  - (iv) subject to Customer's or its affiliates' right to use the Louisville Restricted Operating Assets, the Toluca Operating Assets and to occupy the Real Estate during the Occupancy Period(s), afford Supplier's and Lender's respective representatives reasonable access to inspect any assets including the Operating Assets and the Real Estate, to market, sell, or otherwise realize upon the assets including the Operating Assets and the Real Estate, to prepare for a liquidation, financing or sale as a going concern of the Operating Assets and the Real Estate at the end of the Occupancy Period(s), and to sell any Unrestricted Louisville Operating Assets at any time and shall not interfere with the Supplier's or Lender's efforts to sell any such assets. Notwithstanding anything herein to the contrary, Lender and Supplier agree not to sell the Restricted Louisville Operating Assets or the Louisville Real Estate, nor the Toluca Operating Assets or the Toluca Real Estate prior to the expiration of the Louisville Occupancy Period unless such sale is made expressly subject to the rights of Customer hereunder.
  - (v) Customer and its affiliates shall purchase for cash and free of offset the usable and merchantable "Inventory" related to its production at any facility where the access rights have been exercised;

- (vi) in addition to purchasing Inventory in accordance with subparagraph (b)(v) above, purchase usable and merchantable work in process inventory at any such facility at 100% of pro-rated Supply Agreement price for the Component Parts in question based on percentage of completion;
- (vii) on the first day of the Louisville Occupancy Period, and on the first date of each month thereafter, pay to Lender the “Access Fee” for the Louisville Facility identified on Exhibit A, for the month in which Customer exercises its Right of Access; provided that Lender, Supplier and Customer shall in good faith structure the obligations of such fee in a manner that Customer shall be entitled to a refund or credit of such fee from Supplier to the extent that all obligations owing to Lender have been indefeasibly repaid in full in cash without the benefit of any such Access Fee (which may include the funds in an escrow account and not applied to the obligations at Lender’s option);
- (viii) not permit the creation of or allow to remain undischarged any lien, encumbrance, or charge arising out of Customer’s access to, use of or any work performed in, any Facility which might be or become a lien, encumbrance or charge on such Facility; all such liens, encumbrances and/or charges shall be removed by payment, deposit or bond within thirty days of the filing thereof;
- (ix) not interfere with Supplier’s fulfillment of its obligations and agreements to its other customers who pay their proportionate shares (calculated by sales) of the operating expenses of the accessed facility, including reasonably cooperating with Supplier in the use of shared equipment or operating lines;
- (x) not make any employee termination decisions without the written authorization of Supplier, will consult with Supplier regarding any employee termination decision made by Supplier, and will provide to Supplier adequate notice of any decision to terminate access at any facility in order to minimize any potential WARN Act liability or other applicable statutory severance liability or similar liability; and
- (xi) observe in all respects all applicable laws, rules, regulations and ordinances relating to the use and occupancy of the Operating Assets and Real Estate and to the manufacturing, processing and shipping of the Component Parts including without limitation all relevant employment laws and other laws and policies relating to employees during the Access Period.

(c) Supplier’s Obligations If Customer exercises the Right of Access to one or more of Supplier’s facilities, Supplier shall comply with the following:

- (i) At Customer’s election and in its reasonable discretion, Supplier will use commercially reasonable efforts to continue to employ those of its employees whom Customer determines are necessary to maintain production of the Component Parts (the “Employees”) and, in turn, lease and/or share the Employees as needed to satisfy Customer, and all other customer obligations to Customer, its affiliates, and/or its Designee(s) and Customer or the affected affiliate shall reimburse Supplier for all costs and expenses relating to Supplier’s employment of the Employees incurred during the Occupancy Period(s). Without limiting the generality of the foregoing, Customer, its affiliates, and/or its Designee(s) shall reimburse Supplier all amounts incurred by Supplier to meet its regular payroll obligations, including salaries, wages (including overtime occasioned by Customer or the affected affiliate), payroll taxes, workers’ compensation, unemployment insurance, disability insurance, welfare, pension, and other payments and contributions required to be made by Supplier with respect to the Employees, which are incurred during the Occupancy Period(s), but in no event will Customer or the affected affiliate be liable for (A) any costs for unfunded actuarial liability, past service unfunded actuarial liability, or solvency or deficiency liability relating to any pension plan, severance plan or other obligations relating to benefits accrued or service provided prior to the time Customer exercised its Right of Access or after the termination of the Occupancy Period(s), (B) any unpaid minimum contribution obligations to the pension plan(s), regardless of when they are due, relating to benefits accrued prior to the time Customer exercised its Right of Access or after termination of the Occupancy Period(s), (C) unpaid premium payments to the PBGC with respect to any pension plan which accrued prior to the time Customer exercised its Right of Access or after the termination of the Occupancy Period(s), or (D) any excise tax, interest, make whole payments, or agency hearing or litigation costs on account of any prohibited transactions or other fiduciary breaches occurring prior to the time Customer exercised the Right of Access or after the termination of the Occupancy Period(s), alleged or confirmed with respect to Supplier’s employee benefit plans. Notwithstanding the foregoing, under no circumstances will Customer or any affected affiliate be responsible for reimbursing Supplier for costs and expenses relating to Supplier’s employment of the Employees to the extent the Employees are only performing services unrelated to the production of the Component Parts or performance of Supplier’s obligations under the access provisions of this Agreement;

- (ii) During the Occupancy Period(s), Supplier will have sole responsibility for maintaining and administering all employee benefit plans, and will assume and carry out all fiduciary obligations with respect to such plans. Customer's or any affected affiliate's sole responsibility with respect to Supplier's employee benefit plans during the Occupancy Period(s) will be to pay the Supplier all amounts needed to pay premiums or otherwise fund the plans in accordance with the plan documents and applicable law, and to pay the reasonable costs of administering the plans in the ordinary course during the Occupancy Period(s) (but specifically excluding any items listed in Paragraph 2(c)(i)(A)-(D) above). Other than the obligation to pay Supplier the funds necessary to maintain and administer the employee benefit plans during the Occupancy Period(s), pursuant to this section and Paragraph 2(c)(i) above, neither Customer nor any affected affiliate shall have any other responsibilities or obligations with respect to the employee benefit plans, and does not have any role in overseeing, maintaining or administering them during the Occupancy Period(s);
- (iii) During the Occupancy Period(s), Supplier shall not increase compensation or benefits of the Employees without the consent of Customer except as may be required by applicable law or preexisting contract;
- (iv) Supplier shall indemnify, defend and hold Customer and its affiliates and its respective employees and agents harmless from any and all costs, expenses (including reasonable attorneys' fees), losses, damages, liabilities or injury arising from claims or liabilities arising or accruing before the date of Customer's exercise of the Right of Access, regardless of when such claims are asserted; and
- (v) During the Occupancy Period(s), Supplier agrees that Customer and its affiliates and respective agents and representatives shall have access to Supplier's books and records for the purposes of confirming and calculating the amounts due, if any, from Customer or any affected affiliate under this Agreement.

(d) Right to Terminate. Customer shall have the absolute right to terminate its Right of Access at a particular facility upon ten (10) days prior written notice to Supplier and Lender. Upon expiration of the notice period, the Occupancy Period(s) will terminate, and upon any such (or any other) termination of any Occupancy Period(s), Customer or any affected affiliate will ensure that the Operating Assets and the Real Estate at such Facility are left in a safe and secure state and in substantially the same condition as they were at the beginning of the Occupancy Period(s), normal wear and tear excepted. Except for Customer's or any affected affiliate's obligation under this subparagraph and subparagraph b(i) and payment of any amounts payable under subparagraphs b(i) through (vii) above not paid as of the termination of the Occupancy Period(s), Customer's right to terminate and its cessation of use and occupancy of the Operating Assets and the Real Estate, shall cause no further obligations or liabilities to Supplier or Lender on account of the Right of Access.

(e) SPECIFIC PERFORMANCE.

IN CONNECTION WITH ANY ACTION OR PROCEEDING TO ENFORCE THE RIGHT OF ACCESS, SUPPLIER ACKNOWLEDGES THAT CUSTOMER AND ANY AFFECTED AFFILIATE WILL NOT HAVE AN ADEQUATE REMEDY AT LAW, AND THAT CUSTOMER AND ANY AFFECTED AFFILIATE SHALL BE ENTITLED TO SPECIFIC PERFORMANCE OF SUPPLIER'S OBLIGATIONS TO AFFORD CUSTOMER AND ANY AFFECTED AFFILIATE THE RIGHT OF ACCESS UNDER THIS AGREEMENT. SUPPLIER FURTHER AGREES THAT CUSTOMER AND ANY AFFECTED AFFILIATE MAY SEEK EXPEDITED RELIEF FROM A COURT OF PROPER JURISDICTION AND THAT TWENTY-FOUR (24) HOURS NOTICE OF SUCH REQUESTED EXPEDITED RELIEF, ACCOMPANIED BY TELEPHONIC NOTICE TO ANY OFFICER OF SYPRIS SOLUTIONS, SHALL BE ADEQUATE NOTICE THEREOF.

(f) **IRREPARABLE HARM; LIMITATION OF NOTICE.** SUPPLIER ACKNOWLEDGES THAT CUSTOMER AND ANY AFFECTED AFFILIATE WILL SUFFER IRREPARABLE HARM IF CUSTOMER EXERCISES THE RIGHT OF ACCESS AND SUPPLIER FAILS TO COOPERATE WITH CUSTOMER AND ANY AFFECTED AFFILIATE IN ALLOWING CUSTOMER AND ANY AFFECTED AFFILIATE TO EXERCISE THE RIGHT OF ACCESS UNDER THIS AGREEMENT. ACCORDINGLY, PROVIDED THAT SUPPLIER AND LENDER RECEIVE AT LEAST FORTY-EIGHT (48) HOURS ACTUAL NOTICE OF ANY REQUEST FOR HEARINGS IN CONNECTION WITH PROCEEDINGS INSTITUTED BY CUSTOMER OR ANY AFFECTED AFFILIATE, ACCOMPANIED BY TELEPHONIC NOTICE TO ANY OFFICER OF SYPRIS SOLUTIONS, SUPPLIER WAIVES, TO THE FULLEST EXTENT POSSIBLE UNDER APPLICABLE LAW, THE RIGHT TO NOTICE IN EXCESS OF THIRTY-SIX (36) HOURS IN CONNECTION WITH ANY JUDICIAL PROCEEDINGS INSTITUTED BY CUSTOMER OR ANY AFFECTED AFFILIATE TO ENFORCE THE RIGHT OF ACCESS.

3 . License. If necessary, in Customer's sole discretion, and for purposes of exercising the Right of Access only, Supplier hereby grants Customer a non-exclusive, worldwide, irrevocable, fully paid right and license to use or have used the Intellectual Property necessary for the manufacture or production of Component Parts for Customer's, Sisamex's and Customer's Brazilian affiliates' use (the "License"). Customer's right to the License is limited as set forth below and shall include the right to grant one or more third parties sublicenses for the manufacture of Component Parts; provided, however, that any sublicensee must be consented to by Supplier which consent may not be unreasonably withheld and must satisfy the terms of this Agreement; and sublicensing will have no effect on Customer's or any affected affiliate's obligations under this Agreement. This Paragraph is not intended to modify any rights granted Customer in the Supply Agreements or Accommodation Agreement but is intended to expand those rights.

(a) Right to Use License. Although the License is being granted to Customer as of the date set forth above, Customer agrees that neither it nor its sublicensees will utilize nor have the right to utilize the License unless Customer exercises the Right of Access and then it will only use the License during the Occupancy Period(s) and any additional term thereafter which is commercially required to obtain the production of the products during the remaining original term. For the sake of clarity, such additional term may if commercially required extend beyond the remaining original term (not to exceed a total of one year from the date of Access).

(b) No Royalty. For all purposes, Supplier will be deemed to have been fully paid for the License and other rights granted to Customer under this Agreement (except as otherwise provided in this Agreement) and no royalties, fees, payments, charges, or other consideration shall be due from Customer or any sublicensee on account of the License or this Agreement or Customer's (or sublicensee's) use of the License or other rights granted pursuant to this Agreement (except as otherwise provided in this Agreement) or the Accommodation Agreement.

(c) Protection of Ownership. Customer shall treat and preserve the Intellectual Property in accordance with the same practices employed by Customer to safeguard its own intellectual property against unauthorized use and disclosure and will only use such information, data and trade secrets during the Occupancy Period(s) in connection with producing Component Parts. The foregoing obligations of Customer shall not be applicable to information which is now or becomes hereafter available to the public through no action, conduct, omission, or fault of Customer. The provisions of this paragraph shall survive termination of this Agreement.

4 . Protection of Production. Subject to its obligations under the Accommodation Agreement, Customer, Sisamex and Customer's Brazilian affiliates shall have the right to, without any limitation, among other things, enter into discussions, negotiations, and agreements regarding the production of its Component Parts with any current or former sub-suppliers, agents, consultants, directors, employees, or officers of Supplier.

5 . Rights of Customer: Limitations on Customer's Obligations. Unless Customer exercises its Right of Access, neither Customer nor any affected affiliate shall have any obligation or liability by reason of or arising out of this Agreement nor be required or obligated in any manner to perform or fulfill any of the obligations of Supplier under this Agreement. Neither Customer nor any affected affiliate shall have any responsibility to pay operating expenses in a percentage or share, greater than Customer's or any affected affiliate's percentage of Supplier's sales of the accessed facility during the Occupancy Period(s).

6 . Remedies. Upon an Event of Default and the expiration of any applicable cure periods, Customer shall have all rights and remedies provided in this Agreement and in any other agreements with Supplier. Customer shall have no right to attach, foreclose, sell, or otherwise dispose of all or any portion of the Operating Assets or the Real Property.

7 . Injunctive Relief. Given that Customer and any affected affiliate will incur significant damages if Supplier fails to timely satisfy its obligations to Customer or any affected affiliate and Customer's or such affected affiliate's operations or production will be negatively impacted, and because Customer or any affected affiliate does not have an adequate remedy at law and would be irreparably harmed by such events, Supplier agrees that Customer and any affected affiliate shall be entitled to injunctive relief (both prohibitive and mandatory) upon an uncured Event of Default by Supplier under this Agreement.

8. Representations and Warranties. Supplier represents and warrants to Customer that:

(a) Title; No Other Security Interests. Except for the liens and security interests granted to Lender and the liens and security interests granted any other secured party of record or as previously disclosed to Customer, Supplier owns the Operating Assets and Real Estate free and clear of any and all security interests or claims of others.

(b) Trade Names. Any and all trade names under which Supplier transacts any part of its business, and all former names of Supplier, are those which have been previously disclosed to Customer in writing.

(c) Accuracy of Information. All information, certificates, or statements given to Customer under this Agreement are true and complete in all material respects, when given.

(d) Authority. It has full power and authority to enter into this Agreement and perform all of its obligations hereunder.

9 . Covenants. Supplier covenants and agrees with Customer that from and after the date of this Agreement until the Obligations are fully satisfied:

(a) Further Documentation. At any time and from time to time, upon the written request of Customer, Supplier will promptly and duly execute and deliver any and all such further instruments and documents and take such further action as Customer may reasonably request for the purpose of obtaining the full benefits of this Agreement and of the rights and powers herein granted.

(b) Sales or Dispositions of Assets; Certain Uses Prohibited. During the term of this Agreement, without the written consent of Customer, which consent shall be exercised in good faith and shall not be unreasonably withheld, and subject to the limitations set forth in the Revolving Agreement, Supplier will not: (i) sell or otherwise dispose of any of the Operating Assets or the Real Estate; (ii) encumber the Operating Assets or the Real Estate; or (iii) use, or contract for the use of, any of the Operating Assets or the Real Estate that manufactures Component Parts in any way which would materially adversely affect Customer's or any affected affiliate's Right of Access or Customer's or any affected affiliate's other rights and remedies under this Agreement. Supplier acknowledges and agrees that it will be reasonable for Customer to withhold consent if the proposed sale or encumbrance would materially impair Customer's or any affected affiliate's rights under this Agreement or the Supply Agreements.

(c) Limitations on Modifications of Agreements, etc. Supplier will not: (i) amend, modify, terminate, or waive any provision of any Contract which might materially adversely affect Customer's or any affected affiliate's Right of Access; or (ii) fail to exercise promptly and diligently each and every right which it may have under each Contract in any manner which could materially adversely affect Customer's or any affected affiliate's Right of Access or Customer's or any affected affiliate's other rights or remedies under this Agreement.

(d) Maintenance of Insurance. Subject to the provisions herein, Supplier must, at its expense, keep and maintain the Operating Assets and the Real Estate insured against all risk of loss or damage from fire, theft, malicious mischief, explosion, sprinklers, and all other hazards or risks of physical damage included within the meaning of the term "extended coverage" in amounts as are ordinarily insured against by other similar businesses and shall name, in addition to Lender, Customer or any affected affiliate as loss payees and additional insured(s) thereon.

(e) Right of Inspection; Cooperation. In addition to any rights Customer or any affected affiliate may have under its Supply Agreements and the Accommodation Agreement, Customer, any affected affiliate and their representatives shall, upon reasonable request and at reasonable times, have the right to enter into and upon any premises where any of the Operating Assets, are located for the purpose of inspecting the same, observing their use or otherwise protecting Customer's or any affected affiliate's interests therein. In addition, upon reasonable request, Customer shall be entitled to review and Supplier shall provide or provide access to, current financial information and forecasts related to Supplier's financial condition. Customer shall maintain the strict confidentiality of information obtained by Customer, except as required by regulation, law or court order.

(f) Notice of Default. Supplier will provide prompt written notice to Customer and any affected affiliate, by way of electronic delivery or overnight express mail service, of their or their attorneys' or agents' receipt of any notice of default under Supplier's agreements with Lender or any other secured creditors including, but not limited to, taxing authorities. Supplier hereby grants to Customer or any affected affiliate the option, but not the obligation, to exercise whatever rights to cure defaults that Supplier has under such agreements or by law.

10. Secured Party and Lessor Acknowledgments.

(a) Supplier will obtain Lender's acknowledgment to the rights and interests granted to Customer under this Agreement by providing Customer a copy of the acknowledgment in the form attached as Exhibit B executed by duly authorized representatives of Lender. Supplier will provide an acknowledgment in the form attached as Exhibit B-1 from Gill and a substantially similar acknowledgment and consent from any replacement lender.

(b) If, subsequent to the execution of this Agreement, but during the Term of the Accommodation Agreement, or if exercised, during the Term of this Access Agreement, Supplier intends to grant additional or further security interests, liens, or mortgages in the Operating Assets or the Real Estate to any party other than Customer or Lender, five (5) business days prior to granting such liens, security interests, mortgages, or leaseholds, Supplier must deliver to Customer an acknowledgment from such secured creditors, mortgagees, and/or lessees in a form substantially similar to the Lender Acknowledgment described above.

(c) Supplier will provide to Customer as promptly as practicable acknowledgments of any lessor(s) of the Real Estate and Operating Assets (to the extent leased) to Customer's and any affected affiliate's rights hereunder, in the form attached as Exhibit C.

11. Term. The rights granted to Customer and its affiliates under this Agreement shall continue until the expiration of the Term (as defined in the Accommodation Agreement), unless Customer or any affected affiliate has exercised the Right of Access in which case this Agreement shall expire upon termination of the Occupancy Period(s).

12. Confidential Information and Data. Except as may be required by regulations, law or court orders, without limiting Customer's or any affected affiliate's rights under this Agreement, to the extent the Operating Assets include, or Customer or any affected affiliate or any of its Designee(s) otherwise come into possession of or become aware of, Supplier's trade secrets, proprietary or confidential information during Customer's or any affected affiliate's exercise of the Right of Access, Customer shall ensure that Customer, any affected affiliate and its Designee(s) (a) keep the confidential information, and trade secrets confidential for so long as they remain confidential or secret except by breach of Customer's, its affiliates or Designee(s) obligations herein; and (b) only use the confidential information, and trade secrets during the Occupancy Period(s) in connection with and necessary for producing the Component Parts. The provisions of this paragraph shall survive for a period of five years after the expiration or any termination of this Agreement.

13. Severability. Should any provision of this Agreement be held invalid, prohibited, or unenforceable in any one jurisdiction it will, as to that jurisdiction only, be ineffective to the extent of such holding without invalidating the remaining provisions of this Agreement, and any such holding does not invalidate or render unenforceable that provision in any other jurisdiction wherein it would be valid and enforceable.

14. Authorization. The individuals executing this Agreement as representatives warrant that they have the power and authority to execute this Agreement on behalf of the legal entity that they represent and that their signatures bind said entities to the terms of this Agreement.

15. Section/Paragraph Headings. The section/paragraph headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation of this Agreement. All references to paragraphs, sections, Schedules, and Exhibits are to paragraphs, sections, Schedules, and Exhibits in or to this Agreement unless otherwise specified.

16. No Waiver; Cumulative Remedies. Customer, any affected employee, Suppliers and/or Lender shall not by any act, delay, indulgence, omission, or otherwise be deemed to have waived any right or remedy under this Agreement or of any breach of the terms and conditions of this Agreement. A waiver by Customer or any affected affiliate, Supplier, and/or Lender of any right or remedy under this Agreement on any one occasion shall not be construed as a bar to any right or remedy which Customer, any affected affiliate, Supplier, and/or Lender would otherwise have had on a subsequent occasion. No failure to exercise nor any delay in exercising on the part of Customer or any affected affiliate any right, power, or privilege under this Agreement, shall operate as a waiver, nor shall any single or partial exercise of any right, power, or privilege under this Agreement preclude any other or future exercise thereof or the exercise of any other right, power, or privilege. The rights and remedies under this Agreement are cumulative, may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by any other agreements or applicable law.

17. Waivers and Amendments; Successors and Assigns. No term or provision of this Agreement may be waived, altered, modified, or amended except by a written instrument, duly executed by Supplier and Customer, and acknowledged by Lender. This Agreement and all of Supplier's obligations are binding upon the successors and assigns of Supplier, and together with the rights and remedies of Customer under this Agreement, inure to the benefit of Customer and their respective successors and assigns. Supplier may not assign or transfer any right or obligation under this Agreement without the prior written consent of Customer and Lender.

18. Governing Law and Forum. This Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of Michigan. The parties agree that the federal and state courts sitting in Wayne and Oakland Counties, Michigan, have personal jurisdiction over the parties and that proper jurisdiction and venue for any dispute arising from or under this Agreement may be in the federal or state courts sitting in, respectively, Wayne or Oakland Counties, Michigan.

19. Notices. All notices, requests and other communications that are required or may be given under this Agreement must be in writing and shall be deemed to have been given on the date of delivery, if delivered by hand, telecopy or courier, or three (3) days after mailing, if mailed by certified or registered mail, postage prepaid, return receipt requested, addressed as identified in the Accommodation Agreement (which addresses may be changed, from time to time, by notice given in the manner provided in the Accommodation Agreement).

20. No Intended Third Party Beneficiary. The parties hereto acknowledge and agree that, other than Lender, and any affected affiliate of Customer, the rights and interests of the parties under this Agreement are intended to benefit solely the parties to this Agreement. Lender is an intended beneficiary of this Agreement and may enforce the terms of this Agreement against the parties hereto.

21. Counterparts. This Agreement may be executed in any number of counterparts and by each party hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which together shall constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart. Facsimile or emailed (pdf) signatures shall constitute original signatures for all purposes under this Agreement.

22. Entire Agreement; Conflicts. This Agreement, the Accommodation Agreement, the Supply Agreements, and any schedules or exhibits referenced herein or other documents executed in connection with this Agreement, constitute the entire understanding of the parties in connection with the subject matter of this Agreement. This Agreement constitutes a merger of all proposals, negotiations, representations, understandings, and agreements, whether oral or written, with regard to the subject matter and provisions of this Agreement. Except as specifically provided herein, this Agreement is not intended to supplant or modify the terms of the Supply Agreements, which will otherwise remain in full force and effect. In the event and to the extent of a conflict between the terms of the Supply Agreements and this Agreement, the terms of this Agreement will control.

23. **CONSULTATION WITH COUNSEL. THE PARTIES ACKNOWLEDGE THAT THEY HAVE BEEN GIVEN THE OPPORTUNITY TO CONSULT WITH COUNSEL BEFORE EXECUTING THIS AGREEMENT AND ARE EXECUTING SUCH AGREEMENT WITHOUT DURESS OR COERCION AND WITHOUT RELIANCE ON ANY REPRESENTATIONS, WARRANTIES OR COMMITMENTS OTHER THAN THOSE REPRESENTATIONS, WARRANTIES AND COMMITMENTS SET FORTH IN THIS AGREEMENT.**

24. **WAIVER OF JURY TRIAL. THE PARTIES HERETO ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL RIGHT, BUT THAT THIS RIGHT MAY BE WAIVED. THE PARTIES EACH HEREBY KNOWINGLY, VOLUNTARILY AND WITHOUT COERCION, WAIVE ALL RIGHTS TO A TRIAL BY JURY OF ALL DISPUTES ARISING OUT OF OR IN RELATION TO THIS AGREEMENT OR ANY OTHER AGREEMENTS BETWEEN THE PARTIES EXECUTED IN CONNECTION WITH THIS AGREEMENT. NO PARTY SHALL BE DEEMED TO HAVE RELINQUISHED THE BENEFIT OF THIS WAIVER OF JURY TRIAL UNLESS SUCH RELINQUISHMENT IS IN A WRITTEN INSTRUMENT SIGNED BY THE PARTY TO WHICH SUCH RELINQUISHMENT WILL BE CHARGED.**

[REMAINDER OF PAGE INTENTIONALLY BLANK –  
SIGNATURES CONTAINED ON NEXT PAGE]

**SYPRIS SOLUTIONS, INC.**

By: /s/ John R. McGeeney  
Its: Vice President, General Counsel and Secretary

**SYPRIS TECHNOLOGIES, INC.**

By: /s/ John R. McGeeney  
Its: /s/ General Counsel

**SYPRIS TECHNOLOGIES KENTON, INC.**

By: /s/ John R. McGeeney  
Its: /s/ General Counsel

**MERITOR HEAVY VEHICLE SYSTEMS, LLC**

By: /s/ Robert H. Speed  
Its: Authorized Signer

**ACCOMMODATION AGREEMENT**

This Accommodation Agreement (the "Agreement") is effective as of July 9, 2015 (the "Closing Date") among and between Meritor Heavy Vehicle Systems, LLC ("Customer"), Gill Family Capital Management, Inc. ("Gill") and Sypris Technologies Kenton, Inc. ("Sypris Technologies Kenton"), Sypris Technologies, Inc. ("Sypris Technologies") and Sypris Solutions, Inc. ("Sypris Solutions") (Sypris Technologies Kenton, Sypris Technologies and Sypris Solutions together with such entities' Mexican affiliate being hereinafter collectively referred to as "Supplier").

**RECITALS**

- A. Pursuant to all of the various contractual obligations mutually agreed by the parties and their affiliates, including Customer's Brazilian affiliate, for the purchase and sale of Component Parts as defined herein (collectively, "US Agreements" or individually, a "US Agreement"), Supplier is obligated to manufacture for Customer certain component parts, service parts and/or assembled goods (collectively, "Component Parts" or individually, a "Component Part"). For purposes of this Agreement, Customer and Supplier each hereto acknowledges that the Core Products and Housings Supply Agreement dated May 3, 2004, as amended, will be terminated effective as of the closing of the Morganton asset purchase transaction in accordance with, and subject to, the terms thereof, and therefore is excluded from the definition of "US Agreements" after that date.
  - B. Sistemas Automotrices de Mexico, S.A. de C.V., a joint venture company jointly owned by Customer and Quimmco, S.A. de C.V. ("Sisamex"), is party to various agreements and purchase orders with Supplier, pursuant to which Supplier is obligated to manufacture for Sisamex certain component parts as more fully set forth therein (the "Mexican Supply Agreements"). (For the avoidance of doubt, Sisamex is not deemed to be an "affiliate" of Meritor for purposes of this Agreement.)
  - C. Gill has a substantial financial interest in Supplier, both as a beneficial shareholder and a lender.
  - D. The US Agreements also include provisions pursuant to which Customer and its affiliates sell to Supplier certain raw materials in connection with the production of the Component Parts (the "Rebill Provisions," and the invoices of such sales, the "Rebill Invoices").
  - E. Supplier and PNC Bank, National Association ("Lender") are parties to a Revolving Credit and Security Agreement (as amended, restated supplemented or replaced from time to time, the "Revolving Agreement"), whereby Lender has agreed to lend to Supplier monies in the amounts, and subject to the limitations, set forth in the Revolving Agreement.
  - F. Supplier has requested a change in trade terms from Customer.
  - G. Should Supplier fail to meet its obligations to Customer to deliver Component Parts timely as required by the US Agreements, Customer and its affiliates could suffer significant and irreparable harm.
  - H. Subject to the terms of this Agreement, Customer and Gill have agreed to provide certain financial accommodations to Supplier and Supplier, in exchange for those financial accommodations, has agreed to make certain accommodations to Customer, all as set forth herein.
-

BASED UPON THE FOREGOING RECITALS and other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree as follows:

**TERMS AND CONDITIONS**

1. **Conditions to Effectiveness.** This Agreement will become effective upon the: (a) execution of this Agreement by all parties; and (b) Supplier's delivery to Customer of a fully executed and acknowledged copy of the Access Agreement.
2. **Term.** The term of this Agreement ("Term") will be from the Effective Date until the earliest of:
  - (a) provided no material production default has occurred, at such time that (i) the Revolving Agreement and the Promissory Note (as defined below) has been fully paid; (ii) any past due amounts owed by Supplier to Meritor have been fully paid; (iii) any incremental funding by and direct expenses incurred by Customer during any Occupancy Period (in excess of US Agreement prices) have been fully paid; (iv) Supplier shall have established (as of the date that each of the conditions in Section 2(a)(i)-(iii) have been fulfilled) a minimum undrawn availability of \$7.5 million; and (v) Supplier is not in material default of any other loan agreement or to supply-related creditors (excluding good faith disputes);
  - (b) if there has been a material production interruption of Component Parts of less than ten calendar days, in addition to the requirements in above (2)(a)(i)-(v) having been satisfied, at such time that: (i) production pursuant to the US Agreements and the Mexican Supply Agreements has been restored and remained satisfactory for 90 days after such production interruption; (ii) key operational root causes of the production interruption have been addressed to Customer's reasonable satisfaction; (iii) any employee attrition has been resolved by hiring and retaining sufficient personnel for 90 days following such production interruption; and (iv) Supplier shall have maintained a minimum undrawn availability of \$5.0 million for 90 days following payment in full of the Revolving Agreement;
  - (c) if there has been a material production interruption of Component Parts of more than ten calendar days, in addition to the requirements in above 2(a)(i)-(v) and 2(b)(ii)-(iv) having been satisfied, at such time that production pursuant to the US Agreements and the Mexican Supply Agreements has been restored and remains satisfactory for six months after such production interruption; or
  - (d) June 30, 2016, unless otherwise extended by written agreement of all parties to this Agreement.
3. **Customer's Accommodations.**
  - 3.1 **Brazil Obligations.** On or before the Closing Date, Customer's Brazilian affiliate and Supplier's Mexican affiliate agree to make any payments to one another, as required, to retire all past due obligations arising from supply arrangements between Supplier's Mexican affiliate and Customer's Brazilian affiliate and to remain current with respect to such obligations thereafter.
  - 3.2 **Purchase/Lease of Morganton Assets.** Meritor will purchase from Sypris, no later than July 7, 2015, certain machinery and equipment and inventory located at the Morganton facility and will lease, with an option to purchase, the Morganton real estate and building all upon, and subject to, the terms set forth in an Asset Purchase Agreement between Sypris and Meritor, effective as of the Closing Date.
  - 3.3 **Inventory Purchase Guarantee.** Meritor has guaranteed to purchase, from Sypris, certain inventory related to the supply of Component Parts to Meritor from the Sypris' facilities in the United States upon, and subject to, the terms of the Guaranteed Inventory Agreement between Sypris, Meritor and PNC effective as of the date thereof.

3.4 Rebilled Raw Materials.

On Monday of each week commencing on Monday, July 13, 2015 and continuing until such time, if any, as Customer and Sisamex consign the raw materials to Supplier pursuant to the terms of Section 3.5 below, the parties will net the amount of all invoiced amounts for rebilled raw materials from Customer to Supplier against an equal balance of outstanding invoices for Component Parts issued by Supplier to Customer. Any net amount which is owed by one party to the other, after the execution of the weekly offsetting, if applicable, shall be paid by such party to the other within two (2) business days after the weekly offsetting, or on Wednesday of each week if no offsetting is applicable per §3.5 Notwithstanding anything herein to the contrary, however, Customer will delay, for a period of one week, offsetting up to \$325,000 in rebilled raw materials that would otherwise have occurred on August 10, 2015 (thereby increasing the net payment due from Customer on Wednesday, August 12, 2015 by that amount) and such amount shall be added to the amount that will be offset on August 17, 2015 as though such payment had not been made (thereby reducing the net payment due from Customer on Wednesday, August 19, 2015 by that same amount).

3.5 Customer and its affiliates, in their sole discretion, will have the option to supply all, or any portion, of Supplier's requirements of components, steel and other raw materials used in its manufacture of products under the US Agreements and the Mexican Supply Agreements by consignment in lieu of doing so on a rebill basis; provided, however, that if Customer or its affiliates exercises such option, Customer shall provide notice thereof to PNC. Supplier agrees that Customer may file UCC Financing Statements to reflect any such consignments, in form and substance reasonably satisfactory to PNC.

3.6 Customer agrees to amend the open purchase and long term agreements between Meritor and Reynolds Machine Company, Inc. ("Reynolds") in accordance with the provisions of Exhibits B-1, B-2 and B-3, attached hereto, upon, and subject to, (a) the securing, by Supplier, of, new borrowing agreements which will result in both the full pay-off of the Revolving Agreement and the provision, to Supplier, of sufficient funds to complete Supplier's acquisition of Reynolds; and (b) the closing of Supplier's acquisition of Reynolds.

3.7 Reservation of Certain Rights. Subject to the terms of this Agreement, Customer and its affiliates expressly reserve and do not waive any rights, claims, interests and defenses they may have against Supplier.

4. **Supplier's Obligations and Accommodations.**

4.1 Comply with the US Agreements and the Mexican Supply Agreements.

- (a) Supplier will take all actions reasonably necessary to, and shall timely manufacture the Component Parts for Customer and its affiliates and for Sisamex, in accordance with the terms of the US Agreements and the Mexican Supply Agreements.
- (b) Supplier will promptly notify Customer, its affiliates and Sisamex of any material threat or threats to continued timely shipment of Component Parts.
- (c) Supplier will not subcontract any portion of the manufacturing process for a Component Part to a third party without the prior written consent of Customer. If Supplier has subcontracted any of the manufacturing processes for a Component Part contrary to the terms of any US Agreement or a Mexican Supply Agreement, Supplier will deliver to Customer a list identifying the Component Part or Parts, summarizing the manufacturing processes performed and identifying the subcontractors. Customer and Supplier will work in good faith to resolve these subcontractor issues. In addition, Supplier will not move any Customer Tooling used in the manufacturing of a Component Part from its present location without the prior consent of Customer and Lender.

- (d) In light of Customer's purchase of assets at the Morganton facility as contemplated in Section 3.2, above, Supplier agrees to execute an amendment to the Commodities Supply Agreement, as of the Closing Date, in the form attached hereto as Exhibit C, to remove the 14X rear carrier machining activity that was to be performed at the Morganton facility by Supplier.
- (e) Except as specifically provided in this Agreement, this Agreement is not intended to modify the terms and conditions of any of the US Agreements or the Mexican Supply Agreements, which terms and conditions otherwise remain in full force and effect. In the event of any direct conflict between the terms of this Agreement and the terms of a US Agreement or a Mexican Supply Agreement, the terms of this Agreement will control for the duration hereof.

4.2 Rebilled Raw Materials.

(a) On July 1, 2015, , Customer and Supplier calculated the net balance of all rebill invoices of Customer issued to Supplier which were outstanding as of such date against all invoices issued by Supplier to Customer for Component Parts which were outstanding as of such date in the amount of \$3,046,807.61 (the "Customer Net Receivable Balance"). The Customer Net Receivable Balance was converted into subordinated secured debt of Supplier to Customer in accordance with the terms of Section 4.12, below. As of July 1, 2015, the amount of outstanding invoices owed by Customer to Supplier was \$0.00 and the total amount of outstanding invoices owed by Supplier to Customer was \$0.00.

(b) With regard to rebilled raw materials provided by Customer to Supplier's Toluca, Mexico facility (the "Mexican Rebill Materials"), Customer agrees, within thirty days after the Closing Date, that Customer will remove all of the Mexican Rebill Materials from the Toluca facility that exceed Supplier's need for such materials during the next ninety (90) days based upon firm orders between Supplier and Customer's Brazilian affiliate and will, within seven days after such removal, cancel all invoices sent by Customer to Supplier with respect to the Mexican Rebill Materials so removed by Customer. Customer's invoices for such Mexican Rebill Materials remaining at Supplier's facility shall be paid by Supplier in accordance with the existing rebill payment terms. Thereafter, Customer shall deliver to Supplier such raw materials as and when needed, and will invoice Supplier for such materials at the time of delivery to Supplier.

- 4.3 Inventory Bank. At Customer's request, Supplier will build for Customer an inventory bank of Component Parts ("Inventory Bank") in accordance with an inventory bank schedule agreeable to Customer and Supplier; provided, however, that Supplier's obligation to build inventory bank parts will be subject to, among other things, (i) reasonably applied internal capacity limitations (*e.g.*, machine capacity and manpower limitations), (ii) availability of raw materials and supplies, and (iii) available financing. Supplier will ship inventory bank parts as they are produced to the location designated by Customer. Supplier will not be required to build an Inventory Bank unless Customer agrees in advance to (i) pay all documented, additional, out-of-pocket costs incurred by Supplier in manufacturing the Inventory Bank including, without limitation, any overtime, shipping, packaging, and storage costs, (ii) buy each of the items in the Inventory Bank which are conforming to Seller's warranties under the applicable Supply Agreement, and (iii) pay in cash free of offset, other than the offsets provided for in Section 3.3 herein, the applicable purchase order price for each such item of the Inventory Bank.

- 4.4 Access to and Provision of Information.
- (a) Supplier agrees that Customer, upon giving two business day's advance notice, will have access to Supplier's operations during normal business hours, and outside normal business hours when reasonably necessary, for the purposes of (i) monitoring production of its Component Parts, (ii) meeting with Supplier's representatives, (iii) monitoring steps needed to increase production capacity necessary to meet the terms of all US Agreements and the Mexican Supply Agreements and (iv) monitoring Supplier's compliance with the terms of this Agreement, the US Agreements and the Mexican Supply Agreements, and any other agreements between Supplier and Customer and its affiliates and Sisamex.
  - (b) Supplier will provide to Customer the reporting and information, borrowing base certificates and collateral reports that it provides to Lender at the same time such information is due to be provided to Lender.
  - (c) As soon as reasonably practicable after becoming aware of any lawsuit against Supplier or any action that could interfere with Supplier's ability to perform its obligations under this Agreement and the US Agreements, or the Mexican Supply Agreements, Supplier will notify Customer and Lender of the adverse event (as to Lender in addition to any other notification obligations Supplier has under the Revolver Agreements).
  - (d) On the Effective Date, Supplier shall provide to Customer and its professional advisers: (i) a copy of the executed amendment to the Revolving Agreement evidencing the changes described in Paragraph 5.3, herein; (ii) a copy of documentation relating to the proposed lending agreements with TPG Capital or any other lender; and (iii) a summary of the key points of the Reynolds Machine Company, Inc. ("Reynolds") purchase agreement; and (iv) any updates of such documentation, or new related documentation.
- 4.5 Payments to Vendors and Other Creditors. Supplier will remain or promptly become current on all payments to any vendor or other creditor which has threatened to disrupt supply, if the failure to do so could reasonably result in a material interruption in the supply of Component Parts to Customer or its affiliates or Sisamex under any of their US Agreements or the Mexican Supply Agreements.
- 4.6 Lender Consents. Supplier will obtain Lender's acknowledgment to the rights and interests granted to Customer under this Agreement by providing Customer a copy of the acknowledgment in the form attached as Exhibit D executed by duly authorized representatives of Lender. Supplier will obtain the consent to the terms of the Accommodation and Access Agreements from any lender entering into a credit agreement replacing, or in addition to, the Revolving Agreement.
- 4.7 Access Agreement. Supplier will execute an Access Agreement ("Access Agreement") in favor of Customer in the form attached as Exhibit "A" hereto.
- 4.8. Vendor Hostage Protocol. Supplier agrees to the following protocol to resolve situations where a vendor of materials, components, tooling or services to Supplier refuses to perform under its supply contract and the vendor demands payment of antecedent debt owed by Supplier in exchange for the vendor's agreement to ship materials, tooling or components or provide services to Supplier ("Vendor Hostage Demand"):
- (a) Supplier will promptly inform Lender and Customer of any Vendor Hostage Demand(s).
  - (b) Supplier will work in good faith with Customer to obtain the materials, components, tooling or services from the vendor. Customer or its affiliates shall have the right to pay vendors in connection with Vendor Hostage Demands and to offset the amount(s) of any payment(s) from its payables to Supplier.
  - (c) Supplier will use its best efforts to give Customer and Lender at least 24 hours' notice of any proposed resolutions of a Vendor Hostage Demand before implementing the resolution.

- 4.9 Agents and Representatives. Supplier authorizes its consultants to speak with and provide progress and other reports directly to Lender, Customer and its respective agents, representatives and designees.
- 4.10 Gill Payment. Supplier agrees that any loans by Gill to Supplier shall not be repaid by Supplier, and no payments other than ordinary salary or other compensation, or expense reimbursements made in the ordinary course of business, shall be made to Gill or to any related entity or person, until such time as all obligations under the Revolving Agreement and the Promissory Note have been fully paid.
- 4.11 Supplier agrees that it will not enter into any other arrangements or agreements that would materially impair Customer's, its affiliates or Sisamex's rights under this Agreement.
- 4.12 Issuance of Promissory Note. , On July 2, 2015, Supplier executed and delivered to Customer a promissory note in the amount of the Customer Net Receivable Balance (the "Promissory Note"), a Security Agreement securing the note amount against certain assets of Supplier, and an Inter-Creditor Agreement providing that Customer's lien against Supplier's assets are a subordinated second lien to the Lender's security interest in such assets and that, in particular, the lien on such assets in favor of Gill are subordinate to that of Customer .
- 4.13 Reservation of Certain Rights. Subject to the terms of this Agreement, Supplier and its affiliates expressly reserve and do not waive any rights, claims, interests or defenses that they may have against Customer and its affiliates.

5. Reserved

6. Reserved.

7. **Tooling Acknowledgment.**

7.1 Definitions.

(a) The term "Tooling" means, collectively, all tooling, dies, test and assembly fixtures, gauges, jigs, patterns, casting patterns, cavities, molds, and documentation, including engineering specifications and test reports used by Supplier in connection with its manufacture of Component Parts for Customer and its affiliates.

(b) The term "Unpaid Tooling" means Tooling manufactured for Customer or its affiliates for which Customer or its affiliates have not made full payment under the applicable purchase order agreement with Supplier.

(c) The term "Supplier Owned Tooling." means Tooling which Supplier asserts is not owned by Customer or its affiliates and which is not subject to a purchase order issued by Customer or its affiliates (excluding any replacement tooling paid for by Supplier).

(d) The term "Customer Tooling" means all other Tooling which is not Unpaid Tooling and/or Supplier Owned Tooling that is used or to be used to manufacture Customer's Component Parts, whether under direct agreements between Supplier and Customer or its affiliates or agreements between Supplier and third parties.

7.2 Supplier and Lender Tooling Acknowledgment. Supplier and Lender acknowledge and agree that Customer Tooling is (i) subject to the terms of this Agreement, (ii) owned by Customer or its affiliates, and (iii) held as bailee-at-will by Supplier and to any third parties to which Supplier has transferred possession of Customer Tooling.

- 7.3 Tooling Lists. Supplier will provide Customer and Lender, within 15 days after the Effective Date, (a) a list identifying the locations of Customer's Tooling and (b) within 45 days after the Effective Date a list of Supplier Owned Tooling and Unpaid Tooling relating to Customer's Component Parts ("Tooling List"). Customer will provide assistance to Supplier in preparing his Tooling List as reasonably requested by Supplier. Customer reserves the right to dispute any Tooling List provided by Supplier. If Customer disagrees with the Tooling List, Supplier, Lender and Customer will confer and attempt, in good faith, to resolve the dispute. If the dispute cannot be resolved by Supplier and Customer within 15 days after Customer receives the Tooling List, the matter may, at Customer's option, be jointly submitted to a third party to be selected by Supplier, Lender and Customer for expedited resolution.
- 7.4 Tooling Dispute. If there is a dispute between Supplier and Customer under Section 7.3 over whether any Tooling is Customer Tooling, Supplier Owned Tooling or Unpaid Tooling, and Customer has exercised its access rights under the Access Agreement, then the disputed Tooling will be presumed to be Customer Tooling, pending resolution of the dispute, provided that the Customer pays into escrow (which will be subject to Lender's security interest) the lesser of the disputed amount or the unpaid purchase price of such disputed Tooling; provided, however, that Customer will not remove any such disputed tooling from a Supplier facility which is then being used by Supplier to satisfy any of its contractual obligations to any customer of Supplier other than Customer.
- 7.5 Unpaid Tooling Obligations Not Modified. Once the purchase order price of an item of Unpaid Tooling has been paid by Customer or its affiliates, it will be included in the definition of Customer Tooling. Subject to Section 7.3, nothing in this Agreement modifies Customer's obligations to Supplier on account of Unpaid Tooling.
- 7.6 Supplier's Limited Right to Tooling. Supplier has no right, title or interest in Customer Tooling, but has only the obligation to possess and use the Customer Tooling solely to manufacture Customer's Component Parts, in Customer's sole discretion.
- 7.7 Customer's Right to Repossess Tooling. Upon Customer's exercise of its Right of Access following an Event of Default: (i) Customer and its respective affiliates have the right to take immediate possession of its Customer Tooling, without payment of any kind to Supplier, (ii) Supplier agrees to cooperate with Customer and its affiliates in their taking possession of Customer Tooling, and (iii) Supplier agrees to provide access to Customer and its affiliates to remove Customer Tooling; provided, however, that Customer and its affiliates will not unreasonably interfere with Supplier's ongoing manufacturing operations or its production of component parts for another customer when removing Customer Tooling; and provided, further, that Customer or its affiliates shall be liable for any damages to Supplier's premises or assets resulting from such access or repossession caused by Customer or its affiliates.
- 7.8 Additional Rights. The acknowledgements, rights and obligations contained in this Section 7 (i) are in addition to (and not in lieu of) the rights of Supplier and Customer and its affiliates and Sisamex under the US Agreements and the Mexican Supply Agreements or any other agreements between Supplier and Customer and its affiliates and Sisamex, and (ii) will continue in effect after the expiration of the Term or termination of this Agreement.
- 7.9 Marking Tooling and Notice. Supplier grants to Customer and its affiliates permission to record, on Supplier's behalf, any notice and/or financing statements concerning Customer Tooling if Customer or its affiliates determine that it is reasonably necessary to do so to reflect their interests in Customer Tooling. Supplier will not interfere with, and will provide access so Customer or its affiliates may affix any plate, stamp, or other evidence of Customer's or its affiliate's ownership upon each item of its Customer Tooling.

8. **Events of Default.** The occurrence of any one or more of the following will be an “Event of Default” under this Agreement, unless a waiver or deferral thereof is agreed to in writing, in each instance, by Customer.
- 8.1 An authorized officer of Supplier repudiates or Supplier breaches its obligations under this Agreement or any of the US Agreements, or any of the Mexican Supply Agreements, the consequence of which is that such default is reasonably likely to result in a material interruption in the supply of Component Parts to Customer or any of its affiliates or Sisamex and such material interruption remains uncured for four (4) calendar days (the “Cure Period”), following notice by Customer or any of its affiliates or Sisamex to Supplier and Lender provided, however, that if any officer or a Plant Manager of Supplier willfully causes a material interruption in supply, then no cure period shall apply.
- 8.2 Supplier breaches the terms of Paragraphs 4.5, 4.6 or 4.11, which breach remains uncured for two (2) calendar days following notice to Supplier and Lender;
- 8.3 Lender commences any affirmative enforcement action under the Revolving Agreement, as amended, if the action is reasonably likely to materially impact Supplier’s operations or ability to perform under this Agreement or the Access Agreement;
- 8.4 Lender repudiates or materially breaches this Agreement or the Revolving Agreement, as amended, and such repudiation or material breach is reasonably likely to materially disrupt the supply of Component Parts by Supplier;
- 8.5 Lender ceases funding under the Revolving Agreement, as amended, for any reason and such cessation is reasonably likely to materially disrupt the supply of Component Parts by Supplier; or
- 8.6 A Chapter 11 petition is filed under the United States Bankruptcy Code by or against Supplier and is subsequently converted to Chapter 7 or a Chapter 7 petition is filed by or against Supplier and an Order for relief is entered in the Chapter 7 case without the case being converted to a Chapter 11 within fourteen (14) days of such filing.
9. Reserved.
10. **Remedies Upon Default.** Remedies upon an Event of Default under this Agreement include:
- (a) Customer or its affected affiliate shall have the option, pursuant to the terms of the Access Agreement, to operate one or more of Supplier’s Louisville and Toluca facilities (and any other later acquired facilities from which Supplier supplies products to Customer, its affiliates and/or Sisamex), once the right to access has been “exercised” (as defined in the Access Agreement);
- (b) Customer, Sisamex and Customer’s Brazilian affiliate shall each have the right to terminate any or all of the US Agreements, or the Mexican Supply Agreements and agreements of Customer’s Brazilian affiliate, as the case may be, or to resource any of the products to be supplied by Supplier under any of the those agreements;
- (c) Supplier shall cooperate, at the request of Customer, Sisamex and Customer’s Brazilian affiliate, as the case may be, in the resourcing of any products supplied by Supplier under any of the US Agreements and Mexican Supply Agreements;

- (d) Supplier shall assign any of its vendor contracts involved in the supply of products to Customer, Sisamex and Customer's Brazilian affiliate, as the case may be, upon either or both of their request;
  - (e) Supplier shall make available to Customer, any affiliates of Customer, and Sisamex, as the case may be, upon their request, any Customer Tooling owned by such entity or to be paid for by Customer or any of its affiliates or Sisamex (once such payment has been made);
  - (f) Supplier shall grant to Customer an irrevocable, fully paid, royalty free, worldwide, non-exclusive, sublicensable (solely to a "Designee" as defined in the Access Agreement) and non-assignable, except in connection with the sale of all or substantially all of the business of Customer related to such Component Parts, license to any intellectual property used in the production of the Component Parts to make, have made, use, have used, modify, improve, prepare derivative works of, distribute, display, offer to sell, sell, import and do all other things and exercise all other rights in the licensed intellectual property solely to the extent necessary for production of the Component Parts which would otherwise have been sold by Supplier to Customer, Sisamex or Customer's Brazilian affiliate under the US Agreements and Mexican Supply Agreements, the term of such license to be for the original term of the applicable agreement and any additional term thereafter which is commercially required to obtain the production of the products during the remaining original term (not to exceed a total of one year from the date Customer exercises its Right of Access under the Access Agreement), and any reasonable additional term thereafter which is commercially required to obtain the production of the products, plus with respect to repair obligations for the life of each product actually produced during the original term or such additional term (if applicable) of each such applicable agreement, whether by Supplier or by Customer or any affiliate of Customer.
  - (g) provided, however, that the foregoing remedies in Sections 10(a)-(f) shall apply only with respect to the Supplier location where the default has occurred, so long as the Event of Default was solely an operational (non-financial) default under Section 8.1.
11. **Reservation of Rights.** Unless expressly waived or modified in this Agreement, each party reserves and does not waive any claims, rights, and remedies that it may have under the US Agreements and the Mexican Supply Agreements, any other agreements between or among the parties, or applicable law, and each party expressly reserves all such claims, rights and remedies they have under this Agreement, the US Agreements, the Mexican Supply Agreements, and any other agreements between or among the parties and applicable law.
12. **Confidentiality.** Except as may be required by regulations, law or court orders, the parties agree that they will not disseminate, disclose or communicate, either directly or indirectly, any of the information contained in or received by virtue of this Agreement to any outside party other than its employees and professional advisors, provided that such outside party is subject to this same confidentiality provision. The parties will, in good faith, seek to ensure that the contents of this Agreement are kept secret and confidential.
13. **Notice.** Any notice or other instrument to be given under this Agreement must be in writing and, except as otherwise provided in this Agreement, will be deemed to be duly given if mailed, delivered by hand or sent by email to the party to whom the communication is intended to be given and any notice so delivered or sent will be deemed to have been given at the time of service on the day on which it was delivered or sent, and if mailed, will be deemed to be given 3 days following the date of mailing. Until changed by notice in the manner described above, the addresses of the parties for the purpose of notice will be:

If to Supplier:

Sypris Solutions, Inc.  
101 Bullitt Lane  
Suite 450  
Louisville, KY 40222  
Attention: John R. McGeeney  
General Counsel

With a copy to: Douglas P. Bartner  
Shearman & Sterling LLP  
599 Lexington Avenue  
New York, NY 10002

If to Customer: Meritor Heavy Vehicle Systems, LLC  
2135 West Maple Road  
Troy, Michigan 48084  
Attention: Vice President, Procurement  
Fax #: 248-435-9404

With a copy to: Meritor, Inc.  
2135 West Maple Road  
Troy, Michigan 48084  
Attention: Office of the General Counsel  
Fax #: 248-435-2943

If to Lender: PNC Bank National Association  
11405 North Pennsylvania Street  
Carmel, Indiana 46032  
Attention: Jay Danforth

With a copy to: Blank Rome LLP  
One Logan Square  
Philadelphia, Pennsylvania 19103  
Attention: Michael C. Graziano  
Fax # 215-832-5387

14. **General Terms.**

- 14.1 This Agreement, together with any other documents executed in connection with this Agreement, constitutes the entire understanding of the parties in connection with the subject matter of this Agreement. There are no written or oral representations or understandings that are not fully expressed in this Agreement. This Agreement may not be modified, altered or amended except by an agreement in writing signed by all parties.
- 14.2 The parties executing this Agreement as representatives warrant that they have the power and authority to execute this Agreement on behalf of the corporation or entity that they represent and that their signatures bind the corporations or entities to the terms of this Agreement.
- 14.3 Supplier must obtain the consent of Customer to assign or transfer, directly or indirectly, any of its rights under this Agreement. Likewise, this Agreement is not intended for the benefit of any third parties, including any purchasers of Supplier's assets or other customer of Supplier (other than affiliates of Customer).
- 14.4 If an Event of Default occurs under this Agreement, the affected party may file for preliminary injunctive relief for a court to order specific performance of the non-performing party's obligations and such non-performing party shall not object to such request for preliminary relief on the grounds that there is no irreparable harm or that the affected party has an adequate remedy at law.

- 14.5 No delay or failure of Lender or Customer to exercise any right, power or privilege hereunder will affect such right, power or privilege, nor will any single or partial exercise thereof preclude any further exercise thereof, nor the exercise of any other right, power or privilege.
- 14.6 If any part of this Agreement is for any reason found to be unenforceable, all other parts of this Agreement nevertheless remain enforceable.
- 14.7 Nothing in this Agreement will be interpreted to constitute Supplier as Customer's agent for any purpose.
- 14.8 Except as specifically provided in this Agreement, this Agreement is not intended to modify the terms and conditions of the US Agreements and the Mexican Supply Agreements, which terms and conditions will otherwise remain in full force and effect.
- 14.9 This Agreement may be executed in any number of counterparts with the same effect as if all signatories had signed the same document. All counterparts must be construed together to constitute one instrument. The parties agree that their respective signatures may be delivered by facsimile or email with original signatures to follow, and that facsimile or email signatures will be treated as originals for all purposes.
- 14.10 This Agreement shall be governed by, and construed in accordance with, the laws of the state of Michigan, without giving effect to the conflicts of laws principles of Michigan. Notwithstanding the foregoing, the US Agreements and the Mexican Supply Agreements will continue to be governed by the laws provided for therein.
15. **REPRESENTATIONS. EACH PARTY HAS HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL OF ITS CHOICE BEFORE SIGNING THIS AGREEMENT. NO PARTY IS RELYING ON ANY REPRESENTATIONS, WARRANTIES OR COMMITMENTS THAT ARE NOT IN THIS AGREEMENT. ANY AMBIGUOUS LANGUAGE IN THIS AGREEMENT SHOULD NOT BE CONSTRUED AGAINST ANY PARTICULAR PARTY BECAUSE THAT PARTY DRAFTED THE LANGUAGE.**
16. **JURY TRIAL WAIVER. THE PARTIES ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL RIGHT, BUT THAT THIS RIGHT MAY BE WAIVED. EACH PARTY WAIVES ALL RIGHTS TO A TRIAL BY JURY OF ALL DISPUTES ARISING OUT OF OR IN RELATION TO THIS AGREEMENT OR THE US AGREEMENTS. NO PARTY WILL BE DEEMED TO HAVE RELINQUISHED ITS WAIVER OF JURY TRIAL UNLESS THAT PARTY DOES SO IN WRITING.**

*[signatures on next page]*

**Meritor Heavy Vehicle Systems, LLC**

By: /s/ Robert H. Speed

Print Name: Robert H. Speed

Title: Authorized Signer

-  
Date: July 9, 2015

**Sypris Technologies, Inc.**

By: /s/ John R. McGeeney

Print Name: John R. McGeeney

Title: Vice President, General Counsel & Secretary

Date: July 9, 2015

**Gill Family Capital Management, Inc.**

By: /s/ Jeffrey T. Gill

Print Name:

Title:

Date: July 9, 2015

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**Sypris Solutions, Inc.**

By: /s/ John R. McGeeney

Print Name: John R. McGeeney

Title: Vice President, General Counsel & Secretary

Date: July 9, 2015

**Sypris Technologies Kenton, Inc.**

By: /s/ John R. McGeeney

Print Name: John R. McGeeney

Title: General Counsel

Date: July 9, 2015

THIS INSTRUMENT, AND THE RIGHTS AND OBLIGATIONS EVIDENCED HEREBY, ARE SUBORDINATE IN THE MANNER AND TO THE EXTENT SET FORTH IN THAT CERTAIN AMENDED AND RESTATED SUBORDINATION AGREEMENT DATED JULY 9, 2015 BETWEEN PNC BANK, NATIONAL ASSOCIATION, AS AGENT, AND MERITOR HEAVY VEHICLE SYSTEMS, LLC, AND CONSENTED TO BY THE BORROWERS DEFINED THEREIN.

AMENDED AND RESTATED PROMISSORY NOTE

**This Amended and Restated Promissory Note represents an amendment and restatement of, and not a novation of, that certain Promissory Note made by the Makers in favor of the Lender dated July 2, 2015, in the principal amount of 3,046,807.61.**

\$3,459,117.20

July 9, 2015

FOR VALUE RECEIVED, each of the undersigned, SYPRIS SOLUTIONS, INC., a Delaware corporation, SYPRIS TECHNOLOGIES, INC., a Delaware corporation ("Technologies"), SYPRIS ELECTRONICS, LLC, a Delaware limited liability company ("Electronics"), SYPRIS DATA SYSTEMS, INC., a Delaware corporation, SYPRIS TECHNOLOGIES MARION, LLC, a Delaware limited liability company, SYPRIS TECHNOLOGIES KENTON, INC., a Delaware corporation, SYPRIS TECHNOLOGIES MEXICAN HOLDINGS, LLC, a Delaware limited liability company, SYPRIS TECHNOLOGIES NORTHERN, INC., a Delaware corporation, SYPRIS TECHNOLOGIES SOUTHERN, INC., a Delaware corporation, and SYPRIS TECHNOLOGIES INTERNATIONAL, INC., a Delaware corporation (each a "Maker" and collectively, the "Makers"), hereby jointly and severally promise and agree to pay to the order of MERITOR HEAVY VEHICLE SYSTEMS, LLC., a Delaware limited liability company, with principal office and place of business at 2135 West Maple Road, Troy, Michigan 48084 (the "Lender"), the principal sum of THREE MILLION FOUR HUNDRED FIFTY-NINE THOUSAND ONE HUNDRED AND SEVENTEEN DOLLARS AND TWENTY CENTS (\$3,459,117.20) (the "Loan"), together with interest thereon as provided below. The terms and provisions of this Promissory Note (this "Note") are as follows:

1. Evidence of Indebtedness. This Note evidences (i) \$3,046,807.61 of indebtedness owed by the Makers to the Lender pursuant to that certain letter agreement dated July 2, 2015 between Sypris Solutions, Inc. and the Lender (the "Original Indebtedness") and (ii) (x) \$150,532.00 of indebtedness assumed by the Lender for property taxes to be paid with respect to the Morganton, North Carolina facility being leased by the Lender from Technologies and (y) \$261,771.59 of indebtedness owed to the Lender for materials delivered to the Makers and for which the Makers have not yet been invoiced (the amounts set forth in clauses (x) and (y) is referred to as the "New Indebtedness").

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2 . Calculation of Interest. From July 2, 2105 (with respect to the Original Indebtedness) and from the date hereof (with respect to the New Indebtedness), in each case, to and until the earlier of (i) the date on which all principal and interest on all loans and other amounts owing under the Revolving Credit, Term Loan and Security Agreement, dated as of May 12, 2011 among the Makers, the financial institutions from time to time party thereto and PNC Bank, National Association, as agent (as amended from time to time, the "Credit Agreement") have been paid in full and the commitment of the lenders thereunder to provide loans and extend credit thereunder has terminated and (ii) September 30, 2015, which date shall be the maturity date of this Note (the "Maturity Date"), the outstanding principal balance of this Note shall bear interest at the fixed rate per annum equal to ten percent (10.00%).

3. Payment of Principal and Interest. All principal and interest on this Note shall be due and payable in full on the Maturity Date.

4. Interest Calculated on 30-Day Month. All accrued interest on this Note shall be calculated on the basis of the actual number of days elapsed over twelve (12) assumed months consisting of thirty (30) days each.

5. Default Rate. Commencing five (5) days after written notice from the Lender (by facsimile transmission or otherwise) to the Makers to the effect that any installment of principal of and/or accrued interest on this Note is overdue (provided such notice shall be given no earlier than five (5) days after the due date of any such installment), such overdue installment of principal and/or accrued interest, provided it remains unpaid, shall commence to bear interest at the fifteen percent (15%) per annum (the "Default Rate"), and such overdue installment of principal and/or accrued interest together with all interest accrued thereon at the rate set forth herein shall continue to be immediately due and payable in full to the Lender. In the event the Lender accelerates the maturity date of this Note due to the occurrence of any Event of Default hereunder, the entire unpaid principal balance of this Note together with all accrued and unpaid interest thereon shall, beginning five (5) days after notice of acceleration of the maturity date of this Note has been given to the Makers, commence to bear interest at the Default Rate, and all such unpaid principal together with all interest accrued and unpaid thereon, including, without limitation, all interest accrued and accruing thereon as provided in this sentence, shall continue to be immediately due and payable in full to the Lender.

6. Place of Payment. All payments of principal and interest on this Note shall be made to the Lender in legal tender of the United States of America at its offices located at 2135 West Maple Road, Troy, Michigan 48084, or to such other person or such other place as may be designated in writing by the Lender.

7. Security Agreements; Mortgages; Security for Note; Subordination Agreement. This Note is secured by, among other instruments, each of the following: (i) that certain Security Agreement dated July 2, 2015 by and between the Makers and the Lender (the "General Security Agreement"), (ii) that certain Patent Security Agreement dated July 2, 2015 by and among Technologies, Electronics, and the Lender (the "Patent Security Agreement"), (iii) that certain Trademark Security Agreement dated July 2, 2015 by and between Electronics and the Lender (the "Trademark Security Agreement") (the General Security Agreement, the Patent Security Agreement and the Trademark Security Agreement are collectively referred to herein as the "Security Agreements"), and (iv) one or more mortgage(s) and deed(s) of trust executed and delivered by certain of the Makers to and for the benefit of the Lender with respect to real property owned by such Makers (collectively, the "Mortgages") (the Security Agreements, Mortgages, and this Note may be referred to individually as a "Loan Instrument" and collectively as the "Loan Instruments"). The Borrowers agree to enter into amendments to the Security Agreements and the Mortgages as requested by the Lender to accurately reflect the principal amount of this Note referred to therein. This Note is subject to the terms and provisions of that certain Amended and Restated Subordination Agreement of even date herewith by and between the Lender and PNC Bank, National Association (the "Senior Lender"), as consented to by the Makers (the "Subordination Agreement").

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

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

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

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

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

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

9.1 Financial Statements. Each Maker shall furnish to the Lender all financial statements and other financial information in form and at the times required to be furnished to the Senior Lender under the Credit Agreement.

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

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

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

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

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

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

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

9.9 Increase in Principal Amount of this Note. The Borrowers agree to enter into an amendment to this Note or to amend and restate this Note to increase the principal amount hereof in an amount equal to the costs of repairs to the roof of the Morganton, North Carolina facility being leased by the Lender from Technologies which costs shall be paid by the Lender, provided that the amount of such increase shall not exceed \$335,000.

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

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

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

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

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

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

16. [RESERVED].

17. No Third Party Beneficiaries. This Note is issued to the Lender and the covenants and representations and warranties made by the Makers hereunder are for the exclusive benefit of the Lender and its successors and assigns, and no other person shall be deemed to be beneficiary of this Note or the covenants or representations and warranties made by the Makers hereunder.

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

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

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

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

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

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

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

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

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

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

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IN WITNESS WHEREOF, the Makers agree to each of the terms set forth above and has executed this Note as of the 9th day of July, 2015.

**SYPRIS SOLUTIONS, INC.**, a Delaware corporation

By: /s/ John R. McGeaney  
Title: Vice President, General Counsel and Secretary

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

By: /s/ John R. McGeaney  
Title: General Counsel

**SYPRIS ELECTRONICS, LLC**, a Delaware limited liability company

By: /s/ John R. McGeaney  
Title: General Counsel

**SYPRIS DATA SYSTEMS, INC.**,  
a Delaware corporation

By: /s/ John R. McGeaney  
Title: General Counsel

**SYPRIS TECHNOLOGIES MARION, LLC**, a Delaware limited liability company

By: /s/ John R. McGeaney  
Title: General Counsel

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

By: /s/ John R. McGeeney  
Title: General Counsel

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

By: /s/ John R. McGeeney  
Title: General Counsel

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

By: /s/ John R. McGeeney  
Title: General Counsel

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

By: /s/ John R. McGeeney  
Title: General Counsel

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

By: /s/ John R. McGeeney  
Title: General Counsel

## ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (“Agreement”) is made this 22nd day of May, 2015 by and among REYNOLDS MACHINE CO., INC., a Wisconsin corporation (“Seller”), Sypris Technologies Kenton, Inc. (“Purchaser”) and Wilbur M. Reynolds, individually (“Red”), and in his capacity as Trustee of the Wilbur M. Reynolds Living and Devolution Trust (“Trustee”) u/a/d 7/30/08 and Lisa Reynolds (“Lisa”) (Red, Trust and Lisa, collectively, the “Seller Shareholders”).

## RECITALS

- A. Seller is engaged in the business of manufacturing and selling metal machined parts (the “Business”).
- B. Seller desires to sell to Purchaser and Purchaser desires to buy from Seller all assets and rights of Seller and the Business as a going concern on the terms and conditions set forth in this Agreement.
- C. Seller Shareholders are the owners of all of the capital stock of Seller and desire for Seller and Purchaser to consummate the transaction as contemplated hereby as more fully described and pursuant to the terms and conditions set forth in this Agreement.

## AGREEMENTS

In consideration of the premises and the mutual agreements herein contained, the parties agree as follows:

1. Transfer of Assets. Subject to the terms and conditions of this Agreement and except as otherwise provided herein, Seller will sell and deliver to Purchaser and Purchaser will purchase from Seller as of the Closing Date substantially all of Seller's assets, including, without limitation, all right and title to and interest in all Business assets, properties and rights of every kind wherever located, and the Business as a going concern (the “Purchased Assets”). The Purchased Assets shall include, without limitation, the following:

1.01 Personal Property. All machinery, equipment, vehicles, leasehold improvements, tools, tooling, jigs, patterns, dies, molds, fixtures, furniture, furnishings, software and all other personal property (“Personal Property”) owned by Seller or used in the Business, provided that Seller is not selling and Purchaser is not purchasing the Excluded Assets (defined below);

1.02 Leases. Seller and Purchaser will enter into a sublease (the “New Berlin Sublease”) for the property known as 17005 West Ryerson Road, New Berlin, Wisconsin (“New Berlin Property”), on a month-to-month basis substantially in the form attached hereto as Exhibit A. Also, LMR Real Estate LLC, a Wisconsin limited liability company (“LMR”) and Purchaser will enter into a lease (the “Muskego Lease”) for the property located at 17626 Martin Drive, Muskego, Wisconsin (“Muskego Property”) for the period beginning as of the Closing Date, for a lease with rental of \$5,000 per month, on a month-to-month basis substantially in the form attached hereto as Exhibit B;

1.03 Contracts. All rights of Seller under (including, without limitation, all of Seller's right to receive goods and services and to assert claims and to take other actions with respect to breaches, defaults and other violations pursuant to) all of the contracts of Seller listed in Schedule 9.10 hereto (the “Assumed Contracts”).

1.04 Intangible Assets. All of Seller's right, title and interest in and to all goodwill, licenses, trade names (including, without limitation, the name “Reynolds Machine Co., Inc.” and any derivation thereof), Internet websites, addresses and domains, assumed names, trademarks, service marks, copyrights, in each case with the goodwill associated therewith, trade secrets, confidential information, formulas, processes, techniques, know-how, patents, patent applications, letters patent, inventions, phone numbers and fax numbers, and all other intangible assets (“Intangible Assets”);

- 1.05 Inventory. All of Seller's inventories, including raw materials, work-in-process, finished goods and supplies ("Inventory");
- 1.06 Receivables. All accounts and notes receivable except receivables due from a Seller Shareholder ("Accounts Receivable");
- 1.07 Records and Documents. All records, computer software and documents, computer source codes, books, supplier, dealer and customer lists, work orders, credit information and correspondence, drawings, financial information creative materials, advertising materials, promotional materials, studies, reports, correspondence and other similar documents and records and, subject to legal requirements, copies of all personnel records (with the exception of employee medical records required by applicable legal requirements to be confidentially maintained), and all other records and documents used in connection with the operation of the Business wherever located ("Books and Records");
- 1.08 Governmental Authorizations. All governmental authorizations, permits, and licenses of Seller or the Business and all pending applications therefor or renewals thereof, in each case to the extent transferable to the Purchaser;
- 1.09 Insurance Benefits. All insurance benefits of Seller or the Business, including rights and proceeds, arising from or relating to the Purchased Assets or the Assumed Liabilities;
- 1.10 Claims. All claims of Seller or the Business against third parties relating to the Business, whether mature or inchoate, known or unknown, contingent or non-contingent;
- 1.11 Deposits and Prepaid Expenses. Except as otherwise provided in Section 2, all rights of Seller or the Business relating to deposits and prepaid expenses and claims for refunds and rights to offset in respect thereof; and
- 1.12 Other Assets. Any other assets owned, used or held for use by Seller or otherwise in the operation of the Business, other than the Excluded Assets.
2. Excluded Assets From Sale. Notwithstanding the foregoing, the Purchased Assets shall not include the following assets of the Seller (collectively, the "Excluded Assets"): (i) the corporate seal, articles of incorporation, minute books, stock books, tax returns, or other records having to do with the corporate organization of the Seller; (ii) the rights which accrue or will accrue to the Seller under this Agreement; (iii) the rights to any Seller's claims for any federal, state, local or foreign tax refunds; (iv) any prepaid federal and state taxes or other prepaid items or expenses the benefit of which cannot be transferred to the Purchaser; (v) Security Deposit under the Lease for the New Berlin Property and other deposits the benefit of which cannot be transferred to Purchaser; (vi) Buick and Cadillac automobiles; (vii) four cell phones with phone numbers and Verizon accounts therefor; (viii) American Express and Mobil Oil credit card accounts; (ix) insurance policies on the life of any Seller Shareholder; (x) Seller's cash and bank accounts; and (xi) all contracts other than Assumed Contracts.
3. Liabilities. Subject to the terms of this Agreement and as partial consideration for this Agreement:

### 3.01 Assumed Liabilities.

(a) Purchaser shall assume and agree to pay, perform, and discharge, in accordance with their terms and in the ordinary course of business, the liabilities and obligations of Seller as set forth below in this Section 3.01 (the "Assumed Liabilities") which relate to the Business. The Assumed Liabilities shall consist only of the following and shall specifically exclude those liabilities and obligations defined in Section 3.02 below as "Excluded Liabilities":

- (i) Trade payables incurred in the ordinary course of business to the extent accrued in the Closing Balance Sheet;
- (ii) Accrued current liabilities for commissions payable to the extent accrued and reflected in the Closing Balance Sheet;
- (iii) All liabilities and obligations of Seller or the Business arising from actions or occurrences after the Closing Date with respect to the Assumed Contracts; and
- (iv) Liabilities and obligations of Seller to all employees of Seller which are hired by Purchaser as of the Closing for vacation pay and compensation, all to the extent accrued in the Closing Balance Sheet.

3.02 Excluded Liabilities. Notwithstanding anything to the contrary in this Agreement, Purchaser will not assume, pay or discharge any debts, liabilities, obligations, contracts, loans, commitments or undertakings of Seller, whether fixed, contingent or otherwise, unless expressly described in Section 3.01. All liabilities of the Business, the Seller, any Seller Shareholder or any of their, or their respective affiliates', employees, officers, directors, agents or attorneys, that are not Assumed Liabilities, shall hereafter be referred to as the "Excluded Liabilities" and shall include, without limitation, the following:

- (a) All of Seller's indebtedness for borrowed money and other debt not included in liabilities on the Closing Balance Sheet (as defined below);
- (b) All liabilities of Seller or any Seller Shareholder, or liabilities otherwise related to the Business, for federal, state or local income, withholding, sales, use, corporate, excise, franchise, property or other taxes;
- (c) All liabilities of Seller or of the Business for all environmental, ecological, health, safety or other claims pertaining to the Business or the Purchased Assets;
- (d) Except as accrued in and reflected on the Closing Balance Sheet, all liabilities of Seller or the Business relating to wages or other employee compensation or deferred compensation plans, pension plans and profit sharing plans, including all liabilities of Seller for worker's compensation claims or any other worker's compensation claims arising out of incidents occurring prior to the Closing Date;
- (e) Any liability or obligation incurred by Seller or any Seller Shareholder in connection with the negotiation, execution or performance of this Agreement, including without limitation, all legal, accounting, brokers, finders and other professional fees and expenses;
- (f) Liabilities incurred by Seller or any Seller Shareholder after the Closing Date;

- (g) Any related party accounts not otherwise settled prior to or simultaneously with the Closing;
- (h) Any liability arising out of or relating to products sold or services rendered by Seller, any Seller Shareholder, or the operation of the Business prior to the Closing Date; and
- (i) Any liability associated with the Purchased Assets or the Business, whether in tort, contract, or otherwise, existing as of or accruing prior to the Closing Date.

#### 4. Purchase Price.

4.01 Amount. In consideration of Seller's sale, assignment and transfer of Purchased Assets and the performance by it and the Seller Shareholders of all the terms, covenants and provisions of the Agreement on their part to be kept and performed, Purchaser shall pay to the Seller the sum of Nineteen Million Dollars (\$19,000,000) subject to adjustment as provided in Section 4.02 which total amount is referred to herein as the "Purchase Price." On the Closing Date, Purchaser shall pay by wire transfer in immediately available U.S. funds (a) One Million Five Hundred Thousand Dollars (\$1,500,000) (the "Escrow Funds") to an escrow account established pursuant to this Agreement and the Escrow Agreement attached hereto as Exhibit C, and (b) to an account specified by Seller the Purchase Price less (i) the amount specified in clause (a) and less (ii) any amounts then due to Seller's creditors and which are not included in Assumed Liabilities and which are paid by Purchaser (Purchaser reserving the right to pay any and all creditors directly, in Purchaser's sole discretion). The Escrow Funds will be held and disbursed by any Person agreed upon by the Parties (the "Escrow Agent") pursuant to the Escrow Agreement substantially in the form attached hereto as Exhibit C. Escrow Agent shall invest the Escrow Funds as directed by Purchaser and Seller, with the Escrow Funds to be disbursed first to pay any amounts due to Purchaser with the remaining balance (including all interest and earnings thereon) to be disbursed to Seller in accordance with the terms and conditions of the Escrow Agreement.

4.02 Adjustment to Purchase Price. The Purchase Price is based in part on the Stockholders' Equity of the Business as of June 30, 2014, as shown on Schedule 4.02, attached hereto (the "Interim Balance Sheet"), as adjusted to reflect the elimination of cash, debt for borrowed money, security and other deposits, property taxes and related party transactions (the "Pro Forma Stockholder's Equity"). The Purchase Price will be subject to adjustment should the Pro Forma Stockholder's Equity of the Business, as reflected on the "Closing Balance Sheet" (defined below), be greater or less than the Pro Forma Stockholder's Equity shown on the Interim Balance Sheet. Such adjustment will be equal to the dollar difference between the Pro Forma Stockholder's Equity and the Pro Forma Stockholder's Equity reflected on the Closing Balance Sheet and will be determined as follows:

- (a) Within forty-five (45) days after the Closing Date, Purchaser will prepare and deliver to the Seller a balance sheet (the "Closing Balance Sheet") showing the Stockholder's Equity of the Business as of the close of business on the Closing Date (the "Final Stockholder's Equity"). The Closing Balance Sheet will be prepared in accordance with accounting principles generally accepted in the U.S. consistently applied using the same methodology as was used in the preparation of the Interim Balance Sheet, that is, shall not reflect cash, debt for borrowed money, security and other deposits, property taxes and related party transactions.
- (b) Along with the submission of the Closing Balance Sheet, Purchaser will deliver a statement to the Seller, which contains the amount of the change in the Purchase Price, if any, resulting from the difference between the Pro Forma Stockholder's Equity and the Final Stockholder's Equity of the Business, appropriately adjusted to reflect the elimination of cash, debt for borrowed money, security and other deposits, property taxes and related party transactions (the "Pro Forma Final Stockholder's Equity").

(c) Seller will then have thirty (30) days after the receipt thereof to confirm or contest in writing the Closing Balance Sheet and the corresponding impact on the Purchase Price. If the results are confirmed and the Purchase Price is to be adjusted, a cash refund will be made to the Purchaser or Seller, as applicable, by wire transfer within five (5) days after the date of confirmation. If the results are contested, the parties will agree upon the selection of an accounting firm to review the work and render a final and binding ruling within thirty (30) days of such dispute. The cost of any such audit will be borne by the party who fails to prevail. Any refund due to Purchaser or Seller will be made within five (5) days after such ruling.

4.03 Allocation of Purchase Price. The Purchase Price shall be assigned and allocated in accordance with the allocation which the parties will finalize at or before Closing. The parties agree to report the results of this transaction for federal, state and local tax purposes in accordance with the allocation set forth therein.

4.04 Payments of Transfer Tax. All taxes levied or imposed in connection with the sale and transfer of the Purchased Assets to Purchaser, including, without limitation, any and all sales, use, transfer and excise taxes imposed by federal, state or local taxing authorities, shall be borne one-half by Seller and one-half by Purchaser.

5. Closing. Subject to satisfaction or waiver of all of the conditions to the obligations of Seller and Purchaser to close, Seller shall cease conduct of the Business at the close of normal business on the Closing Date, and Purchaser shall undertake management and control of the Business at the beginning of business on the following day. The closing (the "Closing") of the transactions pursuant to this Agreement shall take place beginning at 10:00 a.m. on June 30, 2015 (the "Closing Date") at the offices of Miller, McGinn & Clark, S.C. 788 North Jefferson Street, Suite 900, Milwaukee, Wisconsin or such other time and place as Seller and Purchaser may agree.

6. Purchaser's Obligations Prior to or at Closing. Purchaser hereby agrees that it shall, prior to or at Closing, deliver to Seller or as otherwise indicated:

6.01 Cashiers' checks or wire transfers to Seller, Escrow Agent, and Seller's other creditors, as determined by Purchaser, in the amounts determined in accordance with Section 4.01 and as agreed to by the parties prior to Closing;

6.02 The Assignment and Assumption Agreement duly executed by Purchaser, in the form attached hereto as Exhibit D (the "Assignment and Assumption Agreement");

6.03 Certified copies of the resolutions adopted by the Board of Directors of Purchaser authorizing the purchase of the Purchased Assets and the assumption of the Assumed Liabilities from Seller in accordance with this Agreement;

6.04 The Consulting and Noncompete Agreements between Red, Lisa and Purchaser in the form attached hereto as Exhibit E (the "Consulting and Noncompete Agreements"), duly executed by Purchaser;

6.05 The New Berlin Sublease and the Muskego Lease, duly executed by Purchaser;

6.06 The Escrow Agreement, duly executed by Purchaser;

- 6.07 The Assignment of Intellectual Properties in the form attached hereto as Exhibit E (the “Assignment of Intellectual Properties”), duly executed by Purchaser; and
- 6.08 A certificate executed by Purchaser stating that the representations and warranties made by Purchaser under this Agreement are true and correct as of the Closing Date and further stating that all covenants to be performed by Purchaser on or before Closing have been fully performed or otherwise satisfied as of the Closing Date.
7. Seller's and Seller Shareholders' Obligations Prior to or at Closing. Seller and Seller Shareholders shall, prior to or at Closing and unless waived by Purchaser in writing, deliver or convey to Purchaser:
- 7.01 A Bill of Sale duly executed by Seller in form and content to the reasonable satisfaction of Purchaser, transferring to Purchaser all of the Purchased Assets subject to all the terms and conditions of this Agreement;
- 7.02 The Assignment and Assumption Agreement, duly executed by Seller;
- 7.03 The Assignment of Intellectual Properties, duly executed by Seller;
- 7.04 Certified copies of resolutions adopted by the Board of Directors and Seller Shareholders authorizing the execution of this Agreement and the sale of the Purchased Assets to Purchaser in accordance with the terms hereof;
- 7.05 Certificate of Status of Seller issued by the Department of Financial Institutions of the State of Wisconsin within sixty (60) days of the Closing Date;
- 7.06 The Consulting and Noncompete Agreements, duly executed by Red and Lisa;
- 7.07 The New Berlin Sublease duly executed by Seller and the Muskego Lease, duly executed by LMR, along with the cancellation of the existing lease for the Muskego Property duly executed by Seller and LMR, and the signed written consents of FR Welsh Bindery, LLC or other current landlord(s) of the New Berlin Property and, if required, the lender(s) of such landlord(s), to the New Berlin Sublease;
- 7.08 Articles of Amendment to Seller's Articles of Incorporation duly executed in duplicate by a proper officer of Seller in a form acceptable to Purchaser's counsel, changing Seller's corporate name to a name distinguishable from Reynolds Machine Company upon the records of the Wisconsin Department of Financial Institutions;
- 7.9 A Certificate executed by Seller and Seller Shareholders as of the Closing Date stating that all representations and warranties made by Seller and Seller Shareholders under this Agreement are true and correct as of the Closing Date and further certifying that any covenants under this Agreement to be performed by either of them on or before the Closing have been fully performed or otherwise satisfied as of the Closing Date; and
- 7.10 Written consents of Meritor, Inc. and Dana Holding Corporation (individually, a “Customer” and collectively, the “Customers”) to the transfer and assignment of each of their respective supply agreements and/or purchase orders to the Purchaser, as modified to the satisfaction of the Purchaser, in Purchaser's sole discretion, including the removal of competitiveness clauses.

8. Representations and Warranties of Purchaser. Purchaser hereby represents and warrants to Seller as of this date and as of the Closing Date that:

8.01 Organization. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the power to own its property and carry on its business.

8.02 Authority. Purchaser has all necessary corporate power to execute and deliver this Agreement and to consummate the transactions provided for herein, and the execution and delivery of this Agreement by Purchaser and the performance by it of the obligations to be performed hereunder have been duly authorized by all necessary and appropriate action. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby do not and will not conflict with or result in a breach of, or constitute a default under, the terms or conditions of the Certificate of Incorporation or Bylaws of Purchaser, any material judicial or administrative order or process, any material agreement or instrument to which Purchaser is a party or by which it is bound, or any material statute or regulation of any governmental agency. This Agreement is, and each other agreement and document to be executed by Purchaser pursuant hereto, will when so executed be valid and binding obligations of Purchaser enforceable in accordance with their terms.

8.03 Warranties True and Correct. No warranty or representation by Purchaser contained in this Agreement or in any writing to be furnished pursuant hereto or previously furnished to Seller contains or will contain any untrue statement of fact or omits or will omit to state any fact required to make the statements therein contained not misleading.

9. Representations and Warranties of Seller and the Seller Shareholders. Seller and Seller Shareholders jointly and severally represent and warrant to Purchaser as of this date and as of the Closing Date that:

9.01 Corporate Organization. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Wisconsin and has all corporate power, and authority to own, operate and lease its respective properties and carry on the Business as now conducted. Seller is duly licensed and qualified to do business in and is in good standing under the laws of each state where failure to do so would materially adversely affect the Business.

9.02 Authorization of Agreement. Seller has all necessary corporate power to execute and deliver this Agreement and to consummate the transactions provided for herein and the execution and delivery of this Agreement by Seller and the performance by it of the obligations to be performed hereunder have been duly authorized by all necessary and appropriate action by the Board of Directors and shareholders of Seller. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby do not and will not conflict with or result in a breach of, or constitute a default under the terms or conditions of Seller's Articles of Incorporation or By-Laws, any court or administrative order or process or any statute or regulation of any governmental agency and the consummation of the transactions contemplated hereby do not and will not result in the breach of, or constitute a default under, any agreement or instrument to which Seller is a party or by which Seller is bound except that the consent of the Customers under their respective agreements are required for the assignment of each. This Agreement is, and each other agreement and document to be executed by Seller and/or Seller Shareholders pursuant hereto will be, when so executed, valid and binding obligations of Seller and the Seller Shareholders as the case may be enforceable in accordance with their terms.

9.03 Financial Statements. Seller has delivered to Purchaser copies of its annual financial statements for the years 2012, 2013 and 2014 and interim financial statements dated as of March 31, 2015 ("Financial Statements") prepared by Hoye & Associates Ltd. Such financial statements have been prepared from the Books and Records of Seller and fairly present the financial condition of Seller as of their respective dates and the results of its operations for the periods covered thereby. Except as set forth in the Financial Statements or on Schedule 9.03, (i) neither the Business nor Seller had any outstanding indebtedness as of the date of the Financial Statements nor will they on the Closing Date, and (ii) Seller is not a party to, and none of the Purchased Assets are subject to, any note, bond, indenture or other instrument or contract evidencing, creating or otherwise relating to indebtedness.

9.04 Absence of Undisclosed Liabilities. There are no material liabilities or obligations direct or indirect absolute or contingent, or any outstanding evidence of indebtedness arising out of or relating to the Seller, the Business or the Purchased Assets, including liabilities or obligations arising out of any act, omission, transaction, circumstance, sale of goods or services, state of facts or other condition which occurred, existed or arose with respect to the period on or before the date hereof whether or not due or payable, except (a) as reflected or as reserved against in the Financial Statements; or (b) liabilities incurred in the ordinary course of business, consistent with Seller's prior practice, which in the aggregate, do not result in any material adverse change in the financial condition of the Business or the Purchased Assets from that set forth in the Financial Statements.

9.05 Inventory. The Inventory is of a quality and quantity usable and saleable in the ordinary course of business consistent with past practice at the values recorded in the Financial Statements.

9.06 New Berlin Property and Muskego Property. To the best of Seller's and Red's knowledge, there are no structural or nonstructural defects in the building or other improvements situated on the New Berlin Property or the Muskego Property and all building systems therein are in all material respects in good condition and working order (reasonable wear and tear excepted) and are adequate in quality and quantity for the normal operation of the Business on the New Berlin Property and the Muskego Property.

9.07 Planned Public Improvements and Special Assessments. To Seller's and Red's knowledge, there are no planned or contemplated public improvements that may result in special assessments against the Property or the Muskego Property or that may otherwise affect the availability of utility service or access to the New Berlin Property or the Muskego Property.

9.08 Title to Purchased Assets. Seller has good, indefeasible and marketable title to all Purchased Assets, free and clear of all mortgages, security interests, title retention agreements, options to purchase, rights of first refusal, liens, encumbrances, restrictions and other burdens, except for: (a) a lien as security for money borrowed from Bank Mutual, and purchase money lien of TCF Equipment Finance on various items of equipment, both of which will be paid and satisfied at or prior to Closing; and (b) four lift trucks used by Seller at the New Berlin Property which are leased from Wolter Investment Company LLC.

9.09 Condition and Sufficiency of Purchased Assets. No maintenance outside the ordinary course of business is needed with respect to the Purchased Assets. None of the Purchased Assets or the leasing, occupancy or operation of the New Berlin Property is in violation of any law or any zoning, or other ordinance, code, rule, or regulation. The Purchased Assets are sufficient for safe and normal use in the Business, have been maintained in accordance with applicable maintenance specifications and are adequate, in quality and quantity for the operation of the Business. The Purchased Assets constitute all of the assets, tangible and intangible, of any nature whatsoever, necessary to operate the Business in the manner presently operated and include all of the operating assets of Seller. No affiliate of the Seller or Seller Shareholders (other than the Seller) owns any assets, tangible or intangible, of any nature whatsoever necessary for the operating of the Business. No notice from any governmental body or other person has been served upon Seller or Red or upon any of the Purchased Assets claiming any violation of any law ordinance, code, rule or regulation or requiring, or calling attention to the need for, any work, repairs, construction, alterations or installation on or in connection with the Purchased Assets or the Business with which Seller has not complied.

9.10 Assumed Contracts. The Parties will use their good faith, best efforts to agree upon Schedule 9.10 on or before May 22, 2015. By such date, Schedule 9.10 will contain an accurate and complete list, and Seller will have delivered to Purchaser accurate and complete copies, of the Assumed Contracts. The Assumed Contracts are legally valid and binding and in full force and effect with respect to the parties thereto and neither Seller nor, to Seller's and the Seller Shareholders' knowledge, any of the other parties to any of the Assumed Contracts is in default thereof. Seller and the Seller Shareholders have no notice or knowledge of any claimed breach of any of the Assumed Contracts or of the occurrence of any event which after the passage of time or the giving of notice or both would constitute a default by Seller or any other party to any Assumed Contract.

9.11 Litigation and Proceedings. Except for workers compensation claims incurred in the ordinary course of business which are covered by insurance maintained by Seller sufficient to pay such claims, there is no suit, action or legal, administrative, arbitative or other proceeding pending or, to Seller's or the Seller Shareholders' knowledge, threatened against Seller with respect to the Business or affecting the Purchased Assets and to Seller's and Seller Shareholders' knowledge, Seller is not under investigation with respect to any charge concerning violation of any law or administrative regulation, foreign, federal, local or state, in respect to the operation of the Business, and no set of facts or circumstances exist which would constitute a basis for any such action, proceeding, investigation, suit or arbitration.

9.12 Compliance with Environmental Laws.

(a) The term "Environmental Laws" shall mean all federal, state and local laws including statutes, regulations and other governmental restrictions and requirements relating to the discharge of air pollutants, water pollutants or process wastewater or the disposal of solid or hazardous waste or otherwise relating to the environment or hazardous substances or employee health and safety.

(b) The term "Hazardous Substances" shall mean all hazardous and toxic substances, wastes and materials; any pollutants or contaminants (including, without limitation, petroleum products, asbestos and raw materials which include hazardous constituents); and any other similar substances or materials which are regulated under Environmental Laws.

(c) Seller has not been required to nor has it filed any reports, returns or other filings required to be filed with respect to the New Berlin Property, the Muskego Property, or the Business under Environmental Laws.

(d) The Business, the New Berlin Property, and the Muskego Property have been and are being operated by Seller and Seller Shareholders in accordance with all Environmental Laws. Neither Seller nor any Seller Shareholder has received any notice nor does Seller or any Seller Shareholder have any knowledge that the Business, the New Berlin Property, or the Muskego Property are not in compliance with all Environmental Laws.

(e) There are no actions pending, or to the knowledge of Seller or Seller Shareholders, actions, claims or investigations threatened against Seller, Seller Shareholders, the Business, the New Berlin Property, or the Muskego Property, which in any case assert or allege (i) the Seller, Seller Shareholders, Business, the New Berlin Property, or Muskego Property violated any Environmental Law or is in default with respect to any order, writ, judgment, variance, award or decree of any government authority; (ii) Seller or Seller Shareholders are required to clean up or take remedial or other response action due to the disposal, discharge or other release of any Hazardous Substance on the New Berlin Estate, the Muskego Property, or elsewhere; or (iii) Seller or Seller Shareholders are required to contribute to the cost of any past, present or future cleanup or remedial or other response action which arises out of or is related to the disposal, discharge or other release or any Hazardous Substance by Seller, Seller Shareholders, or the Business. Seller, Seller Shareholders, the Business, the New Berlin Property, and the Muskego Property are not subject to any judgment, stipulation, order, decree or agreement arising under Environmental Laws.

9.13 Restrictions on Personnel. Neither the Seller Shareholders nor any of the other officers, directors, employees or consultants of Seller has entered into any agreement which is now in effect with any person, corporation, partnership or business organization (other than Seller) requiring such person to assign any interest in any invention or trade secrets related to the Business or to keep confidential any such trade secrets or containing any prohibition or restriction on competition or solicitation of customers.

9.14 Taxes. All federal, state, county and local income, excise, sales, transfer, use, gross receipts, ad valorem, payroll and other taxes, fees and assessments imposed on Seller and payable by Seller and all federal and state payroll taxes required to be withheld by Seller have been or will be duly, timely and fully reported, paid and discharged.

9.15 Employee Benefit Plans.

- (a) Seller maintains the Reynolds Machine Company 401 (K) Savings Plan ("Plan") which is an "employee pension benefit plans", as such term is defined in Section 3(2) of the Employee Retirement Income Security Act of 1974 ("ERISA") in compliance with applicable ERISA requirements.
  - (b) Seller has made available to Purchaser true and complete copies of (i) the documents governing the Plan as in effect on the date hereof and (ii) the most recent annual report for the Plan prepared on the appropriate Internal Revenue Service Form 5500 series, including all required attachments.
  - (c) None of the assets of Seller are subject to any lien, constructive or otherwise, arising under ERISA Section 4068.
  - (d) Seller provides its full time employees with group term life insurance and with health insurance for which the employees are required to make a contribution for a portion of the cost.
  - (e) Seller has made available to Purchaser true and complete copies of the documents governing the health insurance plan and the group term life insurance plan as in effect on the date hereof:
  - (f) Seller has never been obligated to contribute to any multi-employer plan within the meaning of ERISA Section 3(37). The Plan is not a "multiemployer plan" (as defined in Section 3(37) of ERISA) (a "Multiemployer Plan") or other pension plan subject to Title IV or Part 3 of Title I of ERISA or Section 412 of the Code, and neither any Seller nor any ERISA Affiliate (as defined below) has, within the past six years, sponsored, maintained, participated in, contributed to, or has been required to participate in or contribute to, or has any liability in respect of, whether actual or contingent, a Multiemployer Plan or other pension plan subject to Title IV or Part 3 of Title I of ERISA or Section 412 of the Internal Revenue Code (the "Code"). None of the Purchased Assets or any ERISA Affiliate is, or may reasonably be expected to become, the subject of any lien arising under ERISA or Section 430(k) of the Code. For purposes of this Agreement, "ERISA Affiliate" shall mean any entity (whether or not incorporated) other than Seller that, together with Seller, is required to be treated as a single employer under Section 414(b), (c), (m) or (o) of the Code.
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9.16 Labor Matters.

(a) Seller is not a party to or bound by any union collective bargaining agreements or other labor contracts. Seller is not, with respect to the Business, a party to any pending arbitration or grievance proceeding or other claim relating to any labor contract nor, to Seller's and the Seller Shareholders' knowledge, is any such action threatened.

(b) Seller is not bound by any court, administrative agency tribunal, commission or board decree, judgment, decision, arbitration agreement or settlement relating to collective bargaining agreements, conditions of employment, employment discrimination or attempts to organize a collective bargaining unit which in any case may materially and adversely affect Seller, the Business or the Purchased Assets. Seller and the Seller Shareholders have no notice or knowledge of any employment discrimination, safety or unfair labor practice or other employment-related investigation, claim or allegation against Seller.

9.17 Employees and Employment Contracts. Seller has no employment contract with any person, nor any contract with any employee, involving termination, retirement or termination pay, deferred compensation, profit sharing or pension plans, employee benefit plans or other employee benefits or post-employment benefits of any kind. Seller has provided complete and accurate lists of the following information for each employee, director, independent contractor, and consultant of Seller involved in the operation of the Business: (i) each employee on leave of absence; (ii) name; (iii) job title; (iv) date of hiring or engagement; (v) current compensation paid or payable; (vi) sick and vacation leave that is accrued but unused as of the date of this Agreement; and (vii) service credited for purposes of vesting and eligibility to participate under the Plan, or any other employee or director benefit plan. Seller has not experienced a "mass layoff" or "plant closing" under the Worker Adjustment and Retraining Notification Act (the "WARN Act") or any similar state or local legal requirement.

9.18 Insurance. Seller is insured by reputable insurers against all such liabilities hazards and risks, and in such amounts as are usually carried by prudent persons engaged in the same or similar line of business. Such insurance is valid, outstanding, and enforceable and is written on an occurrence basis.

9.19 Intangible Assets. No Intangible Asset infringes, misappropriates, violates or conflicts with the rights of any third party. No third party has asserted, or threatened to assert, any claim contesting the right of Seller to use, exercise, sell, license, transfer or dispose of any Intangible Assets or any products, services, processes or materials covered thereby in any manner, or challenging the ownership, validity or enforceability of any Intangible Assets. No Intangible Assets are subject to any outstanding order, restricting in any manner the licensing, assignment, transfer, use or conveyance thereof. The consummation of this Agreement will neither violate nor result in the breach, modification, cancellation, termination, suspension of or acceleration of any payments with respect to any contracts, licenses or agreements relating to Intangible Assets.

9.20 Warranties True and Correct. No warranty or representation by Seller or Seller Shareholders contained in this Agreement or in any writing to be furnished pursuant hereto or previously furnished to Purchaser contains or will contain any untrue statement of fact or omits or will omit to state any fact required to make the statements therein contained not misleading.

10. Covenants and Agreements of Purchaser. Purchaser hereby covenants and agrees that:

10.01 Satisfaction of Conditions. Purchaser shall act in good faith and shall use its good faith efforts to cause to be satisfied all conditions to the performance of its obligations hereunder.

10.02 Access to Certain Information. As soon as practicable following the Closing, but in no event later than ninety (90) days thereafter, Purchaser shall deliver to Seller, at Seller's expense, such information and data as Seller may reasonably request including that required by Seller's customary tax and accounting questionnaires, in order to enable Seller to complete and file all federal and state forms which may be required by law to be filed by it.

10.03 Record Retention. For a period of four (4) years following the Closing Date, Purchaser agrees to maintain in a reasonably accessible place at its principal office the books and records, including magnetic media files, if any, delivered by Seller hereunder to the extent relating to the reasonably foreseeable post-Closing needs of the Seller, to provide Seller and its representatives reasonable access to such books and records during normal business hours and to provide copies of such books and records to Seller or its representatives at Seller's expense.

10.04 Collection of Accounts Receivable. From and after the Closing Date, Purchaser shall use reasonable efforts in accordance with normal business practices to bill and collect the Accounts Receivable. Purchaser shall have no obligation to resort to or threaten litigation or any other action to collect the Accounts Receivable. All payments made by customer will be applied to invoices in chronological order, that is, to Seller's invoices before Purchaser's invoices. In the event any of the Accounts Receivable are not collected within 120 days after closing, Purchaser may assign such account to Seller or Seller Shareholders and deduct the amount thereof from payments otherwise due Seller or Seller Shareholders under the Escrow Agreement or Consulting and Noncompete Agreements, respectively.

11. Covenants and Agreements of Seller. Seller and Seller Shareholders hereby covenant and that:

11.01 Satisfaction of Conditions/Accounts Receivable. Seller and Seller Shareholders shall act in good faith and shall use their best efforts to cause to be satisfied all of the conditions to the performance of their obligations hereunder. If Seller or any Seller Shareholder receives any payment applicable to the Business after Closing, Seller shall hold such funds in trust for the benefit of Purchaser and immediately remit such payment to the Purchaser.

11.02 Access to Books and Records After Closing. For a period of four (4) years following the Closing Date, Seller agrees to maintain in a reasonably accessible place any books and records not delivered to Purchaser hereunder (whether required to be delivered or not) relating to Seller and the Business wherever located, to provide Purchaser and its representatives reasonable access to such books and records during normal business hours and to provide copies of such books and records to Purchase or its representative at Purchaser's expense.

11.03 Change of Names. Simultaneously with the Closing, Purchaser, or its designated assignee, may change its name to "Reynolds Machine Co." or a variation thereof, and Seller shall file any and all documents required by the Wisconsin Department of Financial Institutions to allow Purchaser or such assignee to effect the foregoing name change. Seller shall also immediately cease to use and thereafter refrain from using, the name "Reynolds Machine Co.", or any variation thereof. As provided in Section 7.08, at Closing, Seller shall deliver to Purchaser Articles of Amendment to Seller's Articles of Incorporation changing Seller's corporate name.

11.04 Proration of Taxes and Expenses. Seller shall be responsible for the expenses of the Business through the day of Closing, and Purchaser shall be responsible for the expenses of the Business beginning with the day after the Closing Date. Within sixty (60) days after Closing (or such other, longer period which is reasonable under the circumstances), Purchaser shall submit to Seller an invoice for expenses which are attributable to Seller's operation of the Business prior to Closing, were billed after Closing, were not included as Assumed Liabilities and a portion of which are the responsibility of the Seller under the provisions of this Section. The expenses of items such as utilities shall be prorated based on the portion of the billing period prior to the Closing Date and the portion of the billing period beginning with the Closing Date.

11.05 Slow Moving and Obsolete Inventory. On the first anniversary of the Closing Date, Purchaser shall have the right to put back to Seller, by written notice, and Seller agrees to purchase from Purchaser any inventory that has not been sold to any customer of the Business and has remained on the books of Purchaser since the Closing Date. The purchase price of such inventory shall be equal to the book value of such inventory on the Closing Date and shall be paid to Purchaser within thirty (30) days of Purchaser's invoice therefor. Upon the written request of Seller, Purchaser shall store the inventory, sell such inventory to a customer of the Business on Seller's account and remit the proceeds thereof to Seller. Purchaser will segregate and store such inventory on-site at Purchaser's facility without charge for up to twelve (12) additional months.

12. Indemnification by Purchaser.

12.01 Indemnification. Purchaser hereby covenants and agrees to indemnify, defend and hold Seller and Seller Shareholders harmless from and against any demand, claim, damage, liability, loss (which shall include any diminution in value), cost, deficiency or expense (including; but not limited to, interest, penalties, costs of investigation and the reasonable fees, disbursements and expenses of attorney accountants and other professional advisors) (collectively "Losses") imposed or incurred by Seller or Seller Shareholders, directly or indirectly arising out of, resulting from or relating to:

- (a) any inaccuracy breach of any representation or warranty of Purchaser pursuant to this Agreement, including Schedules and documents delivered pursuant hereto;
- (b) any failure by Purchaser to pay as due and perform the Assumed Liabilities; or
- (c) any failure of Purchaser to duly perform or observe any term, provision, covenant or agreement to be performed or observed by Purchaser pursuant to this Agreement or any documents contemplated by this Agreement.

The obligations of Purchaser to indemnify and hold Seller harmless as described herein shall survive the Closing for a period of thirty-six (36) months and the consummation of the transactions contemplated by this Agreement.

12.02 Procedures. The procedural rules set forth in Section 13.02 shall apply with respect to indemnification by Purchaser except that the parties' respective obligations under Section 13.02 shall be reversed as appropriate.

13. Indemnification by Seller and the Seller Shareholders.

13.01 Indemnification. Seller and the Seller Shareholders hereby agree jointly and severally to indemnify, defend and hold Purchaser, and Purchaser's shareholders, officers and directors (Purchaser and such persons, collectively, "Purchaser's Indemnified Persons") harmless from and against any Losses imposed or incurred by Purchaser's Indemnified Persons, directly or indirectly, arising out of, resulting from or relating to:

- (a) any inaccuracy in or breach of any representation or warranty of Seller or the Seller Shareholders pursuant to this Agreement including Schedules and documents delivered pursuant hereto;
- (b) any failure of Seller to duly perform or observe any term, provision covenant or agreement to be performed or observed by Seller pursuant to this Agreement or any documents contemplated by this Agreement;
- (c) any and all liabilities or obligations of Seller, Seller Shareholders or the Business other than the Assumed Liabilities.

The obligations of Seller and the Seller Shareholders to indemnify and hold Purchaser's Indemnified Persons harmless as described herein shall survive Closing and the consummation of the transactions contemplated by this Agreement.

13.02 Procedures. Purchaser shall give Seller (who shall in turn notify the Seller Shareholders) prompt notice of any written claim, demand, assessment, action, suit or proceeding to which the indemnity set forth in this Section 13 applies. If the document evidencing such claim or demand is a court pleading, Purchaser shall give such notice within ten (10) days of receipt of such pleading, otherwise Purchaser shall give such notice within twenty (20) days of the date it receives written notice of such claim. Failure to give timely notice of a matter which may give rise to an indemnification claim shall not affect the rights of Purchaser's Indemnified Persons to collect such Loss from Seller and the Seller Shareholders except to the extent such failure to so notify directly and adversely prejudices Seller's or the Seller Shareholder's ability to defend such Loss against a third party. The cost of any defense shall not become the obligation of Seller or Seller Shareholder until Purchaser tenders notice of the claim to Seller or Seller Shareholder. Seller's failure to provide notice of any claim, demand, assessment, action, suit or proceeding to any Seller Shareholder shall in no way diminish or affect the indemnification obligations hereunder, and Seller Shareholders waive all claims to the contrary.

If Purchaser's request for indemnification arises from the claim of a third party, the written notice shall permit Seller or Seller Shareholders to assume control of the defense of any such claim, or any litigation resulting from such claim. Failure by Seller or Seller Shareholders to notify Purchaser of its election to defend a complaint by a third party within twenty (20) days after receipt of notice thereof shall be a waiver by Seller or any such Seller Shareholder of its right to assume control of the defense of such claim or action. Prior to any such notice, Purchaser shall be entitled to take all reasonably necessary actions to defend the claim subject to the provisions of the preceding paragraph. If Seller or Seller Shareholders assume control of the defense of such claim or litigation resulting therefrom, Seller or Seller Shareholders shall take all reasonable steps necessary in the defense or settlement of such claim or litigation resulting therefrom, and Seller and the Seller Shareholders shall hold harmless Purchaser's Indemnified Persons, to the extent provided in this Section 13 from and against all Loss arising out of or resulting from any settlement approved by Seller or any judgment in connection with such claim or litigation. Notwithstanding Seller's or Seller Shareholders' assumption of the defense of such third-party claim or demand, Purchaser shall have the right to participate in the defense of such third-party claim or demand at its own expense, provided that the ultimate responsibility for the defense of the claim rests with Seller or Seller Shareholders. If Seller or Seller Shareholders have an opportunity to settle any claims of a third party which it wishes to accept, then in complete discharge of its obligation hereunder with respect to such claim, Seller or Seller Shareholders may tender to Purchaser the amount of money that would be payable to the claimant(s) to settle such claim (in a manner that completely discharges any liability or obligation of the Business and Purchaser) and it shall have no further objection with regard thereto. Seller and Seller Shareholders shall not be entitled to settle any claim that requires any action or inaction by the Purchaser, involves any criminal charge or otherwise requires any admission of wrongdoing which in Purchaser's judgment would impair the goodwill or reputation of the Business, without Purchaser's express written approval, such approval to be in Purchaser's sole discretion. Purchaser shall furnish Seller or Seller Shareholders in reasonable detail all information Purchaser may have with respect to any such third-party claim and shall make available to Seller or Seller Shareholders and their representatives all records and other similar materials which are reasonably required in the defense of such third-party claim and shall otherwise cooperate with and assist Seller or Seller Shareholders in the defense of such third-party claim.

If Seller or Seller Shareholders do not promptly assume and maintain responsibility for, and control of, the defense of any such third-party claim or litigation resulting therefrom (and in no event for any period longer than thirty (30) days from notice requesting assurances thereof), Purchaser may defend against such claim or litigation in such manner as it may deem appropriate, and Seller and the Seller Shareholders shall indemnify Purchaser's Indemnified Persons from any Loss indemnifiable under Section 13.01 incurred in connection therewith.

### 13.03 Payment.

(a) Purchaser's Indemnified Persons shall be entitled, but not obligated, to recover any Loss pursuant to this Section 13 by means of set-off of any such Loss against payments due the Seller Shareholders under the Consulting and Noncompete Agreements or from the Escrow Funds. Recovery of any Loss by Purchaser by set-off against any payment due or to become due under the Consulting and Noncompete Agreements or from the Escrow Funds may occur only upon compliance with Sections 13.03(b), and (c), below and in no event may Purchaser's Indemnified Persons offset any amount due to Seller Shareholders under the Consulting and Noncompete Agreements or from the Escrow Funds while Seller or Seller Shareholders are disputing a third-party claim as provided in Section 13.02 above.

(b) Prior to exercising Purchaser's Indemnified Persons' right to set-off against the payment due under the Consulting and Noncompete Agreements or from the Escrow Funds, Purchaser shall give Seller written notice of its intention to do so, setting forth the nature and amount of the Loss giving rise to the right of set-off. If Seller does not object to Purchaser's notice of set-off within ten (10) business days, Purchaser may then withhold any payment due under the Consulting and Noncompete Agreements or demand payment from the Escrow Agent which shall not constitute a default thereunder, provided that the set-off amount does not exceed the Loss or the amount of proposed set off set forth in such notice.

(c) Basket Provision. Except as otherwise provided in Section 13.04, no indemnification shall be payable by Seller until the aggregate Losses incurred by all of Purchaser's Indemnified Persons exceed Fifty Thousand Dollars (\$50,000.00) at which time Seller and Seller Shareholders shall be responsible for all such Losses in excess of Fifty Thousand Dollars (\$50,000.00).

13.04 Survival of Indemnification. The obligations of Seller and the Seller Shareholders to indemnify and hold Purchaser's Indemnified Persons harmless with respect to claims for indemnification made in connection with breaches of Sections 9.01, 9.02, 9.04, 9.08, 9.12, 9.14 and 9.15 ("Fundamental Representations") shall survive for the respective statute of limitations applicable to the underlying liabilities or obligations that give rise to such claims (as extended by applicable waivers). All other claims for indemnification made by Purchaser's Indemnified Persons shall survive for a period ending thirty-six (36) months after the date of Closing; provided that all such claims shall survive until resolved if notice of such claim has been given before that date. All claims for indemnification shall be subject to the Basket Provisions of Section 13.03 (c) except claims for fraud, payment of a liability of Seller which is not an Assumed Liability, or a claim for breach of the Fundamental Representations. The total obligations of Seller and Seller Shareholders for indemnification for any reason (except for any claims of fraud, any liability which is not an Assumed Liability, or for the breach of a Fundamental Representation) shall not exceed the Purchase Price.

14. Brokers. Evcor, Inc., a Florida corporation (“Seller’s Broker”) has been retained by Seller and has acted on its behalf. Seller shall be responsible for any payment, commission, or fee to be paid to Seller’s Broker. Purchaser and Seller represent and warrant to each other that except for Seller’s Broker, there are no brokerage or finders’ fees payable in connection with the transactions contemplated hereby resulting from any actions taken by them and they hereby indemnify, save and hold each other harmless from and against claims by any broker or finder for a fee or expense which is based in any way on an agreement, arrangement or understanding made or alleged to have been made by the indemnifying party relating to the transactions contemplated hereby.

15. Conditions Precedent to Seller’s Obligations. The obligations of Seller under this Agreement are subject to the fulfillment at or prior to Closing of each of the following conditions any or all of which may be waived by Seller.

15.01 Accuracy of Representations and Warranties. All representations and warranties of Purchaser contained in this Agreement shall be true and correct in all respects, and Purchaser shall have performed and satisfied all covenants, conditions, and agreements and delivered to Seller or Seller Shareholders all documents and agreements required by this Agreement to be performed, satisfied or delivered by Purchaser at or prior to Closing.

16. Conditions Precedent to Purchaser’s Obligations. The performance by the Purchaser of its obligations under this Agreement are subject to the satisfaction of the following conditions at or prior to Closing any or all of which may be waived by the Purchaser except for the conditions in Sections 16.03.

16.01 Accuracy of Representations and Warranties. As of the Closing Date, all representations and warranties of Seller and Seller Shareholders contained in this Agreement shall be true and correct in all respects and Seller and Seller Shareholders shall have performed and satisfied all covenants, conditions and agreements and delivered to Purchaser all documents and agreements required by this Agreement to be performed, satisfied or delivered by Seller or Seller Shareholders at or prior to Closing.

16.02 No Restraint on Transaction. No action, suit or proceeding by any governmental agency or other party shall have been instituted or threatened to be taken to restrain, prohibit or otherwise challenge the legality of the transactions contemplated herein.

16.03 Consents and Approvals. All consents and approvals of third parties necessary in order for the parties to consummate the transactions contemplated by this Agreement shall have been obtained. Further, Purchaser shall have obtained the approval of Purchaser’s Board of Directors.

16.04 Material Adverse Effect. There shall not have occurred any Material Adverse Effect with respect to the Seller. “Material Adverse Effect” means any event, change, occurrence, circumstance or development which has had or would have a material adverse effect on the condition (financial or otherwise) of the Purchased Assets, taken as a whole, or that materially adversely affects the ability of the Seller or the Purchaser, as the case may be, to consummate the transactions contemplated by this Agreement or materially impairs or delays the Seller’s or the Purchaser’s ability as the case may be, to perform its obligations hereunder.

16.05 Due Diligence. Purchaser (either directly or through its duly authorized representatives) shall have completed a due diligence review of Seller's operations, the Purchased Assets and Seller's books and records, including a Quality of Earnings and Quality of Assets evaluation, and the results of all such due diligence review shall be satisfactory to the Purchaser in its sole discretion.

16.06 Continuing Business Relationship. Purchaser shall have determined, in Purchaser's sole discretion by any means that Purchaser deems appropriate, that after Purchaser acquires the Business, the business relationship between Purchaser as successor to Seller and Meritor, Inc. ("Meritor") will continue substantially as it has in the past in accordance with the long-term agreements and other purchase orders between Seller and Meritor existing at the time of such meeting with no potential changes or variations in term of contract, pricing of contract, volume specifications or other material terms, except for those modifications required by Purchaser, in its sole discretion, to such terms and conditions, including without limitation, the deletion of competitiveness or other early termination clauses. Purchaser shall provide prompt notice to Seller upon the satisfaction of the condition set forth in this paragraph.

16.07 Financing. Purchaser shall have received financing for the Purchase Price and working capital on terms and conditions satisfactory to Purchaser, in Purchaser's sole discretion.

17. Exclusivity and Termination.

17.01 Exclusivity. From the date of this Agreement until the Closing Date, the Seller shall not, and shall instruct Seller's Broker not to, accept or solicit any offer from, or enter into or continue business discussions with, any person other than the Purchaser regarding the possible sale of the Business or of the Purchased Assets.

17.02 Termination. This Agreement may be terminated in the manner set forth below:

- (a) The parties may, by mutual written agreement, terminate the Agreement at any time;
- (b) By either party by written notice to the other party if the Closing shall not have occurred on or before the Closing Date, and such failure to close is not due to breach of the party seeking to terminate this Agreement; and
- (c) By either party notifying the other in writing that the Conditions Precedent to such party's obligations set forth in Sections 15 or 16 have not been satisfied, provided that the party giving such notice is not in breach of such party's obligations hereunder.

17.03 Effect of Termination. If this Agreement is terminated pursuant to any of the provisions set forth in Section 17.02 above, this Agreement shall become void and of no effect and neither party shall have any further liability toward the other.

18. Miscellaneous.

18.01 Further Assurances. Upon reasonable request, from time to time, Seller shall (or shall direct its directors, shareholders and officers to, if appropriate) execute and deliver all documents which may be necessary or desirable to perfect the right, title or interest of Purchaser in and to the Purchased Assets.

18.02 Amendment and Severability. This Agreement may only be amended by a written agreement of Seller, Seller Shareholders, and Purchaser. If any provision, clause or part of this Agreement or the application thereof under certain circumstances, is held invalid, the remainder of this Agreement or the applications of each provision, clause or part under other circumstances, shall not be affected thereby.

18.03 Waiver. The failure of Seller or Purchaser to insist, in any one or more instances, upon performance of any of the terms or conditions of this Agreement, shall not be construed as a waiver or relinquishment of any rights granted hereunder or the future performance of any such term, covenant or condition.

18.04 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, sent by reputable overnight courier, or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered (by hand or overnight courier), or if mailed five days after the date of deposit in the United States mail or three (3) days after deposit with express mail delivery service.

If to Seller or Seller Shareholders:

Reynolds Machine Co. Inc.  
Attention: Wilbur M. Reynolds, President  
17005 West Ryerson Road  
New Berlin, WI 53151

and, in the case of Purchaser, to:

Sypris Technologies Kenton, Inc.  
Attention: Paul Larochelle, President  
101 Bullitt Lane, Suite 205  
Louisville, KY 40222

with a copy to:

John P. Miller  
Suite900  
788 North Jefferson Street  
Milwaukee, WI 53202

with a copy to:

Sypris Technologies Kenton, Inc.  
John McGeeney, General Counsel  
101 Bullitt Lane, Suite 450  
Louisville, KY 40222

or to such other address as Seller or Purchaser may designate by notice in writing to the other.

18.05 Benefit. This Agreement shall be binding upon and inure to the benefit and burden of and shall be enforceable by Purchaser, its successors and assigns, and Seller, the Seller Shareholders, their successors and assigns. This Agreement may not be assigned by any party without the written consent of the others, which consent shall not be unreasonably withheld.

18.06 Expenses. All expenses incurred by Seller, Seller Shareholders or Purchaser in connection with the transactions contemplated hereby, including, without limitation, legal and accounting fees shall be the responsibility of and for the account of the party who ordered the particular service or incurred the particular expense, except as otherwise provided herein.

18.07 Public Announcement. Except for a public announcement (in whatever form) by Purchaser on or after Closing that it has acquired the assets and business of Seller, no public announcement of the transactions contemplated hereby shall be made by way of press release, disclosure to the trade or otherwise except with the mutual approval of the parties, unless required by applicable law.

18.08 Specific Performance and Other Remedies. In the event of any controversy concerning the rights or obligations under this Agreement, such rights or obligations shall be enforceable in a court of equity by a decree of specific performance. Such remedy shall however, be cumulative and nonexclusive and shall be in addition to any other remedy which the parties may have under the law.

18.09 Entire Agreement. This Agreement and the Schedules, Exhibits and other documents to be delivered pursuant hereto constitute the entire agreement among the parties hereto and there are no agreements, representations or warranties which are not set forth herein. All parties being represented by counsel, no one party shall be deemed the drafter of this Agreement with respect to its interpretation.

18.10 Governing Law. This Agreement and all Exhibits and Schedules hereto shall be governed by and construed in accordance with the laws of the State of Wisconsin.

18.11 Severability. Whenever possible, each provision of this Agreement will be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such without invalidating the remainder of such provisions or the remaining provisions of this Agreement.

18.12 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original but all of which taken together will constitute one and the same instrument.

(SIGNATURE PAGE TO FOLLOW)

The undersigned have executed this Asset Purchase Agreement as of the date first written above.

SYPRIS TECHNOLOGIES KENTON, INC.

By: /s/ Jeffrey T. Gill  
Jeffrey T. Gill, Chairman

REYNOLDS MACHINE CO., INC.

By: /s/ Wilbur M. Reynolds  
Wilbur M. Reynolds, President

SELLER SHAREHOLDERS

By: /s/ Wilbur M. Reynolds  
Wilbur M. Reynolds, as Trustee of  
the Wilbur M. Reynolds Living and  
Devolution Trust u/a/d 7/30/08

By: /s/ Wilbur M. Reynolds  
Wilbur M. Reynolds Individually

By: /s/ Lisa Reynolds  
Lisa Reynolds Individually

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

I, Jeffrey T. Gill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sypris Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 18, 2015

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

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

I, Anthony C. Allen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sypris Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 18, 2015

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

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

In connection with the Quarterly Report of Sypris Solutions, Inc. (the Company) on Form 10-Q for the period ending July 5, 2015 as filed with the Securities and Exchange Commission on the date hereof (the Report), each of the undersigned hereby certifies, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of Sypris Solutions, Inc., that to his knowledge:

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

Date: August 18, 2015

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

Date: August 18, 2015

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

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

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

