



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

**FORM 10-Q**

(Mark One)

**Quarterly Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934**

For the quarterly period ended September 30, 2007

OR

**Transition Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-24020

**SYPRIS SOLUTIONS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**101 Bullitt Lane, Suite 450**

**Louisville, Kentucky 40222**

(Address of principal executive offices) (Zip code)

**61-1321992**

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

**(502) 329-2000**

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

As of October 26, 2007, the Registrant had 19,088,528 shares of common stock outstanding.

## Table of Contents

### Table of Contents

#### PART I. FINANCIAL INFORMATION

ITEM 1.	<u>FINANCIAL STATEMENTS</u>	
	<u>Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2007 and 2006</u>	2
	<u>Consolidated Balance Sheets at September 30, 2007 and December 31, 2006</u>	3
	<u>Consolidated Cash Flow Statements for the Nine Months Ended September 30, 2007 and 2006</u>	4
	<u>Notes to Consolidated Financial Statements</u>	5
ITEM 2.	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	12
ITEM 3.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	18
ITEM 4.	<u>CONTROLS AND PROCEDURES</u>	18

#### PART II. OTHER INFORMATION

ITEM 1.	<u>LEGAL PROCEEDINGS</u>	18
ITEM 1A.	<u>RISK FACTORS</u>	18
ITEM 2.	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	19
ITEM 3.	<u>DEFAULTS UPON SENIOR SECURITIES</u>	19
ITEM 4.	<u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	19
ITEM 5.	<u>OTHER INFORMATION</u>	19
ITEM 6.	<u>EXHIBITS</u>	19

<u>SIGNATURES</u>		20
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[Table of Contents](#)

## 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 September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(Unaudited)		(Unaudited)	
Net revenue:				
Outsourced services	\$ 86,897	\$ 108,615	\$ 273,241	\$ 332,845
Products	17,623	17,340	58,965	55,340
Total net revenue	104,520	125,955	332,206	388,185
Cost of sales:				
Outsourced services	80,182	102,832	253,587	313,663
Products	13,866	12,887	48,439	41,233
Total cost of sales	94,048	115,719	302,026	354,896
Gross profit	10,472	10,236	30,180	33,289
Selling, general and administrative	10,369	9,600	29,740	28,474
Research and development	608	427	2,001	1,132
Amortization of intangible assets	129	163	457	480
Nonrecurring (income) expense, net	(4,835)	575	(3,281)	1,252
Operating income (loss)	4,201	(529)	1,263	1,951
Interest expense, net	991	820	2,624	3,062
Other (income) expense, net	(26)	12	15	(246)
Income (loss) before income taxes	3,236	(1,361)	(1,376)	(865)
Income tax expense (benefit)	599	(559)	(1,467)	(476)
Net income (loss)	\$ 2,637	\$ (802)	\$ 91	\$ (389)
Earnings (loss) per common share:				
Basic	\$ 0.14	\$ (0.04)	\$ 0.00	\$ (0.02)
Diluted	\$ 0.14	\$ (0.04)	\$ 0.00	\$ (0.02)
Dividends declared per common share	\$ 0.03	\$ 0.03	\$ 0.09	\$ 0.09
Weighted average shares outstanding:				
Basic	18,314	18,094	18,196	18,071
Diluted	18,548	18,094	18,351	18,071

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

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

	September 30, 2007 (Unaudited)	December 31, 2006 (Note)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 16,345	\$ 32,400
Restricted cash	883	1,002
Accounts receivable, net	58,473	59,876
Inventory, net	82,284	74,146
Other current assets	109,761	34,014
Total current assets	267,746	201,438
Property, plant and equipment, net	139,388	155,341
Goodwill	14,277	14,277
Other assets	13,626	7,977
Total assets	<u>\$ 435,037</u>	<u>\$ 379,033</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 67,283	\$ 76,291
Accrued liabilities	47,241	19,430
Current portion of long-term debt	5,000	5,000
Total current liabilities	119,524	100,721
Long-term debt	50,000	55,000
Other liabilities	55,546	13,426
Total liabilities	225,070	169,147
Stockholders' equity:		
Preferred stock, par value \$0.01 per share, 975,150 shares authorized; no shares issued	—	—
Series A preferred stock, par value \$0.01 per share, 24,850 shares authorized; no shares issued	—	—
Common stock, non-voting, par value \$0.01 per share, 10,000,000 shares authorized; no shares issued	—	—
Common stock, par value \$0.01 per share, 30,000,000 shares authorized; 19,185,179 shares issued and 19,075,441 outstanding in 2007 and 18,342,243 shares issued and 18,338,484 outstanding in 2006	192	183
Additional paid-in capital	145,826	143,537
Retained earnings	68,202	69,816
Accumulated other comprehensive loss	(4,056)	(3,634)
Treasury stock, 109,738 and 3,759 shares in 2007 and 2006, respectively	(197)	(16)
Total stockholders' equity	209,967	209,886
Total liabilities and stockholders' equity	<u>\$ 435,037</u>	<u>\$ 379,033</u>

Note: The balance sheet at December 31, 2006 has been derived from the audited consolidated financial statements at that date but does not include all information and footnotes required by accounting principles generally accepted in the United States for a complete set of financial statements.

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

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

	Nine Months Ended September 30,	
	2007	2006
	(Unaudited)	
Cash flows from operating activities:		
Net income (loss)	\$ 91	\$ (389)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	21,738	21,272
Noncash compensation expense	1,276	724
Deferred income taxes	(13,735)	—
Other noncash items	(9,624)	690
Changes in operating assets and liabilities:		
Accounts receivable	(5,377)	18,334
Inventory	(3,916)	1,657
Other current assets	(3,414)	(4,142)
Accounts payable	(3,221)	9,288
Accrued liabilities	12,897	(4,238)
Net cash (used in) provided by operating activities	(3,285)	43,196
Cash flows from investing activities:		
Capital expenditures, net	(5,118)	(7,852)
Proceeds from sale of assets	22	71
Changes in nonoperating assets and liabilities	(1,152)	85
Net cash used in investing activities	(6,248)	(7,696)
Cash flows from financing activities:		
Net change in debt under revolving credit agreements	20,000	(20,000)
Payments on Senior Notes	(25,000)	—
Cash dividends paid	(1,690)	(1,643)
Proceeds from issuance of common stock	168	321
Net cash used in financing activities	(6,522)	(21,322)
Net (decrease) increase in cash and cash equivalents	(16,055)	14,178
Cash and cash equivalents at beginning of period	32,400	12,060
Cash and cash equivalents at end of period	<u>\$ 16,345</u>	<u>\$ 26,238</u>

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

SYPRIS SOLUTIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**(1) Nature of Business**

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

**(2) Basis of Presentation**

The accompanying unaudited consolidated financial statements include the accounts of Sypris Solutions, Inc. and its wholly-owned subsidiaries (collectively, Sypris or the Company), and have been prepared by the Company in accordance with the rules and regulations of the Securities and Exchange Commission. All significant intercompany transactions and accounts have been eliminated. These unaudited consolidated financial statements reflect, in the opinion of management, all material adjustments (which include only normal recurring adjustments) necessary to fairly state the results of operations, financial position and cash flows for the periods presented, and the disclosures herein are adequate to make the information presented not misleading. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Actual results for the three and nine months ended September 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements, and notes thereto, for the year ended December 31, 2006 as presented in the Company's Annual Report on Form 10-K.

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

**(3) Recent Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements". The objective of SFAS No. 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS No. 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. The impact on the Company's consolidated financial position and results of operations has not yet been determined.

**(4) Dana Bankruptcy**

On March 3, 2006 (Filing Date), the Company's largest customer, Dana Corporation (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. Dana's European, South American, Asia-Pacific, Canadian and Mexican subsidiaries were excluded from the Chapter 11 filing.

On December 6, 2006, an independent arbitrator initially held that Dana had breached certain of its agreements with Sypris by failing to transfer certain volumes of business and by failing to pay the appropriate prices for the volumes that were transferred. As a result, the arbitrator awarded payments to Sypris totaling \$1,818,212 plus \$146,258 per month on an ongoing basis. On January 29, 2007, this award became final; and accordingly, net revenue in the consolidated statements of operations for the nine months ended September 30, 2007 includes \$2,875,000 pertaining to the arbitration award. On July 24, 2007, the Company announced that its wholly-owned subsidiary, Sypris Technologies, Inc., entered into a comprehensive settlement agreement with Dana to resolve all outstanding disputes between the parties and enter into a new long-term supply contract running through 2014. Dana filed a motion for an order approving the settlement agreement with the court in the Southern District of New York. The motion was heard by the court on August 7, 2007 and approved with an effective date of August 8, 2007.

## [Table of Contents](#)

The settlement agreement provides for Dana and the Company to (i) enter into a new, long-term master supply agreement in lieu of the three existing supply contracts, (ii) exchange production of certain non-core components, (iii) rebalance production among Company plants to reduce costs for both parties, and (iv) cease all litigation with regard to prior contract disputes, including the release of Dana from certain committed but undelivered production volumes. In addition, Dana provided the Company with an allowed general unsecured non-priority claim in the amount of \$89,900,000. The estimated recoverable amount for the unsecured claim is carried in other current assets.

At September 30, 2007, the Company has deferred approximately \$59,421,000 associated with the settlement, of which \$14,554,000 is carried in accrued liabilities and \$44,867,000 is carried in other liabilities in the consolidated balance sheets. The deferred revenue will be recognized over the term of the new master supply agreement. Approximately \$3,564,000 related to the settlement agreement was recognized into revenue and \$3,054,000 was reflected in gross profit during the three and nine months ended September 30, 2007. Additionally, the Company has recognized a nonrecurring net gain of \$4,835,000 and \$3,281,000 for the three and nine months ended September 30, 2007, respectively. Recording of the net gain considered various other settlement related items, including the settlement of a \$3,300,000 refundable deposit, the settlement of Dana-related accounts receivable and accounts payable, the write-off of intangible assets of \$1,269,000 related to the previous supply agreements, and other transaction costs, including legal and professional fees of \$569,000 and \$2,123,000 for the three and nine months ended, respectively.

### **(5) Stock-Based Compensation**

On May 14, 2007 the Company offered eligible participants, including executive officers and directors of the Company, the opportunity to surrender certain vested outstanding, unexercised stock options which have exercise prices greater than \$7.90 per share in exchange for shares of common stock or new options to acquire common stock with an exercise price of \$7.90 per share, pursuant to the 2004 Sypris Equity Plan. Participants could participate in the offer if they remained employed through June 13, 2007, the date on which the Company canceled eligible options under the offer. At the participant's election, the participant could exchange all of the eligible options owned by such participant for either (i) shares of common stock having a fair value equivalent to the fair value of each such eligible option, or (ii) new options to purchase shares of Sypris common stock having a fair value equivalent to the fair value of each such eligible option.

The ratio of shares subject to eligible options cancelled to common stock and new options issued was calculated using the Black-Scholes Merton Option Valuation Model. If a participant elected to exchange any eligible options, he or she also surrendered any target performance options granted under any Sypris equity plan. Each share of common stock and new option granted with respect to an exchanged option was fully vested. All new options are exercisable through May 14, 2011 unless earlier forfeited.

Pursuant to the Exchange Offer and in exchange for the options surrendered, the Company issued 159,974 shares of common stock, in addition to 374,529 options to purchase common stock. Additionally, participants surrendered 150,500 Target Options under the program, which represented all remaining Target Options outstanding at the date of exchange.

On January 12, 2007, the Company granted 258,000 restricted stock awards under a key employee retention program which vest over two or four years, as applicable. On March 1, 2007, the Company also granted 305,290 restricted stock awards under a long-term incentive program. Twenty-five percent of the restricted stock awards will vest in one-third increments on each of the third, fifth and seventh anniversaries of the grant date. Seventy-five percent of the restricted stock awards will vest in one-quarter increments on each of the first, second, third and fourth anniversaries of the achievement of the Vesting Trigger Date. This Vesting Trigger Date is the first business day following the Company's achievement of a specified target for aggregate net income as measured over the previous four fiscal quarters. If no Vesting Trigger Date occurs before March 1, 2010, this portion of the restricted stock awards will be immediately forfeited.

## [Table of Contents](#)

The following table summarizes option activity for the nine months ended September 30, 2007:

	Number of Shares	Weighted-average Exercise Price Per Share	Weighted-average Remaining Term	Aggregate Intrinsic Value
Outstanding at January 1, 2007	2,303,317	\$ 10.08		
Granted	393,529	7.90		
Exchanged	(1,101,655)	11.93		
Forfeited	(98,936)	9.32		
Expired	(109,448)	7.61		
Exercised	(60,748)	6.25		
Outstanding at September 30, 2007	<u>1,326,059</u>	<u>\$ 8.34</u>	<u>3.23</u>	<u>\$1,142,402</u>
Exercisable at September 30, 2007	<u>1,048,909</u>	<u>\$ 8.10</u>	<u>2.98</u>	<u>\$1,067,587</u>

### (6) Earnings (Loss) Per Common Share

There were no adjustments required to be made to net income (loss) for purposes of computing basic and diluted earnings (loss) per common share. 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):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007 (Unaudited)	2006 (Unaudited)	2007 (Unaudited)	2006 (Unaudited)
Shares used to compute basic earnings (loss) per common share	18,314	18,094	18,196	18,071
Dilutive effect of equity awards	234	—	155	—
Shares used to compute diluted earnings (loss) per common share	<u>18,548</u>	<u>18,094</u>	<u>18,351</u>	<u>18,071</u>

### (7) Inventory

Inventory consisted of the following (in thousands):

	September 30, 2007 (Unaudited)	December 31, 2006
Raw materials, including perishable tooling of \$1,357 and \$1,276 in 2007 and 2006, respectively	\$ 22,925	\$ 28,885
Work in process	12,175	12,576
Finished goods	7,913	10,129
Costs relating to long-term contracts and programs, net of amounts attributed to revenue recognized to date	47,885	40,451
Progress payments related to long-term contracts and programs	(2,306)	(11,107)
Reserve for excess and obsolete inventory	(6,308)	(6,788)
	<u>\$ 82,284</u>	<u>\$ 74,146</u>



## [Table of Contents](#)

### (8) Debt

Long-term debt consists of the following:

	<u>September 30, 2007</u> (Unaudited)	<u>December 31, 2006</u>
Revolving credit facility	\$ 25,000	\$ 5,000
Senior notes	30,000	55,000
	55,000	60,000
Less current portion	5,000	5,000
	<u>\$ 50,000</u>	<u>\$ 55,000</u>

In April 2007, the Company's Credit Agreement was amended and restated to: i) limit total borrowings at \$50,000,000, with \$50,000,000 of additional borrowings available upon lead bank approval, ii) extend the Credit Agreement through October 2009, iii) revise certain financial covenants providing more flexibility in the Company's financing structure, iv) increase the Company's interest rate structure, and v) add a security interest in the Company's accounts receivable, inventory and equipment. Other terms of the Credit Agreement remained substantially unchanged.

The Company also amended the Senior Notes in April 2007 to enable a portion of their repayment, revise certain financial covenants, modify the June 30, 2014 principal payment to June 30, 2012, increase the Company's fixed interest rates and among other things, add a security interest in the Company's accounts receivable, inventory and equipment. Other terms of the Senior Notes remained substantially unchanged. As a result of the aforementioned modifications, the Company deferred \$849,000 of loan costs, which are included in other assets in the consolidated balance sheets.

After the aforementioned modifications, the Company's principal commitment under the revolving credit facility is due in 2009, while the Company's principal commitment under the Senior Notes is \$4,100,000, \$15,000,000 and \$10,900,000 due in 2009, 2011 and 2012, respectively. Current maturities of long-term debt represent amounts due under a short-term borrowing arrangement included in the Credit Agreement.

The Company's Credit Agreement was amended effective as of September 17, 2007, in an amendment that was finalized by all parties on October 31, 2007, subject to the completion of certain events by December 31, 2007, including the receipt by the Company of a certain level of net cash proceeds from the receipt, assignment or liquidation of the unsecured claim related to the Dana settlement agreement, the redemption of the Senior Notes and certain other conditions. If all conditions are satisfied, the amendment will increase the Company's available borrowing capacity by \$30,000,000 and revise certain other financial covenants and provisions of the Credit Agreement.

**(9) Segment Data**

The Company is organized into two business groups, the Industrial Group and the Electronics Group. The Industrial Group is one reportable business segment, while the Electronics Group includes two reportable business segments, Aerospace & Defense and Test & Measurement. There was no intersegment net revenue recognized in any of the periods presented. The following table presents financial information for the reportable segments of the Company (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(Unaudited)		(Unaudited)	
<b>Net revenue from unaffiliated customers:</b>				
Industrial Group	\$ 67,595	\$ 93,021	\$ 220,186	\$ 283,974
Aerospace & Defense	23,604	21,166	72,655	69,094
Test & Measurement	13,321	11,768	39,365	35,117
Electronics Group	36,925	32,934	112,020	104,211
	<u>\$ 104,520</u>	<u>\$ 125,955</u>	<u>\$ 332,206</u>	<u>\$ 388,185</u>
<b>Gross profit:</b>				
Industrial Group	\$ 4,713	\$ 5,150	\$ 13,782	\$ 15,590
Aerospace & Defense	2,471	2,607	6,403	9,909
Test & Measurement	3,288	2,479	9,995	7,790
Electronics Group	5,759	5,086	16,398	17,699
	<u>\$ 10,472</u>	<u>\$ 10,236</u>	<u>\$ 30,180</u>	<u>\$ 33,289</u>
<b>Operating income (loss):</b>				
Industrial Group	\$ 8,271	\$ 2,340	\$ 12,622	\$ 7,670
Aerospace & Defense	(660)	(919)	(3,548)	218
Test & Measurement	311	167	1,709	415
Electronics Group	(349)	(752)	(1,839)	633
General, corporate and other	(3,721)	(2,117)	(9,520)	(6,352)
	<u>\$ 4,201</u>	<u>\$ (529)</u>	<u>\$ 1,263</u>	<u>\$ 1,951</u>

The Industrial Group's gross profit for the three and nine months ended September 30, 2007 includes approximately \$3,054,000 related to the Dana settlement agreement. The Industrial Group's operating income includes approximately \$5,828,000 of nonrecurring gains related to the Dana settlement for the three and nine months ended September 30, 2007. The operating income for general, corporate and other includes legal and other professional fees related to the Dana bankruptcy and settlement of approximately \$1,356,000 and \$2,910,000 for the three and nine months ended September 30, 2007, respectively.

	September 30, 2007	December 31, 2006
	(Unaudited)	
<b>Total assets:</b>		
Industrial Group	\$ 272,066	\$ 227,358
Aerospace & Defense	102,306	89,433
Test & Measurement	31,490	30,772
Electronics Group	133,796	120,205
General, corporate and other	29,175	31,470
	<u>\$ 435,037</u>	<u>\$ 379,033</u>

**(10) Commitments and Contingencies**

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

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

As of September 30, 2007, the Company had outstanding purchase commitments of approximately \$28,756,000, primarily for the acquisition of inventory and manufacturing equipment. As of September 30, 2007, the Company also had outstanding letters of credit approximating \$2,813,000 primarily under a captive insurance program.

**(11) Income Taxes**

In June 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109." FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." Specifically, FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company adopted the provisions of FIN 48 on January 1, 2007. The impact of the Company's tax positions reassessment in accordance with the requirements of FIN 48 was not significant.

Upon the adoption of FIN 48 as of January 1, 2007, the estimated value of the Company's uncertain tax positions approximated \$1,000,000 applicable to unrecognized net tax benefits. If the Company's positions are sustained by the taxing authority in favor of the Company, the entire balance would reduce the Company's effective tax rate. The Company does not expect any reasonably possible material changes to the estimated amount of liability associated with its uncertain tax positions through September 2008. As of September 30, 2007, there have been no significant changes to the liability for uncertain tax positions. The Company recognizes accrued interest and penalties related to uncertain tax positions in income tax expense. As of September 30, 2007, the Company had accrued approximately \$300,000 for the payment of tax-related interest and penalties. The liability for uncertain tax positions including interest and penalties is carried in accrued liabilities in the consolidated balance sheets.

The Company's effective tax rate for the three and nine months ended September 30, 2007 was 19% and 107%, respectively. The Company's effective tax rate for the three and nine months ended September 30, 2006 was 41% and 55%, respectively. Reconciling items between the federal statutory income tax rate of 34% and the effective tax rate include state and foreign income taxes and certain other permanent differences. The effective rate for the nine months ended September 30, 2007 was significantly impacted by the Dana settlement and the relationship between foreign taxable income, offset by domestic taxable losses at higher statutory rates.

The Company files income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. The Internal Revenue Service (IRS) is not currently examining the Company's U.S. income tax returns for 2004 through 2007, for which the statute has yet to expire. In addition, open tax years related to state and foreign jurisdictions remain subject to examination but are not considered material.

The Company's Mexican subsidiary is currently under a routine audit by the Mexican Servicio de Administracion Tributaria (SAT), the Mexican taxing authority, for the periods from May 27, 2004 through July 20, 2007. Proposed audit adjustments, if any, could significantly impact the Company's operating results, however no proposed audit adjustments exist as of September 30, 2007.

[Table of Contents](#)**(12) Employee Benefit Plans**

Pension benefit consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(Unaudited)		(Unaudited)	
Service cost	\$ 14	\$ 25	\$ 70	\$ 74
Interest cost on projected benefit obligation	525	538	1,621	1,628
Net amortizations, deferrals and other costs	24	110	126	354
Expected return on plan assets	(777)	(698)	(2,327)	(2,078)
	<u>\$ (214)</u>	<u>\$ (25)</u>	<u>\$ (510)</u>	<u>\$ (22)</u>

**(13) Foreign Currency Translation**

The functional currency for the Company's Mexican subsidiary is the Mexican peso. Assets and liabilities are translated at current rates of exchange and income and expense items are translated at the weighted average exchange rate for the period. The resulting translation adjustments are recorded in other comprehensive loss as a separate component of stockholders' equity. Total comprehensive income for the three months ended September 30, 2007 was \$2,343,000, including foreign translation adjustments of \$294,000. Total comprehensive loss for the nine months ended September 30, 2007 was \$331,000, including foreign currency translation adjustments of \$422,000. Total comprehensive loss for the three and nine months ended September 30, 2006 was \$86,000 and \$1,441,000 respectively, including foreign currency translation adjustments of \$716,000 gain and \$1,052,000 loss, respectively. For the three and nine months ended September 30, 2007, other income, net includes foreign currency transaction gains of \$12,000 and losses of \$34,000, respectively. Similar amounts for 2006 were not significant.

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

**Results of Operations**

The tables presented below, which compare our results of operations for the three and nine month periods from 2007 to 2006, present the results for each period, the change in those results from 2007 to 2006 in both dollars and percentage change and the results for each period as a percentage of net revenue. The columns present the following:

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

[Table of Contents](#)
**Three Months Ended September 30, 2007 Compared to Three Months Ended September 30, 2006**

	Three Months Ended, September 30,		Year Over Year Change	Year Over Year Percentage Change	Results as Percentage of Net Revenue for the Three Months Ended September 30,	
	2007	2006	Favorable (Unfavorable)	Favorable (Unfavorable)	2007	2006
<b>Net revenue:</b>						
Industrial Group	\$ 67,595	\$ 93,021	\$ (25,426)	(27.3)%	64.7%	73.9%
Aerospace & Defense	23,604	21,166	2,438	11.5	22.6	16.8
Test & Measurement	13,321	11,768	1,553	13.2	12.7	9.3
Electronics Group	36,925	32,934	3,991	12.1	35.3	26.1
Total	104,520	125,955	(21,435)	(17.0)	100.0	100.0
<b>Cost of sales:</b>						
Industrial Group	62,882	87,871	24,989	28.4	93.0	94.5
Aerospace & Defense	21,133	18,559	(2,574)	(13.9)	89.5	87.7
Test & Measurement	10,033	9,289	(744)	(8.0)	75.3	78.9
Electronics Group	31,166	27,848	(3,318)	(11.9)	84.4	84.6
Total	94,048	115,719	21,671	18.7	90.0	91.9
<b>Gross profit:</b>						
Industrial Group	4,713	5,150	(437)	(8.5)	7.0	5.5
Aerospace & Defense	2,471	2,607	(136)	(5.2)	10.5	12.3
Test & Measurement	3,288	2,479	809	32.6	24.7	21.1
Electronics Group	5,759	5,086	673	13.2	15.6	15.4
Total	10,472	10,236	236	2.3	10.0	8.1
Selling, general and administrative	10,369	9,600	(769)	(8.0)	9.9	7.6
Research and development	608	427	(181)	(42.4)	0.6	0.3
Amortization of intangible assets	129	163	34	20.9	0.1	0.1
Nonrecurring items	(4,835)	575	5,410	NM	(4.6)	0.5
Operating income (loss)	4,201	(529)	4,730	NM	4.0	(0.4)
Interest expense, net	991	820	(171)	(20.9)	0.9	0.7
Other (income) expense	(26)	12	38	NM	—	—
Income (loss) before income taxes	3,236	(1,361)	4,597	NM	3.1	(1.1)
Income tax expense (benefit)	599	(559)	(1,158)	NM	0.6	(0.5)
Net income (loss)	\$ 2,637	\$ (802)	\$ 3,439	NM%	2.5%	(0.6)%

[Table of Contents](#)
**Nine Months Ended September 30, 2007 Compared to Nine Months Ended September 30, 2006**

	Nine Months Ended, September 30,		Year Over Year Change	Year Over Year Percentage Change	Results as Percentage of Net Revenue for the Nine Months Ended September 30,	
	2007	2006	Favorable (Unfavorable)	Favorable (Unfavorable)	2007	2006
<b>Net revenue:</b>						
Industrial Group	\$220,186	\$283,974	\$ (63,788)	(22.5)%	66.3%	73.2%
Aerospace & Defense	72,655	69,094	3,561	5.2	21.9	17.8
Test & Measurement	39,365	35,117	4,248	12.1	11.8	9.0
Electronics Group	112,020	104,211	7,809	7.5	33.7	26.8
Total	332,206	388,185	(55,979)	(14.4)	100.0	100.0
<b>Cost of sales:</b>						
Industrial Group	206,404	268,384	61,980	23.1	93.7	94.5
Aerospace & Defense	66,252	59,185	(7,067)	(11.9)	91.2	85.7
Test & Measurement	29,370	27,327	(2,043)	(7.5)	74.6	77.8
Electronics Group	95,622	86,512	(9,110)	(10.5)	85.4	83.0
Total	302,026	354,896	52,870	14.9	90.9	91.4
<b>Gross profit:</b>						
Industrial Group	13,782	15,590	(1,808)	(11.6)	6.3	5.5
Aerospace & Defense	6,403	9,909	(3,506)	(35.4)	8.8	14.3
Test & Measurement	9,995	7,790	2,205	28.3	25.4	22.2
Electronics Group	16,398	17,699	(1,301)	(7.4)	14.6	17.0
Total	30,180	33,289	(3,109)	(9.3)	9.1	8.6
Selling, general and administrative	29,740	28,474	(1,266)	(4.4)	9.0	7.4
Research and development	2,001	1,132	(869)	(76.8)	0.6	0.3
Amortization of intangible assets	457	480	23	4.8	0.1	0.1
Nonrecurring items	(3,281)	1,252	4,533	NM	(1.0)	0.3
Operating income	1,263	1,951	(688)	(35.3)	0.4	0.5
Interest expense, net	2,624	3,062	438	14.3	0.8	0.8
Other expense (income), net	15	(246)	(261)	NM	—	(0.1)
Loss before income taxes	(1,376)	(865)	(511)	(59.1)	(0.4)	(0.2)
Income tax benefit	(1,467)	(476)	991	208.2	(0.4)	(0.1)
Net income (loss)	\$ 91	\$ (389)	\$ 480	NM%	— %	(0.1)%

**Backlog.** At September 30, 2007, backlog for our Aerospace & Defense segment increased \$12.3 million to \$104.7 million from \$92.4 million at September 30, 2006, on a 31% increase in net orders to \$83.1 million in the nine months ended September 30, 2007 compared to \$63.6 million in net orders in the first nine months of 2006. Backlog for our Test & Measurement segment increased \$2.1 million to \$6.0 million at September 30, 2007, on a 12% increase in orders to \$39.8 million compared to \$35.7 million in net orders for the first nine months of 2006. We expect to convert approximately 77% of the Aerospace & Defense backlog and 100% of the Test & Measurement backlog at September 30, 2007 to revenue during the next twelve months.

**Net Revenue.** The Industrial Group primarily derives its revenue from manufacturing services and product sales. Compared to the prior year, net revenue in the Industrial Group decreased \$25.4 million and \$63.8 million for the three and nine month periods, respectively, primarily due to an anticipated decrease in the heavy truck market and an unanticipated decline in the trailer market partially offset by increased pricing and the effects of the Dana bankruptcy and arbitration proceedings.

## [Table of Contents](#)

The Aerospace & Defense segment derives its revenue from product sales and technical outsourced services. Aerospace & Defense segment net revenue for the third quarter increased 12% or \$2.4 million from the prior year, primarily due to increased technical outsourced services associated with the launch of several new programs during the second half of 2006. Product sales also increased \$0.2 million driven by the ramp-up of a new classified program during the second half of 2006. The Aerospace & Defense segment net revenue for the nine months ended September 30, 2007 increased \$3.6 million over the prior year period primarily due to increased product sales from the ramp-up of a new classified program during the second quarter, partially offset by the delayed launch of a classified program to replace a prior generation program.

The Test & Measurement segment derives its revenue from technical services and product sales. Net revenue from calibration and other outsourced services increased 18% or \$1.8 million for the third quarter primarily due to increased demand. Comparable changes from the prior year nine month period were an increase in technical service revenue of 14% or \$4.3 million.

*Gross Profit.* The Industrial Group's gross profit of \$4.7 million and \$13.8 million in the third quarter and nine month periods of 2007, respectively, decreased from \$5.2 million and \$15.6 million in the third quarter and nine month periods of 2006, respectively, primarily as a result of the anticipated decrease in the heavy truck market and higher fringe benefit costs, which was partially offset by increased pricing, a favorable product mix of sales to energy markets and the favorable effects of the Dana bankruptcy and arbitration proceedings. Gross profit as a percentage of revenue increased to 7.0% and 6.3% for the third quarter and nine month periods of 2007, respectively, from 5.5% for the third quarter and nine month periods of 2006, respectively, primarily due to pricing improvements and the favorable effects of the Dana bankruptcy and arbitration proceedings.

The Aerospace & Defense segment's gross profit decreased \$0.1 million and \$3.5 million in the third quarter and nine month periods of 2007, respectively, primarily due to a delay in a contract award, combined with delays in cost reduction efforts for the same program which has led to increased contract support costs. Consistent with the Company's revenue recognition policy, gross profit for the nine-month periods ended September 30, 2007 and 2006 included charges of \$2.6 million and \$0.4 million, respectively, for costs in excess of expected future contract value. Gross profit as a percentage of revenue in the third quarter of 2007 decreased to 10.5% from 12.3% in the prior year period.

The Test & Measurement segment's gross profit increased 32.6% or \$0.8 million and 28.3% or \$2.2 million for the third quarter and nine month periods of 2007, respectively, primarily due to increased revenues. Gross profit as a percentage of revenue also increased to 24.7% and 25.4% for the three and nine month periods of 2007, respectively, from 21.1% and 22.2% for the three and nine month periods of 2006.

*Selling, General and Administrative.* Selling, general and administrative expense increased \$0.8 million in the third quarter of 2007 over the prior year period primarily due to higher employee benefit costs and compensation-related expenses. Selling, general and administrative expense in the nine month period ended September 30, 2007 increased \$1.3 million over the prior year period, primarily due to compensation-related expenses, recruiting costs and higher employee benefit costs.

*Research and Development.* Research and development costs during the third quarter and nine month periods ended September 30, 2007 increased from the prior year periods primarily due to new product development efforts within our Aerospace & Defense segment.

*Nonrecurring (Income) Expense, Net.* Nonrecurring items include the gain recognized as part of the Dana settlement agreement offset by the write-off of certain accounts receivable, legal and professional fees incurred as a result of the Dana Bankruptcy filing and other transaction related costs.

*Interest Expense, Net.* Interest expense for the third quarter increased primarily due to higher interest rates resulting from the April 2007 modification of our credit agreement and senior notes, partially offset by decreased weighted average debt outstanding. Our weighted average debt outstanding decreased to \$50.8 million and \$52.3 million for the third quarter and nine month periods of 2007, respectively, from \$56.1 million and \$68.4 million during the third quarter and nine month periods of 2006. The weighted average interest rate increased to 7.3% and 6.6% for the third quarter and nine month periods of 2007, respectively, from 5.4% and 5.5% for the third quarter and nine month periods of 2006.



## [Table of Contents](#)

*Income Taxes.* Our effective income tax rate was 19% and 107% for the third quarter and nine months ended September 30, 2007 as compared to 41% and 55%, respectively for the comparable prior year periods. The change in the effective tax rate is primarily due to the taxes associated with the Dana settlement agreement and the mix of foreign and domestic operating results. The effective rate for the nine months ended September 30, 2007 was significantly impacted by the Dana settlement and the relationship between foreign taxable income, offset by domestic taxable losses at higher statutory rates.

### **Liquidity, Capital Resources and Financial Condition**

Net cash used in operating activities was \$3.3 million in the first nine months of 2007, as compared to net cash provided of \$43.2 million in 2006, primarily due to the timing of working capital improvements in the first nine months of 2006 which were not repeated in 2007, including \$9.2 million of progress payments received and additional collections under an interim settlement with a bankrupt customer, plus inventory reductions in the first phase of our implementation of lean techniques. In the first nine months of 2007, accounts receivable increased \$5.4 million primarily due to increased payment terms with one of our customers and accounts payable decreased \$3.2 million driven by lower volumes in the Industrial Group. Inventory increased \$3.9 million primarily due to program delays in the Aerospace and Defense segment. Accrued liabilities increased \$12.9 million primarily as a result of income taxes resulting largely from the Dana settlement. Other current assets increased \$3.4 million primarily as a result of an increase in deferred contract costs.

Net cash used in investing activities decreased \$1.4 million to \$6.2 million for the first nine months of 2007, primarily due to lower capital expenditures

Net cash used in financing activities was \$6.5 million in the first nine months of 2007, compared to \$21.3 million in the first nine months of 2006, primarily due to additional payments on debt of \$15.0 million in the first nine months of 2006 as compared to the same period in the current year.

We had total borrowings under our revolving credit facility of \$25 million at September 30, 2007, and an unrestricted cash balance of \$16.3 million. Approximately \$4.8 million of the unrestricted cash balance relates to our Mexican subsidiaries. In April 2007, our credit agreement was amended and restated to limit total borrowings at \$50.0 million, with \$50.0 million of additional borrowings available upon lead bank approval, and to extend the credit agreement through October 2009. We also amended the senior notes in April 2007 to enable a portion of their repayment and modify the June 30, 2014 principal payment to June 30, 2012. The amendments for the senior notes and credit agreement also increase our interest rates, revise certain financial covenants providing more flexibility in our financing structure and add a security interest in our accounts receivable, inventory and equipment. Other terms of the Credit Agreement and Senior Notes remain substantially unchanged. After the aforementioned modifications, our principal commitment under the revolving credit facility is due in 2009, while our principal commitment under the senior notes is \$4.1 million, \$15.0 million and \$10.9 million due in 2009, 2011 and 2012, respectively. We also had purchase commitments totaling approximately \$28.8 million at September 30, 2007, primarily for inventory and manufacturing equipment.

The Company's Credit Agreement was amended effective as of September 17, 2007, in an amendment that was finalized by all parties on October 31, 2007, subject to the completion of certain events by December 31, 2007, including the receipt by the Company of a certain level of net cash proceeds from the receipt, assignment or liquidation of the unsecured claim related to the Dana settlement agreement, the redemption of the Senior Notes and certain other conditions. If all conditions are satisfied, the amendment will increase the Company's available borrowing capacity by \$30,000,000 and revise certain other financial covenants and provisions of the Credit Agreement.

We believe that sufficient resources will be available to satisfy our cash requirements for at least the next twelve months. Cash requirements for periods beyond the next twelve months depend on our profitability, our ability to manage working capital requirements and our rate of growth. If we make significant acquisitions, if working capital and capital expenditure requirements exceed expected levels during the next twelve months or in subsequent periods or if Dana is unable to successfully reorganize, we may require additional external sources of capital. There can be no assurance that any additional required financing will be available through bank borrowings, debt or equity financings or otherwise, or that if such financing is available, it will be available on terms acceptable to us. If adequate funds are not available on acceptable terms, our business, results of operations and financial condition could be adversely affected.

## **Critical Accounting Policies**

See the information concerning our critical accounting policies included under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operation - Critical Accounting Policies in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006. There have been no significant changes in our critical accounting policies during the nine month period ended September 30, 2007, except for the treatment of tax contingency accruals, for which our new policy is outlined below.

Effective January 1, 2007, the Company began to measure and record tax contingency accruals in accordance with FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109." The expanded disclosure requirements of FIN 48 are presented in Note 11 to the Consolidated Financial Statements in Part I, Item I.

FIN 48 prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Only tax positions meeting the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized upon adoption. FIN 48 also provides guidance on accounting for derecognition, interest and penalties, and classification and disclosure of matters related to uncertainty in income taxes. Adjustments to other tax accruals are generally recorded in earnings in the period they are determined. Prior to January 1, 2007, the Company recorded accruals for tax contingencies and related interest when it was probable that a liability had been incurred and the amount of the contingency could be reasonably estimated.

## **Forward-looking Statements**

This quarterly report, and our other oral or written communications, may contain "forward-looking" statements. These statements may include our expectations or projections about the future of our industries, business strategies, potential acquisitions or financial results and our views about developments beyond our control, including domestic or global economic conditions, trends and market developments. These statements are based on management's views and assumptions at the time originally made, and we undertake no obligation to update these statements, even if, for example, they remain available on our website after those views and assumptions have changed. There can be no assurance that our expectations, projections or views will come to pass, and undue reliance should not be placed on these forward-looking statements.

A number of significant factors could materially affect our specific business operations, and cause our performance to differ materially from any future results projected or implied by our prior statements. Many of these factors are identified in connection with the more specific descriptions contained throughout this report. Other factors which could also materially affect such future results currently include: our ability to liquidate our unsecured claims against the Dana bankruptcy estates at satisfactory valuations; costs and inefficiencies of restructuring our manufacturing capacity or breakdowns, relocations or major repairs of machinery and equipment; our inability to successfully launch new or next generation programs; impairments, non-recoverability or write-offs of goodwill, assets or deferred costs; cost, efficiency and yield of our operations including capital investments, working capital, production schedules, cycle times, scrap rates, injuries, wages, overtime costs, freight or expediting costs; cost and availability of raw materials such as steel, component parts, natural gas or utilities; volatility of our customers' forecasts, financial conditions, market shares, product requirements or scheduling demands; cyclical or other downturns; adverse impacts of new technologies or other competitive pressures which increase our costs or erode our margins; failure to adequately insure or to identify environmental or other risks; inventory valuation risks including obsolescence, shrinkage, theft, overstocking or underbilling; changes in government or other customer programs; reliance on major customers or suppliers, especially in the automotive or aerospace and defense electronics sectors; revised contract prices or estimates of major contract costs; dependence on, recruitment or retention of key employees; union negotiations; pension valuation, health care or other benefit costs; labor relations; strikes; risks of foreign operations; currency exchange rates; costs and supply of debt, equity capital, or insurance; changes in licenses, security clearances, or other legal rights to operate, manage our work force or import and export as needed; weaknesses in internal controls; costs of compliance with auditing, regulatory or contractual obligations; regulatory actions or sanctions; disputes or litigation, involving customer, supplier, creditor, stockholder, product

## [Table of Contents](#)

liability or environmental claims including potential, pre-existing product liability and unknown warranty claims that were preserved in our settlement agreement with Dana; 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, 2006.

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

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

We are exposed to financial market risks, including changes in interest rates and foreign currency exchange rates. All additional borrowings under our credit agreement bear interest at a variable rate based on the prime rate, the London Interbank Offered Rate (“LIBOR”), or certain alternative short-term rates, plus a margin (1.50% at September 30, 2007) based upon our leverage ratio. A change in interest rates of 100 basis points would result in additional interest expense of less than \$0.3 million on an annualized basis, based upon our debt outstanding at September 30, 2007. A change in fixed interest rates of 100 basis points would change the fair value of our Senior Notes by \$1.2 million. Fluctuations in foreign currency exchange rates have historically impacted our earnings only to the extent of remeasurement gains related to U.S. Dollar denominated accounts of our foreign subsidiary, because the vast majority of our transactions are denominated in U.S. Dollars. A one percent change in foreign currency exchange rates would result in remeasurement gain or loss of approximately \$0.4 million on an annualized basis, based upon the U.S. Dollar denominated accounts of our foreign subsidiary at September 30, 2007. Inflation has not been a significant factor in our operations in any of the periods presented; however, there can be no assurances that the costs of steel will not adversely affect our working capital requirements and our associated interest costs, which could also increase the sensitivity of our results to changes in interest rates.

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

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

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

## **PART II. OTHER INFORMATION**

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

None.

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

Information regarding risk factors appears in “MD&A — Forward-Looking Statements,” in Part I — Item 2 of this Form 10-Q and in Part I — Item 1A of our Report on Form 10-K for the fiscal year ended December 31, 2006.

## Table of Contents

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

None.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

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

None.

### **ITEM 5. OTHER INFORMATION**

The Company's Credit Agreement was amended effective as of September 17, 2007, in an amendment that was finalized by all parties on October 31, 2007, subject to the completion of certain events by December 31, 2007, including the receipt by the Company of a certain level of net cash proceeds from the receipt, assignment or liquidation of the unsecured claim related to the Dana settlement agreement, the redemption of the Senior Notes and certain other conditions. If all conditions are satisfied, the amendment will increase the Company's available borrowing capacity by \$30,000,000 and revise certain other financial covenants and provisions of the Credit Agreement.

### **ITEM 6. EXHIBITS**

<b>Exhibit Number</b>	<b>Description</b>
10.1	Redacted copy of Settlement Agreement with Dana Corporation signed on July 24, 2007 and effective as of August 7, 2007.
10.2	Redacted copy of Supply Agreement with Dana Corporation signed on July 24, 2007 and effective as of August 7, 2007.
10.3	2007A Amendment to Loan Documents between JP Morgan Chase Bank, NA, Sypris Solutions, Inc., Sypris Test & Measurement, Inc., Sypris Technologies, Inc., Sypris Electronics, LLC, Sypris Data Systems, Inc., Sypris Technologies Marion, LLC and Sypris Technologies Kenton, Inc. dated September 17, 2007.
31(i).1	CEO certification pursuant to Section 302 of Sarbanes - Oxley Act of 2002.
31(i).2	CFO certification pursuant to Section 302 of Sarbanes - Oxley Act of 2002.
32	CEO and CFO certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002.

**SIGNATURES**

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

SYPRIS SOLUTIONS, INC.  
(Registrant)

Date: November 2, 2007

By: \_\_\_\_\_  
/s/ T. Scott Hatton  
(T. Scott Hatton)  
Vice President & Chief Financial Officer

Date: November 2, 2007

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

\* A portion of this material is confidential and has been omitted and filed separately with the Securities and Exchange Commission.

### SETTLEMENT AGREEMENT

This Settlement Agreement (the “Agreement”), dated as of July 23, 2007, is made by and between, on the one hand, Dana Corporation (“DC”), Torque-Traction Manufacturing Technologies, LLC. (“TTM”) and Dana Heavy Axle Mexico, S.A. de C.V. (“DHAM”) (collectively, “Dana”); and, on the other hand, Sypris Solutions, Inc. (“SS”), Sypris Technologies, Inc. (“ST”), Sypris Technologies Marion, LLC (“STM”) and Sypris Technologies Mexico, S. de R.L. de C.V. (“STMex”) (collectively, “Sypris,” and, collectively with Dana, the “Parties”).

#### Recitals

- A. On March 3, 2006 (the “Petition Date”), DC, TTM and 39 of their affiliates (collectively, the “Debtors”) filed petitions for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”). The Debtors’ chapter 11 cases (collectively, the “Chapter 11 Cases”) are being jointly administered under Case Number 06-10354 (BRL). DHAM and various other non-U.S. subsidiaries and affiliates of DC have not filed petitions for relief under chapter 11 of the Bankruptcy Code, nor commenced any similar or ancillary insolvency or reorganization proceedings.
- B. Before the Petition Date, Dana and Sypris entered into various agreements, including without limitation: (i) that certain supply agreement by and among DC, ST and STM, dated on or about May 31, 2001 (as amended, the “Marion Supply Agreement”), (ii) that certain supply agreement by and among DC, TTM and ST, dated on or about December 8, 2003 (as amended, the “Morganton Supply Agreement”), and (iii) that certain supply agreement by and among DC, DHAM, ST and STMex, dated on or about June 30, 2004 (as amended, the “Toluca Supply Agreement”) (collectively, the Marion Supply Agreement, the Morganton Supply Agreement, and the Toluca Supply Agreement, the “Supply Agreements”).
- C. On May 10, 2006, Dana and Sypris entered into a settlement agreement, which was approved by the Bankruptcy Court on May 17, 2006 (the “May Agreement”) (collectively, the Supply Agreements and the May Agreement are referred to herein as the “Existing Agreements”).
- D. On December 6, 2006, the Arbitrator in a dispute between and among the parties to the Supply Agreements (the “Arbitration”) issued his Final Award of Arbitrator Relating to the Pricing and Sourcing of Gear Sets, which award was modified by the Arbitrator’s January 29, 2007 Order Relating to Motion of Respondents to Clarify the Gear Set Award Dated December 6, 2006 (collectively, the “Arbitration Award”).
- E. On December 15, 2006, the Debtors filed Motion For An Order, Pursuant to Section 363 of the Bankruptcy Code, Authorizing Them to Enter Into a Staged Re-Sourcing Program for Parts Currently Supplied by Sypris Technologies, Inc. (Docket No. 4421) (the “Re-Sourcing Motion”). On May 30, 2007, Sypris filed an objection to the Re-Sourcing Motion (the “Objection”), and on June 6, 2007, Dana filed a reply thereto (the “Reply”).

- F. In addition, the parties have conducted extensive discovery in connection with the Re-Sourcing Motion and on May 15, 2007, the Court ordered mediation and approved the appointment of Denis Cronin, as Mediator, with respect to the disputes between the parties (the "Mediation").
- G. Dana and Sypris desire to resolve all currently outstanding issues between the Parties and, further, to commit themselves to an agreement with respect to the continuous and uninterrupted supply of parts from Sypris to Dana (the "New Agreement"). A copy of the New Agreement is attached hereto as Exhibit 1.
- H. The Parties, with the concurrence of the Official Committee of Unsecured Creditors in the Chapter 11 Cases, have agreed that ST will have (i) an allowed, general, unsecured, nonpriority claim in the amount of Eighty-Nine Million Nine Hundred Thousand Dollars (\$89,900,000.00) in the DC Chapter 11 Case and an allowed, general unsecured, non-priority claim in the amount of Thirty Million Dollars (\$30,000,000.00) in the TTM Chapter 11 Case (collectively, the "Sypris Allowed Claims"), as further described herein.

Agreement

In consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Dana and Sypris agree as follows:

1. Approval of New Agreement. No later than July 24, 2007, the Debtors shall file a motion and proposed order pursuant to Bankruptcy Rule 9019 (the "Motion"), seeking entry of an order approving this Agreement and the New Agreement (the "Approval Order"). The Approval Order shall be in form and substance acceptable to Dana and Sypris. The Debtors and Sypris shall each utilize their best efforts to expedite consideration of the Motion and to obtain Bankruptcy Court entry of the Approval Order. Until such time as the Bankruptcy Court enters the Approval Order and the New Agreement becomes effective by its terms, the Parties agree to operate pursuant to the terms of the May Agreement.
2. Transfer of Non-Core Business. \*\*\*\*OMITTED\*\*\*\*\*  
 \*\*\*\*\*  
 \*\*\*\*\*  
 \*\*\*\*\*
3. Resolution and Release of Disputes. Except with respect to the Reserved Matters (as defined in Section 5 below), and the Sypris Allowed Claims, Dana on behalf of itself and its officers, directors, agents, shareholders, affiliates, subsidiaries, related or parent

entities, successors and assigns, and Sypris, on behalf of itself and its officers, directors, agents, shareholders, affiliates, subsidiaries, related or parent entities, successors and assigns, mutually release and discharge each other from and waive any and all claims, counterclaims, remedies and causes of action of any kind which arose from events, defects, claims, or other conditions occurring or existing on or before July 15, 2007 (whether liquidated or not, contingent or not, known or unknown), that any of them may have against any unaffiliated Party (including such Party's affiliates, subsidiaries, predecessors, successors, employees, directors, officers, stockholders and assigns) relating to the Dana / Sypris commercial relationship or any of the Existing Agreements, (including any claims possessed by Dana arising under sections 544 through 550 of the Bankruptcy Code or similar provisions of state law, and including any claims by Sypris for future payments by Dana pursuant to the Arbitration Award). The foregoing is an intentional and knowing waiver, discharge and release by the Parties.

4. Dismissal of Arbitration. Dana and Sypris agree to promptly and jointly notify the Arbitrator in the Arbitration, following the entry of the Approval Order and the New Agreement having become effective, by its terms, that the remaining claims in the Arbitration have been settled and released pursuant to this Agreement.
5. Reserved Matters. The Parties reserve their rights to assert any available claims or causes of action and/or assert any factual or legal defenses to such claims or causes of action that relate to the following matters (the "Reserved Matters"):
  - a. All warranty claims related to the Parts sold by Sypris to Dana, unless Dana, its affiliates, subsidiaries, predecessors or successors (or their respective directors, officers, employees, consultants or agents) had notice or other knowledge of such potential claims on or before July 15, 2007 (for avoidance of doubt, if a warranty claim is subsequently made that was previously unknown, but relates to the period prior to and including July 15, 2007, then the warranty provisions of the applicable Supply Agreement shall apply and govern any such claims). This does not otherwise expand or modify the rights and obligations of the Parties as provided in the applicable Supply Agreement;
  - b. All warranty claims related to the material sold by Dana or its designated suppliers to Sypris, unless Sypris, its affiliates, subsidiaries, predecessors or successors (or their respective directors, officers, employees, consultants or agents) had notice or other knowledge of such potential claims on or before July 15, 2007 (for avoidance of doubt, if a warranty claim is subsequently made that was previously unknown, but relates to the period prior to and including July 15, 2007, then the warranty provisions of the applicable Supply Agreement shall apply and govern any such claims). This does not otherwise expand or modify the rights and obligations of the Parties as provided in the applicable Supply Agreement.
  - c. All claims by Dana for contribution or indemnity, and all other claims by Dana related to the assertion of claims by third parties against Dana (whether brought under a theory of strict liability, negligence or other legal theory), related to Parts sold by Sypris to Dana. Dana represents to Sypris that, based on reasonable inquiry of those persons in its legal department responsible for product liability claims against Dana, it is not currently aware of any claims against Dana for which it would seek contribution or indemnity from Sypris.



- d. All claims by Sypris for contribution or indemnity, and all other claims by Sypris related to the assertion of claims by third parties (including Dana affiliates) against Sypris (whether brought under a theory of strict liability, negligence or other legal theory), related to Materials sold by Dana (or Dana's designated suppliers) to Sypris. Sypris represents to Dana that, based on reasonable inquiry of those persons in its legal department responsible for product liability claims against Sypris, it is not currently aware of any claims against Sypris for which it would seek contribution or indemnity from Dana.
- e. Notwithstanding any rejection of the asset purchase agreements relating to the Supply Agreements (the "Asset Purchase Agreements"), or other termination of the Asset Purchase Agreements, Dana shall retain its responsibility for indemnification of any environmental claims under the terms of the applicable Asset Purchase Agreement for the facility sold by Dana to Sypris, but only to the extent that Dana is entitled to indemnification from any prior owner of such facility and Dana shall remit to Sypris any proceeds received by Dana on account of such indemnification by any such prior owner. The Parties agree that if Dana obtains an assignment of its indemnification rights from any such prior owner in favor of Sypris, then such assignment shall relieve Dana of this duty to indemnify with respect to such facility. DC represents that it previously entered into a Settlement Agreement and Release between Eaton Corporation and DC dated April 2003 (the "Eaton Settlement") which remains legally binding and in full effect as of the date of this Settlement Agreement, an unsigned copy of which has been provided to Sypris, and further represents that the Eaton Settlement has not been amended, terminated or otherwise modified, and that DC will not terminate or otherwise reject the Eaton Agreement in the Chapter 11 Cases or otherwise amend or modify the Eaton Agreement without the prior written consent of Sypris which consent will not be unreasonably withheld. If Sypris has previously asserted or otherwise preserved a valid claim or right to bring a claim against Dana for indemnification related to environmental liabilities associated with the Marion or Toluca facilities that Dana released in the Eaton Settlement or in any other agreement or arrangement with Eaton or otherwise (a "Released Obligation"), then notwithstanding anything to the contrary in this Agreement, Dana retains its obligation to indemnify Sypris under the Marion Asset Purchase Agreement and the Toluca Asset Purchase Agreement solely with respect to such Released Obligations, if any.
- f. Notwithstanding any rejection of the Asset Purchase Agreements, or other termination of the Asset Purchase Agreements, Dana agrees to continue its efforts concerning the transfer of water rights to Sypris pursuant to paragraph 2.17 of the Asset Purchase Agreement dated June 30, 2004 concerning the Toluca, Mexico facility (the "Toluca APA") and, to the extent of any obligation to do so under section 8.2(b) of the Toluca APA, Dana agrees to indemnify Sypris with respect to any claim by Dana or its Affiliates against Sypris concerning the unauthorized provision of water to Dana or its Affiliates, provided that Sypris continues to

supply water to Dana consistent with its historical practice under the parties' lease concerning the Toluca, Mexico facility unless ordered to cease supplying by an appropriate governmental authority.

g. All outstanding, unpaid invoices for Parts tendered to Dana by Sypris, and all outstanding, unpaid invoices for raw material or components tendered by Dana to Sypris, in each case, on or after April 15, 2007.

6. Sypris' Pre-Petition Claims. Subject only to the provisions of paragraph 7 below, upon the entry of the Approval Order and the New Agreement becoming effective, the Sypris Allowed Claims shall immediately and without any further action or notice of any sort, be irrevocably allowed (a) in the amount of Eighty-Nine Million Nine Hundred Thousand Dollars (\$89,900,000.00) in the DC Chapter 11 Case and in the amount of Thirty Million Dollars (\$30,000,000.00) in the TTM Chapter 11 Case, provided that Sypris shall not be entitled to recover from such claims, more than \$89,900,000.00 in the aggregate from any or all of the Debtors' estates (including, no more than \$30,000,000.00 from the TTM estate), unless general unsecured claims in either of the estates are entitled to receive post-petition interest in which event Sypris shall be entitled to prove its right to receive post-petition interest. Other than as set forth in the preceding sentence, the Sypris Allowed Claims shall not be subject to subordination, disallowance, or reclassification, and shall not be reduced by or subject to any counterclaim, offset or dispute of any sort, including, without limitation, by reason of any Reserved Matter. Sypris agrees not to oppose a provision in a plan of reorganization or motion proposed by Dana which seeks substantive consolidation of the DC and TTM Chapter 11 Cases. Upon any consolidation of the bankruptcy estates of DC and TTM for purposes of plan distribution, the Sypris DC claim and the Sypris TTM claim shall be deemed merged into a single claim of Eighty-Nine Million Nine Hundred Thousand Dollars (\$89,900,000.00) against the consolidated estate.
7. Post-confirmation Survival. Notwithstanding Bankruptcy Code Section 1141, the obligations of Dana under this Settlement Agreement and under the New Agreement shall survive confirmation of any plan of reorganization that may be confirmed in the cases unimpaired. Any order confirming a plan or plans of reorganization shall provide for the survival of such obligations.
8. Bankruptcy Court Approval. All provisions of this Agreement become null and void in the event the Approval Order is either not obtained or is reversed by a final order no longer subject to appeal; provided however, that to the extent practicable all of the Parties' rights shall be restored to be as they existed prior to this Agreement, and any delay caused by the settlement contained herein or the Motion shall not adversely affect or prejudice such rights.
9. Entire Agreement. This Agreement together with the New Agreement contains the entire agreement between the parties pertaining to the subject matter hereof and fully supersedes all prior agreements and understandings between the Parties pertaining to such subject matter, including without limitation, the Settlement Agreement. No change in or amendment to this Agreement shall be valid unless set forth in writing and signed by all of the Parties after the execution of this Agreement. To the extent any term in this Agreement conflicts with any term in the New Agreement, the Parties agree that the New Agreement shall control.

10. Authority. Each person who executes this Agreement represents that he or she is duly authorized to execute this Agreement on behalf of the respective parties and that each such party has full knowledge of and has consented to this Agreement, *provided that*, with respect to Dana, such authority is subject to approval by the Bankruptcy Court.
11. Successors and Assigns. The provisions and covenants contained herein shall inure to and be binding upon the permitted successors, transferees, heirs and assigns of the parties hereto.
12. Section Headings. The headings in this Agreement are solely for convenience of reference and shall not affect its interpretation.
13. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same agreement.
14. Governing Law. This Agreement shall be construed in accordance with the laws of the state of Ohio.
15. Bankruptcy Court Jurisdiction. The Bankruptcy Court shall have exclusive jurisdiction over any disputes concerning the interpretation and implementation of this Agreement.

Dana Corporation

Treasurer

\_\_\_\_\_

Title

/s/ Teresa Mulawa

Signature

Teresa Mulawa

Printed Name

Treasurer

Title

Torque-Traction Manufacturing Technologies, Inc.

/s/ Teresa Mulawa

Signature

Teresa Mulawa

Printed Name

Dana Heavy Axle Mexico, S.A. de C.V.

/s/ Carlos Porras

Signature

Carlos Porras

Printed Name

Title

Sypris Solutions, Inc.

/s/ Jeffrey T. Gill

Signature

Printed Name

Title

Sypris Technologies, Inc.

/s/ Jeffrey T. Gill

Signature

Printed Name

Title

Sypris Technologies Marion, LLC

/s/ Jeffrey T. Gill

Signature

Printed Name

Title

Sypris Technologies Mexico, S. de R.L. de C.V.

/s/ Jeffrey T. Gill

Signature

Printed Name

Title

Dana Contract No. \_\_\_\_\*

\* A portion of this material is confidential and has been omitted and filed separately with the Securities and Exchange Commission.

## SUPPLY AGREEMENT

This Supply Agreement (the “Agreement”) is made effective as of the date on which this Agreement is approved by the Bankruptcy Court (provided that all Exhibits are agreed upon by the parties prior to obtaining such approval) (the “Effective Date”), by and between Dana Corporation (“Dana”) and Sypris Technologies, Inc. (“Sypris”).

### BACKGROUND:

Sypris has developed or acquired from Dana certain manufacturing capabilities necessary to produce a variety of commercial vehicle and automotive component parts, and Dana requires manufacturing of certain commercial vehicle and automotive component parts. The parties agree that the Parts (as defined below) to be manufactured pursuant to this Agreement are essential to the business activities of Dana and Sypris. The purpose of this Agreement is to set forth the terms and conditions applicable to such purchase and sale.

### AGREEMENT:

#### 1. Scope of Agreement; Termination of Prior Agreements.

- 1.1 During the term of this Agreement, Sypris will supply to Dana, and Dana will purchase from Sypris, all of the “Requirements” for the Existing Parts, Committed Parts, Transferred Parts and Substitute Parts (other than any of the foregoing that are Non-Exclusive Parts). Dana agrees that it and its Affiliates and joint ventures where Dana has half or more of the management control of such joint venture will not enter into or perform any agreements with Dana, its Affiliates or third parties that are structured with the intent or purpose to avoid Dana’s obligations under the Agreement, including, without limitation, Dana’s obligations of good faith and fair dealing or with regard to the Requirements or exclusivity pursuant to §18.1 (provided that Dana part numbers 75727 2x and 75727 3x are excluded from the scope of the foregoing). In addition, with respect to any joint ventures where Dana has less than half of the management control of such joint venture, Dana agrees to act in good faith and fair dealing so as not to undermine Dana’s or its Affiliates obligations under the Agreement with regard to the Requirements or exclusivity pursuant to §18.1.
- 1.2 For the term of this Agreement, and subject to the other requirements in this Section, Sypris commits to use its commercial best efforts to maintain during the term of the Agreement, sufficient manufacturing capacity (directly or in combination with its subcontractors) to produce the volumes of Parts specified in or pursuant to the Agreement and Part Delivery Amendments, except as otherwise provided herein. On an annual basis during the term of the Agreement, Dana will provide to Sypris a five year, non-binding forecast of its Requirements (“Five Year Forecast”), the first 9 months of which will be updated by Dana on a rolling monthly basis and provided to Sypris as completed. The initial Five Year Forecast is attached hereto as Exhibit 1. Annual updates will be provided by Dana to Sypris as completed. Within thirty days after the annual update is provided, Sypris will provide to Dana written confirmation that it has sufficient capacity to meet the demand described during the first 12 months of such update to the Five Year Plan or that it has established reasonable, detailed plans to do so (and will provide such plans to Dana). Sypris will also inform Dana if it reasonably believes it will be unable to meet Dana’s capacity requirements at any other time during

the Five Year Plan. Upon the request of either party, the other will promptly make available its appropriate personnel to discuss capacity and demand issues and work cooperatively to address any such issues. Capacity shortages will be addressed by the parties in accordance with §18.1.

- 1.3 Sypris will, at its expense, use its commercial best efforts to obtain and maintain in good working order all tooling and machinery required for the production of Parts unless otherwise agreed upon in a Part Delivery Amendment, except as otherwise provided herein.
- 1.4 The parties agree that, to the extent they have not already terminated or expired as of the Effective Date, the remaining obligations of the parties contained in the agreements between the parties set forth on Exhibit D ("Terminating Agreements") are hereby terminated as of the Effective Date and will be void and without further effect after that date (with the exception of warranty, product liability and recall, and certain water rights provisions which will continue to apply to certain events as set forth in § 5 of the Settlement Agreement between the parties of even date herewith).

**2. Definitions.** The following terms have the meanings set forth below when used in this Agreement, Part Delivery Amendments or any ancillary documents:

- 2.1 "Affiliates" means, as to any entity, any other entity that, directly or indirectly, Controls, is Controlled by or is under common Control with such entity.
- 2.2 "Base Price" for each of the Parts will be set forth in the Part Delivery Amendments for the respective Parts, subject to adjustment as provided in this Agreement.
- 2.3 "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through the ownership of voting securities (or other ownership interest), by contract or otherwise.
- 2.4 "Committed Parts" means the part numbers and designs associated with (a) all 404 (except those described in §18.1) and S170/S190 ring gear and pinion blankings and (b) all finished "E-Series" knuckle machining operations. Dana has committed to transfer the Committed Parts businesses to Sypris with a target date of full production of all Requirements for each of the Committed Parts by Sypris in Toluca as of January 1, 2008; and the parties agree to use their commercial best efforts to cooperate in good faith to accomplish that target, including without limitation, to complete all related PPAP approvals (on an expedited basis) and to execute Purchase Orders and Releases with respect thereto. Exhibit C lists each of the Committed Parts, showing the part number, description, end-use, class or model, material component price, Base Price, estimated annual volume, estimated annual sales, start date, end date, minimum percentage of Requirements that Dana will purchase from Sypris, name of the Dana location solely for shipment purposes and acknowledgment of the delivery of complete drawing packages and specifications.
- 2.5 "Exclusive Parts" means each part number designated as an "Exclusive Part" herein or in any Part Delivery Amendment and every Substitute Part associated with such part number (including all Parts for which the minimum specified percentage of Requirements is greater than zero, to the extent of such percentage). All of the Committed Parts and Existing Parts constitute Exclusive Parts.

- 2.6 “Existing Parts” means each of the part numbers listed on Exhibit B and any Substitute Parts for such Existing Parts. Exhibit B lists each of the Existing Parts, showing the part number, description, end-use, class or model, material component price, Base Price, estimated annual volume, estimated annual sales, start date, end date, minimum percentage of Requirements that Dana will purchase from Sypris, name of the Dana location solely for shipment purposes and acknowledgment of the delivery of complete drawing packages and specifications.
- 2.7 “New Parts” means any Parts that (i) are not produced for Dana by Sypris as of the Effective Date, (ii) are not Existing Parts, Substitute Parts or Committed Parts, and (iii) are specified by the parties in Part Delivery Amendments or Purchase Orders after the Effective Date. New Parts are deemed to be Non-Exclusive Parts unless otherwise specified in a Part Delivery Amendment.
- 2.8 “Non-Exclusive Parts” means each part number designated as a “Non-Exclusive Part” herein or in any Part Delivery Amendment.
- 2.9 “Part” means, as applicable, any Existing Part, any Committed Part, any New Part or any Substitute Part.
- 2.10 “PPAP” means the production parts approval process pursuant to which Sypris submits to Dana sample Parts for approval by Dana to proceed with production quantities of such Parts.
- 2.11 “Requirements” means all of the requirements for Exclusive Parts of Dana, its Affiliates and their respective successors, licensees and assigns (collectively, “Buyers”) for sale or use in the United States, Canada or Mexico, including all Exclusive Parts incorporated as an intermediary step in the production of any other finished part or assembly for sale or use in the United States, Canada or Mexico. For example, Dana will ensure that neither Dana, nor its Affiliates, nor any other Buyers will use (or license to use or contract with any other person or entity to use) any Part or any Part design as an intermediate or final step in the process of manufacturing any finished part or assembly, unless such finished part or assembly is restricted from sale to, or use by, all persons and entities in the United States, Canada and Mexico. If Dana is aware of any person or entity that also currently produces or purchases the Parts directly, or indirectly (as incorporated into any finished part or assembly), from a source other than Sypris such that Sypris is not currently producing the applicable percentage of Requirements for such Part(s) shown on Exhibit B, Exhibit C or in any PDA or mutually agreed Purchase Order, Dana will proceed promptly to transfer the applicable percentage of such production to, and purchase all such Requirements from, Sypris as rapidly as possible, excepting gear set production described in the last sentence of §18.1 and Dana part numbers 75727 2x and 75727 3x, each of which are expressly excluded from the scope of this definition. For purposes of this definition of Requirements, “Buyers” shall also include any assignee, transferee, licensee or purchaser of any business of Dana or its Affiliates but only to the extent of the Requirements of the assignor, licensor or seller that would have existed if Dana or its Affiliates ordering Parts pursuant to this Agreement had not entered into such assignment, transfer, license or purchase agreement. If any of the foregoing Buyers or their respective Affiliates had pre-existing requirements for parts substantially similar to the Parts, such pre-existing requirements are not deemed to fall within the scope of the Requirements definition. For purposes of illustration only, if such Buyers that are transferees, assignees, licensees or other purchasers had requirements

for parts substantially similar to the Parts prior to the transfer/assignment transaction with Dana and its Affiliates, Sypris will be entitled to manufacture the pro-rata share of the Requirements of the combined entity, post-transfer/assignment, attributable to Dana and its Affiliates based upon the pre-transaction Requirements of Dana and its Affiliates.

2.12 "Substitute Parts" means all future replacements and/or substitutions to the current design level (or at the time the Parts are added to this Agreement) of the Exclusive Parts, versions as modified by normal engineering changes, part number changes (whether the underlying Part remains identical to the version prior to the part number change or the part number change occurs in connection with other modifications, substitutions or replacements) and design modifications that serve to replace and/or supplement Exclusive Parts and assemblies in the future. Substitute Parts includes new designs in the future that incorporate substantially different manufacturing processes and materials from those then-currently used for or in the Parts, but such Parts are subject to §6.3.4 and may be Non-Exclusive Parts if Sypris is unable to fulfill the requirements of that Section. For avoidance of doubt, in the event a Substitute Part replaces any Exclusive Part provided by Sypris and an alternative part not provided by Sypris (and not subject to this Agreement), then Sypris shall receive the pro rata share of the Requirements for such Substitute Part (comparing the Requirements of the prior Part and the part provided by others), in an effort to mirror the Requirements for such Exclusive Part as if such Part had not been replaced.

2.13 "Transferred Parts" means (a) all 404 and S170/S190 ring gear forgings (the "Ring Gear Forgings") and (b) axle shaft part numbers 127437 and 127438 (the "Axle Shafts").\*\*\*\*\*OMITTED\*\*\*\*\* Price reductions for the Ring Gear Forgings and the Axle Shafts as described in Exhibit B will take effect on June 30, 2008 and January 1, 2008, respectively.  
\*\*\*\*\*All Transferred Parts are and shall continue to be Existing Parts.

3. **Initial Term.** The initial term of this Agreement will commence on the Effective Date and unless earlier terminated as provided below, will expire on December 31, 2014. Unless the Agreement is extended pursuant to §4, the parties agree that after written notice to Sypris of its intent not to renew the Agreement, Dana may on or after July 1, 2013, notwithstanding §18.1 (i) conduct PPAP testing, (ii) enter into long-term contracts (including requirements contracts if so desired by Dana) with third parties for the Parts covered by this Agreement for the delivery of Parts commencing after the term of this Agreement, and (iii) engage such third parties to develop tooling for Parts, manufacture PPAP Parts and manufacture a supply of alternative Parts to be held by Dana in inventory (but not to be used by Dana in production until the end of the term of the Agreement). Sypris agrees to return to Dana any tooling in Sypris' possession that is owned by Dana at the end of the term of this Agreement and will make available for purchase by Dana (at book value) any tooling owned by Sypris that was usable exclusively to produce Parts for Dana by Sypris.



4. **Renewal Term.** At least twenty-four (24) months prior to expiration of the initial term of this Agreement, Dana and Sypris may negotiate in good faith to enter into an extension of this Agreement for a renewal period agreed upon by the parties. In the event the parties are unable to reach an agreement with respect to the terms and conditions of such an extension, (i) Dana and Sypris shall agree to a termination schedule that will provide for a smooth and orderly transfer of the production of the Parts to a Dana or alternate supplier location or locations to be designated by Dana; and (ii) Sypris shall supply to Dana a transitional inventory of Parts subject to its available capacity to produce such transitional inventory, as may be requested by Dana. Dana may pursuant to subsection (ii) above request up to the aggregate number of units of Parts supplied by Sypris during the immediately preceding nine (9) months and Sypris will use its commercial best efforts to fill such request as promptly as possible subject to available capacity. Sypris will have a reasonable period of time to increase its staffing to the extent required to fulfill any such request from Dana. "Available capacity" will include manufacturing of Parts using three shifts of personnel (working 8 hour shifts) for five days per week. The obligation to provide such transitional inventory will not survive the termination of the Agreement.
5. **Part Delivery Amendments.**
  - 5.1 Parts will be provided by Sypris in accordance with this Agreement as may be supplemented by the terms of one or more Part Delivery Amendments describing any New Parts that may be agreed upon by Dana and Sypris (which Amendments are and shall be an integral part of this Agreement), each substantially in the form included in Exhibit A (Form of Part Delivery Amendment) (each, a "Part Delivery Amendment").
  - 5.2 Such Part Delivery Amendments may set forth Dana's initial good-faith forecasted volume of Parts, which forecast is provided to Sypris for planning purposes only. Dana does not commit to purchase any specific quantity or volume of Parts from Sypris unless otherwise agreed in this Agreement or in the supplemental terms of a Part Delivery Amendment with respect to the New Parts governed thereby.
  - 5.3 If Dana would like to explore with Sypris the possibility of it manufacturing for Dana New Parts, Dana will provide Sypris with a general description of the New Parts. Sypris will promptly, and at no charge to Dana, either (i) prepare a proposal to Dana setting forth all of the various pricing and other terms and conditions on which it would provide such New Parts, including the terms and conditions listed in the Part Delivery Amendment form included in Exhibit A, or (ii) notify Dana that Sypris will not be providing such proposal. Dana may engage third parties to supply the proposed New Parts or Substitute Parts therefor, or elect to manufacture in its own facilities any such parts. The exclusivity commitments described in §18.1 do not apply to New Parts which are in all cases Non-Exclusive Parts, as are any Substitute Parts for New Parts unless otherwise agreed upon in writing by the parties.
  - 5.4 Once executed by both parties, each Part Delivery Amendment for New Parts will be effective as supplemental terms to this Agreement with respect to such Parts (unless a different Part Delivery Amendment Effective Date (as defined below) is specified in the Part Delivery Amendment) and the New Parts described therein will be treated as "Parts" governed by this Agreement, except that they will not be subject to the exclusivity commitments in §18.1 (unless otherwise agreed upon in a PDA). Each Part Delivery Amendment will specify the date on which such Part Delivery Amendment is effective ("Part Delivery Amendment Effective Date") and the term during which such Part

Delivery Amendment will be in effect. Dana will not be obligated to pay for, and Sypris will not be obligated to deliver, any proposed New Parts, unless and until the parties have executed and delivered a Part Delivery Amendment (or a provisional Purchase Order) covering such Parts in accordance with this Section 5, and Dana has provided Releases for such New Parts.

- 5.5 Each Part Delivery Amendment is incorporated by reference herein, and will be subject to the terms and conditions of this Agreement in accordance with §32. The Part Delivery Amendments will be serially numbered (i.e., the first being Exhibit A-1, the second being Exhibit A-2, the third being Exhibit A-3, etc.). The labeling of Exhibits and other attachments to each Part Delivery Amendment will reflect the numbering of the corresponding Part Delivery Amendment.
- 5.6 Nothing in this Agreement shall be construed as a (i) right for Sypris to supply, or an obligation for Dana to receive proposals for the provision of, any proposed New Parts, or (ii) a limitation on Dana's discretion for selecting any third party or Dana facility for the provision of any proposed New Parts. For avoidance of doubt, the foregoing sentence shall not be construed to limit Dana's obligations with respect to Exclusive Parts.

**6. Prices and Price Adjustments.**

- 6.1 The Base Prices for the Parts for the full term with respect to any such Part will be as set forth in Exhibit B for Existing Parts, in Exhibit C for the Committed Parts and in the Part Delivery Amendments for the respective New Parts, subject however to the adjustments set forth below. All prices and price adjustments are stated in United States dollars. To the extent that the parties each determine that the use of alternative currencies may be mutually beneficial, the Parties agree to work together from time to time to consider the use of such alternatives. Prices do not include sales and use taxes, which will be the responsibility of Dana.
- 6.2 The Base Prices for each of the Parts shall be adjusted from time to time to reflect any change in the price of materials, components or subassemblies purchased by Sypris from Dana and/or Dana's suppliers for production of the Parts on a pass through basis.
- 6.2.1 The parties agree that no prices under the Agreement or any Part Delivery Amendment will be adjusted for any increase or decrease in Dana's requirement for Parts or for changes in demand dictated by Dana's customers, except for changes requested by Dana to the number of units to be delivered during the "Firm Window" (meaning the succeeding 5 days from the then-current date on the forecast timeline of the Release, or, with respect to New Parts, as otherwise defined and described in the Part Delivery Amendment), or as otherwise provided by Ohio Revised Code Section 1302.19 or any successor statute (codifying U.C.C. 2-306).
- 6.2.2 For purposes of illustration only, Dana's opportunity to obtain significant additional business by delivering significant expedited volumes to help satisfy a new fleet order would be an example of an unreasonably disproportionate change in orders, while a substantial drop in volumes due to the overall reduction in industry volumes would not be deemed an unreasonably disproportionate change.

- 6.2.3 Any price adjustments pursuant to this §6.2 will be based upon the reasonable, direct, out-of-pocket costs incurred by Sypris for which reasonable documentation is provided to Dana; however, Sypris will not, for cost reimbursement purposes, change historic practices concerning schedule volatility; provided that (i) the parties will use commercial best efforts to reach agreement on any such price increases (or other form of reimbursement) prior to the effectiveness of such change; (ii) in the absence of such agreement Sypris agrees to use its commercial best efforts to produce and deliver the requested Parts; and (iii) Dana agrees to pay Sypris' invoice for any such increase or reimbursement promptly in accordance with §6.5 as an "Undisputed" amount under §6.5(ii); provided, however that such payment shall not operate as a waiver of any objection by Dana to such price increase or reimbursement. The Base Price for each of the Parts shall be adjusted from time to time as follows:
- (a) The Base Price for each Part will be adjusted to reflect any changes in design, specification, material grade, production process, quality requirements, packaging and/or delivery points specified by Dana that result in an increase in cost to Sypris (including without limitation any changes to the Supplier Quality Development Manual or Dana's inspection standards), as shown in documentation describing such increase. For avoidance of doubt, nothing in the foregoing sentence shall be construed to permit more frequent changes to the standard materials prices than those specified in §8.3. The parties agree to administer price adjustments relating to the changes described in this §6.2 in accordance with past practices (except when past practices directly conflict with processes described in this Agreement).
  - (b) In the event Sypris initiates a change in the design, process, quality requirements, packaging and/or shipping of a Part that requires the approval of Dana, and the result of which reduces the delivered cost of the Part to Dana, the savings (net of any costs incurred by Sypris or Dana to accommodate such change) will be shared equally between the parties.
  - (c) In the event Dana initiates such a change in the design, process, quality requirements, packaging and/or shipping of a Part (including without limitation any changes to the Supplier Quality Development Manual or Dana's inspection standards), the result of which reduces the delivered cost of the Part to Dana, the savings (net of any costs incurred by Sypris or Dana to accommodate such change) will be enjoyed exclusively by Dana.
- 6.3 Substitute Parts will be priced as follows:
- 6.3.1 Substitute Parts having the same production process, material grade and gross weight will have the same Base Price as the Parts they replace.
  - 6.3.2 Base Prices for Substitute Parts, which have the same production process, but change in material grade or gross weight, will be adjusted upward or downward to reflect the change in gross weight and/or the change in material grade.
  - 6.3.3 Base Prices for Substitute Parts, which have a substantial change in the production process from adding or deleting processes, will be adjusted upward or downward to reflect (i) any change in material grade and/or gross weight as outlined in §6.3.2 and (ii) any change in cost that is reasonably expected to result from the added or deleted operations. The parties will agree upon a reasonable price adjustment for the added or deleted operations.

6.3.4 For Substitute Parts with specifications materially different than their predecessors (i.e., the Substitute Parts incorporate both substantially different manufacturing processes and substantially different materials from those currently used in the Parts), the parties will work together in a cooperative fashion beginning with and through the design process to provide Sypris with an equitable basis under which to produce the Substitute Parts, and therefore continue to derive economic benefit from this Agreement. Sypris will retain the right to produce any new designs for the Parts in accordance with this §6.3.4, provided Sypris has the technical capabilities and is competitive with the prices offered for those new designs by other sources that Dana reasonably believes are qualified to produce such new designs. If Sypris does not have such capabilities or is not price competitive for Substitute Parts with specifications materially different than their predecessors as described herein, such Substitute Parts will be deemed Non-Exclusive Parts for the remainder of the term of the Agreement.

6.4 The price and delivery terms are Free On Board (“FOB”) (as defined at Ohio Revised Code Section 1302.32 or any successor statute) Sypris’ plants. Dana will furnish returnable containers in sufficient quantities to support its production schedules at no cost to Sypris; provided, however, that Sypris acknowledges that Dana owns axle shaft racks and returnable dunnage used by Sypris to transport the Parts prior to the Effective Date. Sypris will use reasonable care to avoid damage or loss to the containers, and to give Dana adequate notice of container shortages. Prices do not include duties, taxes, shipping, freight, handling or insurance, which will be the responsibility of Dana, except as otherwise specified in this Agreement.

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- 6.6 Sypris will bear all incremental and/or premium shipping charges for emergency or expedited deliveries to the extent caused by Sypris' fault. Under such circumstances, Dana may reasonably specify the carrier and/or method of transportation, and Sypris will process shipping documents and route shipments of the Parts accordingly. Sypris will be responsible for all excess costs charged by such carrier because of its failure to comply with Dana's or its logistics providers' transportation instructions provided that Sypris receives prior notice of the instructions and agrees in advance that such instructions are reasonable, such agreement not to be unreasonably withheld, conditioned or delayed.
- 6.7 Neither party will unilaterally setoff against or recoup from any amounts due to the other party or its Affiliates amounts that are Undisputed under the Agreement, including without limitation by way of deduction, debit memo, non-payment of Undisputed amounts due or otherwise.
- 6.8 \*\*\*\*\*  
\*\*\*\*\*OMITTED\*\*\*\*\*

7. **Eligible Purchasers.** Dana's Affiliates that have executed this Agreement will have the right to issue (but not the obligation to issue), and Sypris agrees to honor, Purchase Orders and Releases (as defined in §11) submitted pursuant to Part Delivery Amendments. (Nothing herein

is intended to modify or lessen Dana's or its Affiliates' obligations to purchase the Requirements for Exclusive Parts.) Any pricing, other terms of purchase and protections that are available to Dana pursuant to the Agreement will be made available to any Dana Affiliates that are purchasing Parts pursuant to this Agreement. With respect to any Dana Affiliate that issues Purchase Orders and Releases, each of such Dana Affiliates will abide by the applicable terms and conditions of this Agreement with respect to the liabilities relating to such Purchases and Releases, but not to the liabilities relating to Purchases Orders or Releases to which such Affiliate is not a party. The Dana Affiliates issuing Releases for Parts will be responsible for payment for Parts specified in orders issued by such Affiliates; provided, however, that if such Affiliates fail to pay within the then applicable timeframe pursuant to §6.5, Dana will be obligated to promptly pay all such Undisputed amounts. All parties, including such Affiliates (solely to the extent of this paragraph 7), hereby agree to submit to the exclusive dispute resolution provisions and jurisdiction (in Ohio and the United States, as applicable), as provided in §§ 27 and 28 hereof.

**8. Materials.**

- 8.1 Sypris will purchase all material, components and subassemblies required for the production of Parts from Dana through Dana's Global Purchasing Agreement, which will provide for the transfer at such prices as may be offered by Dana's suppliers from time to time. Any change to current material, component or subassembly prices from Dana's suppliers will be passed through from Sypris to Dana as a proportionate adjustment to the materials portion of the Base Price for each affected Part. If Dana agrees, Sypris may purchase material for the production of Parts from other suppliers or it may elect to produce purchased components internally, but Dana's Global Purchasing Agreement price will remain the price that will be used to calculate materials cost. Sypris' payment terms for all materials purchased through Dana's Global Purchasing Agreement are net 59 days, payable to Dana, except as set forth in Section 8.2 below.
- 8.2 Unless and until the Parties mutually agree otherwise, Sypris shall continue to be entitled to order all materials required for the production of Parts by Sypris at its Morganton plant directly from Dana, and Dana shall order all such materials directly from Dana's designated suppliers. Sypris' payment terms for all such materials purchased through Dana are net 53 days, payable to Dana.
- 8.3 Unless otherwise agreed by the parties, Dana will provide Sypris with at least 90 days prior written notice of changes to raw material, component part and subassembly price standards, except when a shorter timeframe is necessary due to specific customer demands. In such instances, Dana will provide Sypris with as much notice as is possible under the circumstances. Any notice provided pursuant to this §8.3 will include reasonably detailed documentation of the new standard prices for each applicable part number, reasonably detailed assurances that Dana has loaded (and tested) such new prices for the Parts into its automated payment systems and will pay such adjusted prices when due, and a description of Dana's plans, processes and timetables for implementing such new prices (a "Standards Change Notice"). Such changes to the standards will be made in a coordinated fashion during the fourth quarter of any calendar year, or as otherwise mutually agreed, and all such changes in pricing shall be conditioned upon the timely receipt by Sypris of an accurate and complete Standards Change Notice.

8.4 Dana has allowed Sypris to use Dana's enterprise resource planning ("ERP") software tool in performing Sypris' obligations under the Existing Agreements. Sypris agrees to use its commercial best efforts to discontinue all such use, and (i) arrange for its migration to an alternative ERP tool (or obtain a license in its own name of the same tool and use its own infrastructure for the operations of the tool) in connection with its performance of the Agreement on or before March 31, 2008, and (ii) complete such migration on or before June 30, 2008. Sypris agrees to pay to Dana a fee of \$10,000 per month for use of the ERP tool for each month after March 31, 2008 (and \$25,000 per month after June 30, 2008), that Sypris continues to use Dana's copy of the tool in connection with this Agreement; provided, however, that in any event Sypris shall discontinue its use of the ERP tool by no later than December 31, 2008.

9. **Unprofitable Parts.** Except as otherwise set forth below, should Sypris determine that it is unable to produce a class of Parts profitably, it may provide Dana with written notification of Sypris' intent to transfer the production of such Parts to Dana and/or another supplier to be identified by Dana. Upon receipt of such notice, Dana will proceed promptly to secure another supplier for the class of Parts and will use its commercial best efforts to complete the transition within 120 days (or such other timeframe as the parties may agree to in writing). Dana will provide Sypris with the information required to create a surplus of Parts (subject to its available capacity) and to take any other steps necessary for an orderly transition. Dana shall have the option of acquiring any or all tooling that Sypris uses exclusively for producing that class of Parts from Sypris for a price that is equal to its book value at the time of Dana's purchase. The parties agree that all Parts identified on Exhibit E have either been reduced in price or are the subject of "value stream" savings, and therefore all Parts identified on Exhibit E are excluded from the scope of this § 9.

10. **Relationships.**

10.1 Dana will retain control of and be responsible for all relationships with its end customers.

10.2 Sypris is an independent contractor and not an employee, agent, partner of or a joint venturer with Dana. Except as otherwise set forth in this Agreement, Sypris will furnish all personnel, materials and equipment as necessary to perform its obligations under this Agreement. All personnel performing services under this Agreement will be Sypris' employees or agents and under Sypris' exclusive direction and control at all times and Sypris will be solely responsible for their compensation and benefits, social security and income tax withholding, unemployment and workers' compensation and similar matters, excepting any residual benefits or similar obligations Dana may have with respect to prior employment by Dana of any Sypris employees. Each party will ensure that its employees observe the others' and its Affiliates' security and safety rules at all times when they are on the others' and its Affiliates' premises.

11. **Purchase Orders, Releases, Changes.** Dana shall issue to Sypris a non-binding blanket purchase order ("Purchase Order") on a provisional basis (each of which are hereby incorporated by this reference as an appendix to Exhibit B, Exhibit C or the applicable PDA, as appropriate, depending upon whether the Purchase Order relates to Existing Parts, Committed Parts or New Parts) and monthly rolling six month forecasts for its Requirements for the Parts, the most current 5 days of which will constitute firm orders ("Releases") for the delivery of the Parts. Any prices in Purchase Orders that deviate from previously agreed upon prices for Parts must be mutually agreed upon by the parties. Sypris shall deliver the Parts in the volumes and in accordance with the schedule and shipment instructions set out in each Release. In the

event Dana requests that a change be made to the fixed 5-day production schedule, Sypris will use its commercial best efforts to make such change, provided, however, that any costs of a material nature incurred by Sypris to change the schedule will be borne by Dana, in accordance with the procedures set forth in §6.2. The terms and conditions of this Agreement will supersede those contained in any Purchase Order or Release as set forth in §33 below.

12. **Title and Risk of Loss.** Title to and risk of loss for the Parts will pass to Dana upon delivery of the Parts to the carrier in accordance with the F.O.B. terms of § 6.4 hereof.
13. **Inspection; Quality.**
- 13.1 Dana and its customers may inspect and/or test Parts at any time at their own expense and Sypris will, at no charge, make its premises available for this purpose and provide any necessary assistance to make the procedures safe and convenient for Dana. No inspections and/or tests by Dana will relieve Sypris of its obligations to inspect and test the Parts. If Parts that do not conform to applicable requirements are delivered, the parties will address the provision of such non-conforming Parts in accordance with the Default process described in § 26.
- 13.2 Sypris will maintain QS9000 and ISO 14001 registrations, or within a reasonable time, the then current versions or replacements thereof, for the plants at which the Parts are manufactured, including without limitation, the “ISO-9000 Quality System Requirements” and/or TS 16949 (with the exception of the Louisville and Marion plants, which will be certified by the end of June, 2008 and December 2007, respectively). Between the Effective Date of this Agreement and December 31, 2007, Sypris agrees to implement any changes in its current practices as are reasonably required to meet the quality requirements (including the standards and procedures set forth in provisions of Dana’s “Supplier Quality Development Manual,” (located at <http://supplier.dana.com/sdmanual/>, also referred to in this Agreement as the “Manual”), as amended from time to time by Dana; provided, however, that the parties agree to use their commercial best efforts to agree in good faith with respect to any proposed exceptions to such Manual. Sypris acknowledges that compliance with such Manual, as updated from time to time, is not contingent upon the outcome of the good faith discussions described in the preceding sentence.
- 13.3 Dana agrees to provide all applicable engineering drawing packages, quality metrics and delivery metrics on a timely, complete and accurate basis. Within 30 days of the Effective Date, the parties will meet to determine how to treat the impact of (i) supplier delivery and quality performance, (ii) the availability (or lack thereof) of current and complete drawing packages and specifications, and (iii) the impact of drop-ins, pull-forwards and other short lead time changes in orders among others, on the measurement of delivery and quality performance of Sypris, it being the objective of the parties to have an accurate, equitable and efficient process for measuring such performance.
- 13.4 Sypris will also utilize a rigorous system of quality assurance standards and operational policies, procedures and processes that are consistent with inspection methods in the control plan of the approved PPAP. The quality assurance standards and operational policies, procedures and processes that apply to all Releases generally will be included in the Supplier Quality Development Manual as amended from time to time, consistent with the foregoing. Sypris will be responsible for compliance with such updated



requirements, consistent with the foregoing. Any additional or modified quality assurance standards and operational policies, procedures and processes for New Parts will be included in the PDA.

13.5 Sypris and Dana will agree upon the establishment of initial PPM targets for each of the commodities that will serve as the quality benchmark as of the Effective Date, and future PPM target improvements and timeframes for achievement, which targets will be the subject of an Exhibit. The parties shall work together in a cooperative manner to review the quality compliance and quality assurance standards and procedures from time to time, and to mutually agree upon any changes that would help to improve the cost and quality of the Parts.

14. **Value Engineering.** Sypris will participate from time to time in Dana sponsored VA/VE programs and will collaborate with Dana engineering and design in efforts to reduce the delivered cost of the Parts for both parties.

15. **Part Warranty.**

15.1 Sypris warrants that the Parts supplied hereunder will be free from defects in workmanship and conform to drawings and specifications of Dana and Dana's OEM customers, provided that if Sypris purchases steel, components or subassemblies for the production of Parts from suppliers not covered by Dana's Global Purchasing Agreement, Sypris warrants such materials will be free from defects. In those circumstances where Sypris purchases raw material, components or subassemblies for the production of the Parts through Dana's Global Purchasing Agreement, Sypris will only be responsible for incoming and in-process inspections of such raw material, components or subassemblies in accordance with Dana's inspection standards (or its current equivalent), but shall not otherwise be responsible for any defects or resulting liabilities that may arise or result from defective and/or non-conforming raw material, components or subassemblies. Dana will reimburse Sypris for its costs associated with any rework or replacement of Parts that may result from the use of non-conforming raw material, components or subassemblies purchased through Dana's Global Purchasing Agreement. Sypris will in its reasonable discretion, present to Dana reasonable documentation of any increased costs incurred or to be incurred by Sypris with regard to amendments to the inspection standards. The parties will promptly discuss in good faith any such documentation presented by Sypris.

15.2 Sypris agrees that it will be responsible for all reasonable, direct, out of pocket costs incurred by Dana (and/or its customers), excluding consequential damages, to the extent caused by a breach by Sypris of the warranties for Parts offered by Sypris to Dana (which shall be the same as the terms of those warranties offered by Dana to its customers, provided that the terms of such warranties were typical in the industry ("Dana Warranties")). The length of the warranty period for the Parts will be five (5) years or 750,000 miles whichever comes first, for heavy-duty truck market Parts, two (2) years (with unlimited miles) for medium-duty truck market Parts and the period of time specified in Exhibit F for light-duty truck market Parts. However, if Dana extends the warranty period for any Dana Warranties to be consistent with industry standards for length of warranty, or otherwise changes the other terms of such warranties to be substantially consistent with industry standards, Dana will provide Sypris with written notice of such change and Sypris will, as promptly as is reasonably possible, implement a corresponding extension of the warranty period for the Parts, or otherwise update its

warranty for Parts to account for any such other amendments that are substantially consistent with industry standards. In the event Dana is able to achieve an increased selling price from its customers for Dana products that contain Parts, in exchange for lengthening or otherwise modifying the Dana Warranties, Dana will negotiate in good faith a price increase with Sypris for the affected Parts. Dana specifically acknowledges that Sypris shall not be responsible for any failure to find and remedy any defects in materials if Sypris has properly performed the inspection procedures or which would not have been detected by those inspection procedures. In the event such failure is only partly attributable to the breach of Sypris' warranty in §15.1, then Dana and Sypris will agree, in good faith, upon a reasonable and equitable apportionment of Dana's reasonable, direct, out-of pocket costs, damages and expenses between Sypris and any other person or entity, it being the intent of the parties that Sypris should be responsible for such costs and expenses to the extent attributable to its failure to provide Parts that conform to the warranties in §15. In the event of a potential warranty claim, Dana, Sypris, the material supplier and any other party to the claim, as appropriate, shall participate in the process of analyzing the root cause of the failed Part to determine if the failure was the result of use, design, assembly, material, workmanship or such other cause, and Dana shall reasonably determine allocation of responsibility based upon such joint findings.

15.3 In the event of a recall, Sypris shall only be responsible to the extent that such recall is caused by a breach of Sypris' warranty in §15.1 or a breach by Sypris of the Dana Warranties. Dana specifically acknowledges that Sypris shall not be responsible for any failure to find and remedy any defects in materials if Sypris has properly performed the inspection procedures or which would not have been detected by those inspection procedures. In the event such recall is only partly attributable to the breach of Sypris' warranty in §15, then Dana and Sypris will agree, in good faith, upon a reasonable and equitable apportionment of Dana's reasonable, direct, out-of pocket costs, damages and expenses between Sypris and any other parties to the recall campaign, it being the intent of the parties that Sypris should be responsible for all costs and expenses associated with recalls to the extent the same were attributable to its failure to provide Parts that conform to the warranties in §15 and the Dana Warranties.

15.4 The parties agree that out of pocket costs and expenses described in §15.2 and §15.3 above include, without limitation, any direct, reasonable, out of pocket labor charges incurred by Dana for inspection and warranty or recall work for which Sypris is responsible pursuant to the terms of this §15 (e.g., direct, reasonable, out of pocket labor charges for inspecting and ultimately changing a Part that does not meet the warranty obligations described in this §15 or Dana Warranties).

15.5 Other than the foregoing product warranties, Sypris makes no other product warranties, express or implied, including any implied warranties of merchantability or fitness for a particular purpose. This §15 will survive the expiration or termination of the Agreement.

**16. Choice of Production.** The initial manufacturing location for particular Parts will be specified in the applicable Exhibits to this Agreement. Sypris may produce the Parts at Sypris' other plants or at any other facility or company with the prior approval of Dana which approval shall not be unreasonably withheld. The design rights for all Parts will remain the property of Dana and/or its respective customers, while Sypris will assume ownership of all tooling. Any third parties engaged by Sypris in connection with the supply of Parts must agree in writing to abide by the terms of this Agreement to which Sypris is subject, including but not limited to terms with

respect to intellectual property, confidential information and audit. Sypris agrees to identify Dana as a third party beneficiary in all such agreements.

\*\*\*\*\*OMITTED\*\*\*\*\* Sypris agrees to provide Dana with at least thirty (30) days prior written notice of any intent to change production location, and that no transfer will diminish the quality of any Parts, increase the landed price or expense to Dana under this Agreement, or result in any delivery terms that are less favorable to Dana than those in effect prior to such transfer. Any tooling or machinery required for the supply of Parts at the new production location will be at Sypris' expense.

**17. Transfer of Committed Parts.**

- 17.1 For each of the Committed Parts to be transferred to Sypris, Dana will provide, at no cost to Sypris, technical and process support to assist Sypris with the layout and installation of the production assets, the training of people and the pre-production qualification of the parts. As part of this process, Dana will video each of the production processes, secure the inventory of spare parts and tooling, and with Sypris, PPAP the last run of production parts produced on the equipment prior to shutdown. Dana will be responsible for building any necessary inventory of finished goods (of a reasonable quantity and subject to Dana's available capacity) prior to the shutdown of production for purposes of maintaining a continuity of supply during the relocation and installation of the assets. For a reasonable time following release for full production, Dana will provide technical assistance and support on an as-needed basis to help resolve any production, quality and/or delivery issues that may arise on the same basis.
- 17.2 Sypris is responsible for all tooling costs required to transfer production of Committed Parts to Sypris and Sypris will own this tooling, subject to the design rights of Dana and/or Dana's respective customers.
- 17.3 Once tooled, Sypris will produce a reasonable number of samples of Committed Parts for Dana in a quantity and for a price (for samples only) to be mutually agreed upon between the parties. Sypris will submit these samples along with PPAP submittals to Dana for approval. Dana will qualify Committed Parts generally within thirty (30) days, but in no event more than sixty (60) days, of receipt of the sample quantities. Once qualified, Dana will provide Sypris with a monthly rolling six month forecast in accordance with §11 hereof, the first 5 days of which will constitute Releases for delivery of the Parts.
- 17.4 Should part samples fail qualification testing by Dana, Dana will provide Sypris with written notice of such failure specifying the nature of any deficiencies. Sypris will then submit new samples in accordance with §17.3 hereof and the parties will follow this process until such time as all Committed Parts have been qualified and released for full production.

**18. Exclusivity.**

- 18.1 Subject to the terms herein, Dana and its Affiliates will purchase the Requirements described in §2.11 for the Exclusive Parts listed in Exhibit B (Existing Parts), Exhibit C (Committed Parts) and for any other Exclusive Parts, exclusively from Sypris and will not source such Parts (or Requirements) from within Dana, its Affiliates or from any other supplier. However, if Sypris does not have capacity to meet the Requirements (notwithstanding its obligations under §1.1), Dana and Sypris will work together to

secure additional capacity to supply the Parts for Dana, including the use of other suppliers on an interim basis if so required, preferably as subcontractors to Sypris. The parties agree that such use of other suppliers will be no worse than cost neutral to Dana, and that Sypris will refund to Dana any direct, out of pocket incremental costs relating to such use of the alternate suppliers. In so cooperating with regard to capacity, Dana agrees to facilitate dialogue between Sypris and any alternate suppliers and to share promptly with Sypris any demand information that Dana receives from its customers, to the extent not prohibited from doing so under its agreements with those customers, and if prohibited, to use commercial best efforts to obtain consent to do so. The parties agree that the use of an Exclusive Part in a finished product or assembly as described in §2.11 does not relieve Dana or its Affiliates from the exclusivity obligations of this §18; however, Dana may continue to import from its Affiliate in Argentina up to 80,000 gear sets per year as an exception to such exclusivity commitments.

18.2 All Non-Exclusive Parts are excluded from the scope of this §18.

18.3 Sypris agrees that Dana's use of PPAP parts in inventory as of the Effective Date, some of which are identical or substantially similar to the Parts and were obtained from alternative sources, is not a violation of Dana's obligations under this § 18 or otherwise pursuant to this Agreement. Dana agrees that it will provide an inventory report concerning such parts that reflects usage by Dana after the Effective Date. Dana represents that the market value of the inventory parts within the scope of this §18.3 will not exceed \$3.9 million in the aggregate. In exchange for Sypris' lost margins with respect to such PPAP inventory, Dana will purchase additional Requirements for carrier part number 127603 (or an appropriate, mutually agreed substitute) in an aggregate amount of \$2,750,000, in addition to the Requirements to which Sypris is otherwise entitled pursuant to Exhibit B, on or before December 31, 2008. Sypris will have access to the appropriate Dana information and personnel quarterly to audit that the additional revenue has been, or is being, delivered to Sypris during the effective period.

## 19. Confidential Information.

19.1 During the term of this Agreement and thereafter, except as required by law or as reasonably necessary to perform this Agreement or with the written consent of the disclosing party, neither party will disclose to any individual or entity, or use for any purpose, any proprietary or confidential information disclosed to it in writing (or orally, if subsequently confirmed in writing) hereunder, including, without limitation, information relating to the disclosing party's finances, suppliers, customers, products, processes, operations, equipment, organization, know-how, patents and trademarks. The receiving party agrees to restrict access to and disclosure of any information described in this paragraph (hereinafter "Confidential Information") to the directors, officers and employees of the receiving party and its Affiliates who have a need to know the Confidential Information for the purposes of completing the work contemplated by this Agreement. The receiving party will not disclose the Confidential Information directly or indirectly, to any other person, firm, corporation or entity. The receiving party will be liable for any breach of these obligations by any of its directors, officers, employees or agents and those of its Affiliates. The foregoing provisions do not apply to information that (i) is known by the receiving party at the time it is disclosed by the other; (ii) is lawfully and unconditionally obtained thereafter from a third party, such third party having a bona fide right to disclose the Confidential Information and such third party not having any confidential relationship or obligation to the disclosing party or its Affiliates and

without breach of the restrictions contained in this Agreement; (iii) is or later becomes public knowledge other than through disclosure by the receiving party or any Affiliate of the receiving party; (iv) was independently developed by the receiving party without access to and/or use of the disclosing party's Confidential Information or a breach of this Agreement; or (v) was approved for release in writing by the disclosing party. If Confidential Information is required by law, court order or governmental agency order to be disclosed, then the receiving party shall immediately notify the disclosing party that production or disclosure has been ordered and, to the extent permitted by law, shall take all reasonable steps and cooperate with the disclosing party to limit disclosure of the Confidential Information.

19.2 Without limiting the generality of the foregoing, Sypris will not use any design or other Confidential Information provided by Dana for any purpose other than to produce the Parts for Dana and/or its Affiliates.

19.3 Sypris will not, without first obtaining the written consent of Dana's Global Supply Chain Management Group ("GSCMG") advertise or publish in any marketing or promotional context the fact that Sypris has contracted to furnish Dana the Parts, or use any trademarks or trade names of Dana or its Affiliates in Sypris' advertising or promotional materials.

19.4 The receiving party will give prompt notice to the disclosing party of any unauthorized use or disclosure of any Confidential Information. The receiving party agrees to use commercially reasonable efforts to assist the disclosing party in remedying any unauthorized use or disclosure of any Confidential Information.

19.5 The receiving party will use at least the same degree of care as the disclosing party, but no less than a commercially reasonable degree of care, to avoid inadvertent disclosure or unauthorized use of Confidential Information which it employs with respect to its own proprietary or confidential information that it does not wish to have disseminated, published or disclosed.

19.6 This §19 will survive the expiration or termination of this Agreement.

**20. Patents, Trademarks and Know-How.** Dana hereby licenses to Sypris, on a non-exclusive basis, any and all right, title or interest in or to the patents, trademarks, trade names, designs, inventions or know-how of Dana with respect to the design of the Parts solely to the extent necessary to carry out this Agreement. This license expires upon expiration or termination of this Agreement. During the term of this Agreement and thereafter, neither party may use any trademarks, trade names, or other marks which are owned or controlled by the other party or which the other party is licensed to use except with that party's prior written consent.

**21. Improvements and Inventions.** Any discovery, invention or improvement (collectively, "Discovery") with respect to the design of the Parts which is conceived or developed by either party individually or jointly in the course of performing this Agreement will be the property of Dana, and Dana will be the owner of all intellectual property rights arising in any jurisdiction in the world pertaining thereto. Dana will have the right to apply for patent protection for such Discovery in its own name and at its own expense, and Sypris will cooperate with Dana (and Sypris will direct its Affiliates to cooperate, as applicable) in connection with any such application and the prosecution thereof. Notwithstanding the foregoing, any manufacturing process improvements, including related drawings, tools, dies and fixtures, conceived or developed by Sypris, will be the property of Sypris. This §21 will survive the expiration or termination of this Agreement.

22. **Legal Compliance.** Each party represents and warrants to the other that in the performance of this Agreement, it will comply in all material respects with all applicable statutes, laws, regulations and judicial or administrative orders applicable to its obligations under this Agreement. If required pursuant to a Part Delivery Amendment, Sypris will properly classify, describe, package, mark, label and provide any necessary Material Safety Data Sheets (“MSDS”) for the Parts and will pack and ship them in compliance with all applicable hazardous materials laws, regulations, ordinances and orders, including without limitation California Proposition 65, and European Union End-of-Vehicle Life Directive 2000/53/EC.
23. **Audit.** Upon notice from Dana, Sypris will provide Dana and its agents with access to and any reasonable assistance that they may require with respect to Sypris’ relevant locations and records for the purpose of performing audits or inspections regarding Sypris’ compliance with the terms of this Agreement, including operational, security and quality related issues. If any audit by Dana results in Sypris being notified that it is not in compliance with any requirement set forth in this Agreement, Sypris will, and will cause its agents and Affiliates to, promptly take actions to comply with such requirement, including correcting any historical non-compliance (e.g., with regard to overcharging for Parts) after the Effective Date. Audits may be conducted only during normal business hours and no more frequently than quarterly. In addition to the foregoing audits, Dana may engage a professional firm (other than Dana’s auditors) which, upon the execution of a confidentiality agreement with Sypris, may periodically conduct a review or an audit of Sypris’ operations with respect to the Parts. Dana agrees to provide, upon request up to twice per calendar year during the term of the Agreement, an officer’s certification regarding Dana’s and its Affiliates compliance with the exclusivity obligations in §18 of this Agreement as determined by such officer after reasonable inquiry. In the event it is determined that Sypris is not providing all of the Requirements then the rebates described in §6.8 will be suspended until such time as Sypris is producing all Requirements in accordance with §2.11, in addition to any other remedies that Sypris may have.
24. **Indemnification.**
- 24.1 Each party will defend, indemnify and hold the other party harmless from all claims, liabilities, losses, damages, settlement expenses and costs (including reasonable attorneys’ fees) incurred by the indemnified party due to: (i) the bodily injury or death of any person or the loss or damage to any property alleged or arising out of a breach by the indemnifying party of any of its representations and warranties contained in this Agreement, or (ii) any negligent or wrongful act or omission by the indemnifying party in the performance of this Agreement.
- 24.2 Sypris will defend, indemnify and hold Dana harmless from any claim, suit or proceeding brought or threatened against Dana or any of its respective officers, directors, employees, subcontractors, agents, successors or assigns (each (including Dana), are hereinafter referred to as a “Dana Indemnitee”) to the extent that such action is based on a claim that any designs or specifications of the Parts provided or manufacturing process utilized by Sypris (and not otherwise mandated by Dana) (i) infringes a copyright, (ii) infringes a patent, or (iii) constitutes misappropriation or unlawful disclosure or use of a third party’s trade secrets or that any trademark of Sypris infringes a third-party’s trademark (collectively, “Infringement Claims”). However, Sypris will not be required to so defend, indemnify or hold any Dana Indemnitee harmless if the Infringement Claim is

based on a claim that arises out of designs or specifications provided by Dana that necessarily caused such Infringement Claim or (ii) detailed, non-discretionary methods or processes dictated by Dana for manufacturing the Parts (an "Excluded Claim"). Except for any Excluded Claim, Sypris shall bear the expense of such defense and pay and indemnify any such Dana Indemnitee against any damages and costs of any such Dana Indemnitee, or any settlement amount agreed by Sypris to be paid, and related expenses incurred in such action which are attributable to such claim, provided that Dana has provided prompt notice of the claim. If, due to any Infringement Claim (other than an Excluded Claim), any portion of the Parts are, or in Dana's reasonable judgment are likely to become, enjoined or otherwise prohibited or restricted from use by Dana or any of its customers, Sypris will at its expense use commercially reasonable efforts to procure for Dana and its customers the right to continue using such item or replace it with a non-infringing equivalent or modify it to make its use hereunder non-infringing, provided that such replacement or modification does not result in a degradation of the performance or quality of such item.

24.3 Dana will defend, indemnify and hold Sypris harmless from any claim, suit or proceeding brought or threatened against Sypris or any of its respective officers, directors, employees, subcontractors, agents, successors or assigns (each (including Sypris), are hereinafter referred to as a "Sypris Indemnitee") to the extent that designs or specifications provided by Dana are the subject of an Infringement Claim. Dana will not be required to so indemnify Sypris if the Infringement Claim arises out of designs of specifications provided by Sypris. Dana shall bear the expense of such defense and pay and indemnify any such Sypris Indemnitee against any damages and costs of any such Sypris Indemnitee, or any settlement amount agreed by Dana to be paid, and related expenses incurred in such action which are attributable to such claim.

24.4 This §24 will survive the expiration or termination of this Agreement.

25. **Force Majeure.** Neither party will be liable for delays in its performance of this Agreement due to events beyond its reasonable control (including, without limitation, acts of God, fire, flood, acts of war, acts of sovereign governments, disruption of water supply, labor disputes and shortages of material), provided that it gives prompt notice of the nature and extent of the delay to the other party and in the case of any labor dispute, and provided such dispute could be reasonably anticipated by Sypris, Sypris shall provide a thirty (30) day inventory bank for Dana at an off site facility at Sypris' cost if so requested by Dana. The time of performance will be extended in the event of such a delay as mutually agreed to by the parties. With the sole exception of an event involving a shortage of material or disruption of water supply, which shall be excluded, Dana may, at its option, acquire possession of all finished goods and raw material acquired for the work under a Purchase Order to transfer the production of the Part or Parts to other vendors until such time as Sypris is able to resume production of the Part or Parts affected by the Force Majeure-related event.

26. **Default; Termination.**

26.1 If Sypris (i) is unable to meet its material contractual obligations for quality and/or delivery for the manufacture of a Part (a "Default"), Dana will provide Sypris with written notice outlining the obligations Sypris has failed to meet. Sypris will then have ninety (90) days from the date of the notice (or such longer period as reasonably required to the extent that such cure requires the purchase of tooling or equipment that Sypris has deferred during Dana's bankruptcy and which Sypris commits in writing to order within

thirty (30) days of the Effective Date) (the “Cure Period”) to cure any such default to the reasonable satisfaction of Dana. Sypris agrees to provide promptly after the Effective Date a list of the tooling and equipment relating to the manufacture of the Parts that it intends to purchase within 180 days after the Effective Date. Defaults that remain uncured at the end of the Cure Period entitle Dana to terminate its obligations to purchase the affected part numbers. If Sypris repeatedly and materially fails with respect to quality or delivery issues such that it is necessary to resource the Part despite repeated timely cures, Dana may, for the remainder of the term of the Agreement, obtain the Defaulting Part Number (as defined below) from alternative providers notwithstanding the terms of §18. In the event Dana has reasonable concern with regard to the quality of conforming Parts that use the same process as or dies of the Defaulting Part Number, Dana may also elect to have Sypris conduct tests on these Parts to determine their compliance with Dana’s specifications. These tests will be conducted within two weeks of such request by Dana and if the tested Parts are determined not to be in compliance, the terms of this §26 will apply; provided that the Cure Period for the related non-conforming Parts will run concurrent with the Cure Period for the Defaulting Partner Number. Notwithstanding any other provision to the contrary, none of the following shall constitute a Default:

- (a) failure to comply with unilateral changes made by Dana to any previously specified or routinely permitted (in the ordinary course of business), documented quality deviation for physical tolerances or dimensions for any Parts, manufacturing process specifications or any other design specification regarding the physical dimensions of such Parts, it being understood that upon written notice from Dana Sypris will (with reasonable cooperation and assistance from Dana as necessary and appropriate) promptly develop and implement a program to correct any such previously permitted deviation, and the failure to correct such deviation in accordance with such program shall constitute a Default;
- (b) any defect caused by a Dana designated supplier or any other defect that would not be a breach of Sypris’ warranty obligation under §15;
- (c) any failure to meet delivery schedules which was caused by Dana or any Dana-designated supplier, provided that Sypris has used commercial best measures to communicate with Dana or such supplier to facilitate their compliance with the delivery schedule;
- (d) any failure to meet delivery schedules caused by any unreasonably disproportionate increase or decrease in the volumes ordered by Dana hereunder or which were caused by changes to any 5 day firm order schedules; or
- (e) any Force Majeure event.

26.2 During the Cure Period, Dana will have the right to purchase quantities of the Part to which the Default directly relates (the “Defaulting Part Number”) from other vendors until such time as Sypris is able to cure the Default to the reasonable satisfaction of Dana and to meet its contractual obligations for the Defaulting Part Number. Sypris agrees that Dana will temporarily be exempted from the exclusivity obligations of §18 solely with respect to the Defaulting Part Number, until cured during the Cure Period. Sypris will reimburse Dana for any reasonable, direct, out-of-pocket incremental costs that Dana may incur as a result of purchasing the Defaulting Part from another vendor during this interim period.



26.3 In all cases where Dana elects to terminate as described in this §26, Dana shall have the right to acquire the tooling used exclusively to make the Defaulting Part Number(s) from Sypris for a price that is equal to the book value of such tooling at the time of the Default.

26.4 Upon termination of the Agreement, accrued unpaid rebates for the partial year affected will be due immediately and will become part of Sypris' final account settlement with Dana. Upon termination for any reason of the Agreement or any Release (i) Sypris will comply with the transfer assistance set forth in §4 above, (ii) Dana may purchase from Sypris the Sypris-owned tooling as described in §3, and (iii) Sypris agrees to return to Dana the Dana-owned tooling as described in §3. Upon any termination, Sypris will return to Dana all Dana Confidential Information in Sypris' possession and any other items that may be specified in Part Delivery Amendments.

27. **Dispute Resolution.** If either party has a dispute with regard to contractual issues under this Agreement and is unable to successfully resolve those issues with the other party, the other party shall have the right to initiate mediation and binding arbitration in accordance with the following: (i) in the case of mediation, the Model Procedure for Mediation of Business Disputes of the Center for Public Resources and (ii) in the case of arbitration, the CPR Rules for Non-Administered Arbitration of Business Disputes ("CPR"). Each party in any dispute will bear equally the costs of the mediation and arbitration.

27.1.1 The parties will jointly appoint a mutually acceptable mediator or arbitrator, seeking assistance in such regard from CPR if they have been unable to agree upon such an appointment within 20 days.

27.1.2 The parties agree to participate in good faith in the mediation and negotiations related thereto for a period of 30 days. If the parties are not successful in resolving the dispute through mediation, then the parties agree to submit the matter to binding arbitration by a sole arbitrator in accordance with CPR Rules for Non-Administered Arbitration of Business Disputes.

27.1.3 Unless otherwise agreed by the parties in writing, mediation or arbitration shall take place in the State of Ohio and this clause shall be subject to the Federal Arbitration Act, 9 U.S.C.A., and judgment upon the award rendered by the arbitrator, if any, may be entered by any U.S. court having jurisdiction thereof. Equitable remedies shall be available in any arbitration. Punitive and exemplary damages shall not be awarded.

28. **Governing Law.** This Agreement will be governed, construed and enforced in accordance with the laws of the State of Ohio, excluding the conflicts of laws provisions thereof. In no event will the provisions of the U.N. Convention on the International Sale of Goods apply to this Agreement or to any transaction hereunder.

29. **Account Administration; Notices.**

29.1 Sypris will appoint a Relationship Manager to manage Sypris' obligations under this Agreement. The Relationship Manager will be responsible for granting approvals where required under this Agreement. The Sypris Relationship Manager as of the Effective Date will be:

Sypris:

Name: Sergio L. M. de Carvalho

Title: President

Address: 101 Bullitt Lane, Suite 205

Louisville, KY 40222

Telephone: 502-420-1225

Facsimile: 502-420-1232

E-mail: sergio.decarvalho@sypris.com

- 29.2 Sypris may change its Relationship Manager at any time by written notice to Dana. The Relationship Manager (i) will meet with Dana personnel as reasonably requested; (ii) will review and discuss with Dana reports submitted by Sypris, proposed changes to the Parts, Part Delivery Amendments or any part of this Agreement, coordinate any audit exercises, be knowledgeable regarding the status of existing or planned projects and financial performance; (iii) will prepare a quarterly executive summary report reviewing Sypris' performance of the Agreement; (iv) may raise any issues of concern or interest relating to this Agreement; and (v) will work in good faith with Dana to resolve any issues of concern and, if unable to resolve them with the Dana Supply Chain Management Group, Purchasing Director, or the Commercial Vehicle and Purchasing Director, Traction, as applicable based upon the Part that gave rise to the dispute, refer the matter to senior management. Sypris' Relationship Manager will provide the Dana Supply Chain Management Group, Purchasing Director, and the Commercial Vehicle and Purchasing Director with a quarterly report of Part purchases by each Dana facility and be available to meet periodically to review Dana's purchases and cost savings.
- 29.3 All notices, consents, requests, demands and communications hereunder will be in writing and deemed given when delivered in person or three (3) days after deposit in the United States mail, postage prepaid, to the parties at the addresses set forth below and directed, respectively:

*To Dana:*

Dana Corporation  
Attn: Purchasing Manager  
6938 Elm Valley Drive  
Kalamazoo, MI 49009  
Fax: (269) 567-1102

*Copy to:*

Dana Corporation  
Attn: General Counsel  
4500 Dorr Street  
Toledo, Ohio 43697-1000  
Fax: (419) 535-4790

*To Sypris:*

Sypris Technologies, Inc.  
Attn: President  
101 Bullitt Lane, Suite 205  
Louisville, Kentucky 40222  
Fax: (502) 420-1232

*Copy to:*

Sypris Solutions, Inc.  
Attn: General Counsel  
101 Bullitt Lane, Suite 450  
Louisville, Kentucky 40222  
Fax: (502) 329-2050

Any party may send any notice, request, demand or other communication hereunder to the intended recipient set forth above using any other means (including personal delivery,

expedited courier, messenger service, telecopy, telex, ordinary mail or electronic mail), but no such notice, request, demand or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any party may change the address to which notices, requests, demands or other communications hereunder are to be delivered by giving the other party notice in the manner set forth herein.

- 30. Insurance.** Sypris will maintain, at its own expense, the following minimum insurance coverages with insurers receiving a Best's rating of B+ or better: (i) statutory workers' compensation; (ii) employer's liability in the amount of at least U.S. \$1 million; (iii) commercial general liability (including products/completed operations and contractual liability coverage) in the amount of at least U.S. \$5 million bodily injury or property damage per occurrence; and (iv) automotive liability (covering owned, non-owned and hired vehicles) in the amount of at least U.S. \$5 million bodily injury or property damage per accident. Such coverages can be provided under primary and/or excess policies. In addition, where applicable, Sypris will maintain all risk property coverage (including transit) and theft coverage for Parts, whether or not owned by Dana, which have been ordered under the Release and which are in the care, custody or control of Sypris, its agents or contractors. Sypris will furnish Dana with certificates of insurance evidencing such coverages annually if so requested by Dana, naming Dana as an additional insured, and requiring written notice to Dana at least 15 days prior to the cancellation, reduction or non-renewal of coverage. Compliance with this Section 30 will not relieve Sypris of its defense and indemnity obligations under this Agreement. These obligations will survive the expiration or cancellation of the Agreement to the extent necessary to cover acts or events arising in connection with the performance of the same or the consequences of such acts or events.
- 31. Assignment.** Neither party may assign or otherwise transfer this Agreement or any of its rights, obligations or benefits hereunder, in whole or in part, without the prior written consent of the other party, which will not be unreasonably withheld, conditioned or delayed. Any attempted assignment without such consent will be void and unenforceable. Subject thereto, this Agreement will be binding upon and inure to the benefit of the parties and their successors and permitted assigns.
- 32. Entire Agreement.** This Agreement, together with its schedules and exhibits, contains the entire agreement between the parties concerning the supply of the Parts and supersedes any prior agreements between them concerning this subject, whether verbal or written. The terms and conditions set out in this Agreement are hereby expressly incorporated by reference, as applicable, into any and all future Purchase Orders, Releases, change orders, and EDI communications between the parties pertaining to the Parts. To the extent possible, this Agreement and such documents and EDI communications will be construed as being mutually consistent, but in the event of a conflict, this Agreement will supersede any document, form, or EDI communication of the parties.
- 33. Order of Precedence.** If any term of this Agreement directly conflicts with those of any Exhibit to this Agreement, in an Purchase Order or Release or those of any Part Delivery Amendment, the order of precedence will be as follows (items at the beginning of the list having priority over, and controlling in the event of a conflict with, items lower in the list): (i) this Agreement; (ii) the Part Delivery Amendment (but only with respect to Parts to be supplied under such Part Delivery Amendment); (iii) Purchase Orders; and (iv) Releases.

- 34. **Amendments.** This Agreement may not be amended or modified except by an instrument in writing executed by authorized officers for each of the parties.
- 35. **Waiver.** The failure of either party at any time to exercise any of its rights under this Agreement will not be deemed to be a waiver of such rights or of any other rights available to it under this Agreement, and will not prevent such party from subsequently asserting or exercising the same.
- 36. **Cumulative Remedies.** The rights and remedies provided to the parties in this Agreement are in addition to (and not in place of) any rights and remedies to which they may otherwise be entitled, whether at law or equity, in connection with the performance or the termination of the Agreement. The parties acknowledge and agree that the provisions of the Uniform Commercial Code as adopted by the State of Ohio apply to the sale of Parts and related services hereunder, to the extent not in conflict with or superseded by this Agreement.
- 37. **Captions.** The captions in this Agreement are solely for the convenience of the parties. They are not intended, and will not be so construed, to be a part of or to affect the meaning or interpretation of this Agreement.
- 38. **Counterparts.** This Agreement may be executed in multiple counterparts, all of which together constitute but one agreement. Facsimile signatures shall be treated as originals.
- 39. **Continued Performance.** Each party agrees to continue performing its obligations under this Agreement (except that, with regard to payment, only Undisputed amounts are required to be paid) while any dispute is being resolved, regardless of the nature and extent of the dispute, unless and until such obligations are terminated by the termination or expiration of the Agreement (or termination of specific obligations under the Agreement) or by and in accordance with the final determination of the dispute resolution procedures. The payment of Undisputed amounts will not constitute a waiver of any objection to such obligations.
- 40. **Injunctive Relief.** The parties acknowledge that the other party may not have an adequate remedy at law in the event of a breach or threatened breach of this Agreement. Either party may be entitled to injunctive relief or specific performance (including but not limited to with respect to the exclusivity obligations in the Agreement) in addition to whatever remedies it may have at law or in equity.
- 41. **Bankruptcy Court Approval.** All provisions of this Agreement become null and void in the event the Approval Order (as defined in the Settlement Agreement between the parties of even date herewith) is either not obtained or is reversed by a final order no longer subject to appeal.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the Effective Date.

**SYPRIS TECHNOLOGIES, INC.**

**DANA CORPORATION**

/s/ Jeffrey T. Gill  
Signature

/s/ Teresa Mulawa  
Signature

Jeffrey T. Gill  
Printed Name

Teresa Mulawa  
Printed Name

\_\_\_\_\_  
Title

Treasurer  
Title

Signing solely for the purposes of the termination in Section 1.4 and the responsibilities set forth in Section 7, as applicable, respectively: **[NOTE: Signature block will expand based upon agreements listed in Exhibit D.]**

**DANA HEAVY AXLE MEXICO S.A. DE C.V.**

\_\_\_\_\_  
/s/ Carlos Porras

Signature

\_\_\_\_\_  
Carlos Porras

Printed Name

\_\_\_\_\_  
Title

**SYPRIS SOLUTIONS, INC.**

\_\_\_\_\_  
/s/ Jeffrey T. Gill

Signature

\_\_\_\_\_  
Jeffrey T. Gill

Printed Name

\_\_\_\_\_  
Title

**SYPRIS TECHNOLOGIES MARION, LLC**

\_\_\_\_\_  
/s/ Jeffrey T. Gill

Signature

\_\_\_\_\_  
Jeffrey T. Gill

Printed Name

\_\_\_\_\_  
Title

**SYPRIS TECHNOLOGIES MEXICO S. DE R.L. DE C.V.**

\_\_\_\_\_  
/s/ Jeffrey T. Gill

Signature

\_\_\_\_\_  
Jeffrey T. Gill

Printed Name

\_\_\_\_\_  
Title

**TORQUE-TRACTION MANUFACTURING TECHNOLOGIES, LLC.**

\_\_\_\_\_  
/s/ Teresa Mulawa

Signature

\_\_\_\_\_  
Teresa Mulawa

Printed Name

\_\_\_\_\_  
Treasurer

Title

**EXHIBIT A – FORM OF PART DELIVERY AMENDMENT**

Each Part Delivery Amendment under the Agreement will be in substantially the form of this **Exhibit A**.

**PART DELIVERY AMENDMENT NO. A-N**

**[Dana Part Name] [Dana Location]**

This **PART DELIVERY AMENDMENT** ("Part Delivery Amendment" or "PDA"), dated [\_\_\_\_], 200[\_\_\_] (the "PDA Effective Date"), is between Dana Corporation ("Dana") and Sypris Technologies, Inc. ("Sypris"). This PDA No. A-N is appended to the Supply Agreement (the "Agreement") dated [\_\_\_\_, 200\_\_], by and between Dana and Sypris, and is governed by the terms and conditions set forth in the Agreement and incorporated therein as an integral part thereof. Capitalized terms used in this PDA shall have the meanings given in the Agreement, unless otherwise defined herein.

This PDA includes the following Exhibits:

- (a) Exhibit A-NA Part Description Chart

NOW, THEREFORE, intending to be legally bound, the parties agree to the Terms and Conditions and the Exhibit(s) attached to this PDA as of the PDA Effective Date.

**For Dana Corporation:**

**For Sypris Technologies, Inc.:**

**Name:**

**Name:**

**Signature:**

**Signature:**

**Date:**

**Date:**

**PART DELIVERY AMENDMENT NO. A-N**

**TERMS AND CONDITIONS**

**1. Part Descriptions; Commencement**

- 1.1 The Parts specified in the Part Description Charts in Exhibit A-NA (the "Part Description Charts") shall be New Parts under the Agreement. For each Part to be supplied, the Part Description Chart for that particular Part lists the Dana part number, the Sypris part number (if applicable), description, end-use, class or model, material component price, Base Price, estimated annual volume, estimated annual sales, start date, end date, name of the Dana location solely for shipment purposes and acknowledgment of the delivery of complete drawing packages and specifications. The initial estimated volume is Dana's non-binding forecast of its projected annual requirements (from Sypris) for each Part specified in the Part Description Chart. But nothing in the Part Description Chart, this PDA or the Agreement shall be interpreted to require Dana to purchase from Sypris any specific quantity of Parts.
- 1.2 Sypris will begin to deliver production-ready versions of Parts on or before \_\_\_\_\_ ("PDA Commencement Date"). The term of this PDA begins on the PDA Effective Date and will expire on \_\_\_\_\_ unless earlier terminated in accordance with the terms of the Agreement.

**2. Manufacturing Location**

- 2.1 The Parts described in this PDA will initially be manufactured at Sypris' facilities located at \_\_\_\_\_. Any changes to the manufacturing location are subject to Section 16 of the Agreement.

**3. Part Orders and Releases**

- 3.1 Dana will issue within \_\_\_ days after the PDA Effective Date an initial Purchase Order containing non-binding projected quantities of Parts.
- 3.2 On a monthly basis Dana will issue to Sypris a Release that sets forth a rolling \_\_\_\_\_ month forecast for quantities of Parts, the first of such Releases will be delivered within \_\_\_ days after the PDA Effective Date. Each Release shall specify, in part, the quantity of Parts, the manner and place of delivery, the projected delivery date and the "Delivery Window," which is the time between the first day on which the Parts can be delivered and the last day on which they can be delivered without becoming subject to the terms of Section \_\_\_ of the Agreement. Each Release issued by Dana supersedes any conflicting Release.
- 3.3 The succeeding \_\_\_ days from the then-current date on the forecast timeline of the Release will constitute firm orders for the delivery of Parts ("Firm Window"). Dana will be responsible for all charges pursuant to Section 5 for the quantity of Parts within such timeframe.
- 3.4 For the period from the end of the Firm Window until \_\_\_ days thereafter ("Materials Window"), Dana will only be responsible for any charges for raw materials that may be due pursuant to Section 6 for any quantities of Parts cancelled by Dana scheduled for delivery within the Materials Window.

**4. Packing / Shipment Instructions**

- 4.1 Sypris will pack, ship and deliver the specified Parts in accordance with the reasonable volumes, packing instructions, shipment instructions (including carrier, method of transportation and/or routing instructions), delivery requirements and other terms and conditions of this PDA, the Agreement and the Purchase Order and Release. Sypris will notify Dana (via e-mail or any other agreed upon method of notification) of any updates regarding the date of shipment and expected delivery date.
- 4.2 Sypris will properly classify, describe, package, mark, label and provide any necessary material safety data sheets for the Parts and will pack and ship them in compliance with all applicable hazardous materials laws, regulations, ordinances and orders, including without limitation California Proposition 65, and European Union End-of-Vehicle Life Directive 2000/53/EC.

**5. Price and Payment; Delivery Terms**

- 5.1 The Base Prices for each Part shall be the Base Price per unit specified in the Part Description Chart. There will be no adjustment to the price, except as permitted under this PDA and the Agreement.

**6. Other Part Terms and Conditions**

- 6.1 The following requirements are incremental to or deviations from the terms of the Agreement. This section addresses other terms and conditions specific to the Parts under this PDA, as follows: \_\_\_\_\_.
- 6.2 The Parties agree that the rights and obligations specified in this PDA are in addition to those specified in the Agreement and that nothing in this PDA shall be construed to limit the obligations and rights of any party under the Agreement which shall govern in the event of any conflict.



\* A portion of this material is confidential and has been omitted and filed separately with the Securities and Exchange Commission.

EXHIBIT A-NA

Part Description Chart

1. Part Descriptions:

An example of the form of the Part Description Chart for each separate Part line is shown below. **Need to conform to add categories in Exhibits B and C.**

Part Line: [ \_\_\_\_\_ ]

Row	Dana Part No.	Sypris Part No. (Informational purposes only)	Price Per Unit	Estimated Annual Volume
1				
2				
3				
4				
5				

Part Line: [ \_\_\_\_\_ ]

Row	Dana Part No.	Sypris Part No. (Informational purposes only)	Price Per Unit	Estimated Annual Volume
1				
2				
3				
4				
5				

**EXHIBIT B – EXISTING PARTS**

1. \*\*\*\*\*OMITTED\*\*\*\*\*
2. \*\*\*\*\*OMITTED\*\*\*\*\*
3. \*\*\*\*\*OMITTED\*\*\*\*\*
4. \*\*\*\*\*OMITTED\*\*\*\*\*
5. \*\*\*\*\*OMITTED\*\*\*\*\*
6. \*\*\*\*\*OMITTED\*\*\*\*\*
7. \*\*\*\*\*OMITTED\*\*\*\*\*
8. \*\*\*\*\*OMITTED\*\*\*\*\*
9. \*\*\*\*\*OMITTED\*\*\*\*\*
10. \*\*\*\*\*OMITTED\*\*\*\*\*
11. \*\*\*\*\*OMITTED\*\*\*\*\*

**DRAFT EXHIBIT C – COMMITTED PARTS**

**[Exhibit C to be finalized by August 21, 2007 and September 21, 2007 for 404s and S170/190, respectively]**

1. \*\*\*\*\*OMITTED\*\*\*\*\*
2. \*\*\*\*\*OMITTED\*\*\*\*\*
3. \*\*\*\*\*OMITTED\*\*\*\*\*
4. \*\*\*\*\*OMITTED\*\*\*\*\*

**Marion Agreements**

Asset Purchase Agreement dated 4/6/2001  
Supply Agreement dated 5/31/2001  
Addendum to Marion Supply Agreement dated 12/8/2003  
2004 Addendum to Marion Supply Agreement dated 7/1/2004  
Third Addendum to Marion Supply Agreement dated 9/30/2004  
Fourth Addendum to Marion Supply Agreement dated 7/10/2005  
Fifth Addendum to Marion Supply Agreement dated 7/10/2005

**Morganton Agreements**

Asset Purchase Agreement dated 12/8/2003  
Manufacturing Agreement dated 12/8/2003  
Transition Services Agreement dated 12/8/2003  
Supply Agreement dated 12/8/2003  
First Addendum to Morganton Supply Agreement dated 3/31/2004  
Second Addendum to Morganton Supply Agreement dated 6/30/2004  
Third Addendum to Morganton Supply Agreement dated 9/30/2004  
Fourth Addendum to Morganton Supply Agreement dated 9/30/2004  
Fifth Addendum to Morganton Supply Agreement dated 12/31/2004

**Toluca Agreements**

Asset Purchase Agreement dated 6/30/2004  
Supply Agreement dated 6/30/2004  
First Addendum to Toluca Supply Agreement dated 9/30/2004  
Second Addendum to Toluca Supply Agreement dated 9/30/2004  
Third Addendum to Toluca Supply Agreement dated 12/31/2004  
Fourth Addendum to Toluca Supply Agreement dated 7/10/2005

**Glasgow/Humboldt Agreements**

Asset Purchase Agreement for Glasgow and Humboldt dated 6/30/2004  
Asset Purchase Agreement (Humboldt Housings) dated 9/30/2004  
First Addendum to Asset Purchase Agreement (Humboldt Seam Weldings) dated 12/31/2004  
Asset Purchase Agreement (Glasgow Secondary Gears) dated 7/10/2005

**Other Agreements**

Letter of Understanding Transaction Summary dated 8/25/2003  
Spare Parts Purchase Agreement (Morganton, Humboldt, Glasgow) dated 3/31/2004  
Indemnification Agreement (Hammer) dated 12/7/2005  
May 10, 2006 Settlement Agreement

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**EXHIBIT E – EXCLUSIONS FROM UNPROFITABLE PARTS**

[To be supplied by August 21, 2007.]

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**EXHIBIT F – LENGTH OF WARRANTY FOR LIGHT DUTY TRUCK PARTS**

[To be supplied by August 21, 2007.]

**EXHIBIT 1 – FIVE YEAR FORECAST**

**Five Year Forecast**

<u>Market Segment</u>	<u>Projected Annual Volumes as a % of 2006 Actual</u>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Light Truck	100%	100%	110%	114%	116%
Med Truck					
Heavy Truck					
Med/Heavy Truck	70%	90%	111%	79%	95%

2007A AMENDMENT TO LOAN DOCUMENTS

THIS 2007A AMENDMENT TO LOAN DOCUMENTS (this “Amendment”), is made and entered into as of September 17, 2007, by and among (i) JPMORGAN CHASE BANK, N.A., a national banking association (the “Agent Bank”) (JPMORGAN CHASE BANK, N.A. may also be referred to as a “Bank”); (ii) the BANKS identified on Schedule 1.1 hereto (each a “Bank” and collectively, the “Banks”); (iii) SYPRIS SOLUTIONS, INC., a Delaware corporation, with its principal office and place of business and registered office in Louisville, Jefferson County, Kentucky (the “Borrower”) and (iv) the GUARANTORS identified on Schedule 1.2 hereto (each a “Guarantor” and collectively, the “Guarantors”).

PRELIMINARY STATEMENT:

A. Certain of the Guarantors and their Affiliates entered into a Loan Agreement dated as of March 21, 1997, with the Agent Bank (the “Original Loan Agreement”), whereby the Agent Bank extended in favor of the Guarantors a revolving line of credit in the amount of \$20,000,000, a term loan in the amount of \$10,000,000 and a swing line of credit subfacility in the amount of \$5,000,000.

B. The predecessors to the Borrower and certain of the Guarantors entered into a 1997A Amended and Restated Loan Agreement dated as of November 1, 1997, with the Agent Bank (the “1997A Loan Agreement”), whereby the Agent Bank increased the revolving line of credit to \$30,000,000 and the term loan to \$15,000,000 and provided the swing line of credit subfacility in the amount of \$5,000,000. The 1997A Loan Agreement was subsequently amended by, among other amendments, the 1998A Amendment to Loan Documents dated as of February 18, 1998.

C. The Borrower, certain of the Guarantors, the Agent Banks and the Banks entered into the 1999 Amended and Restated Loan Agreement dated as of October 27, 1999 (the “1999 Loan Agreement”), which amended, restated and replaced the Original Loan Agreement and the 1997A Loan Agreement, as amended. The 1999 Loan Agreement provided for a revolving line of credit in the amount of \$100,000,000, a swing line subfacility of \$5,000,000 and a letter of credit subfacility of \$15,000,000. The 1999 Loan Agreement was subsequently amended by among other amendments, (i) the 2000A Amendment to Loan Documents dated as of November 9, 2000 (the “2000A Amendment”); (ii) the 2001A Amendment to Loan Documents dated as of February 15, 2001 (the “2001A Amendment”); (iii) the 2002A Amendment to Loan Documents dated as of December 21, 2001 and having an effective date of January 1, 2002 (the “2002A Amendment”); (iv) the 2002B Amendment to Loan Documents dated as of July 3, 2002 (the “2002B Amendment”); (v) the 2003A Amendment to Loan Documents dated as of October 16, 2003 (the “2003A Amendment”); (vi) the 2005A Amendment to Loan Documents dated as of March 10, 2005 (the “2005A Amendment”); (vii) the 2005B Amendment to Loan Documents dated as of May 10, 2005 (the “2005B Amendment”); (viii) the 2005C Amendment to Loan Documents dated as of August 3, 2005 (the “2005C Amendment”); and (ix) and the 2006A Amendment to Loan Documents dated as of February 28, 2006 (the “2006A Amendment”).



D. The Agent Bank and the Banks in May, 2004 consented to the Borrower's issuance of \$55,000,000 of senior notes (the "Senior Notes") pursuant to a note purchase agreement.

E. The Borrower in April, 2004 created a new subsidiary, Sypris Technologies Kenton, Inc., a Delaware corporation ("STK"), and the Agent Bank and the Banks consented to the creation of STK as a subsidiary, on the condition that STK become a Guarantor under the Loan Agreement. STK became a Guarantor under the Loan Agreement by executing and delivering to the Agent Bank a Guaranty Agreement dated June 1, 2004, guarantying the obligations of the Borrower to the Banks (the "STK Guaranty").

F. The Borrower in June, 2004 requested that the Banks consent to the Borrower's acquisition of a facility in Toluca, Mexico (the "Toluca Facility"). The Banks consented to the acquisition of the Toluca Facility. The Borrower created the following second tier subsidiary and third tier subsidiaries related to the Toluca Facility: (i) Sypris Technologies Mexican Holdings, LLC (the interests of which are held by Sypris Technologies, Inc.) and (ii) Sypris Technologies Mexico, S. de R.L. de C.V. and Sypris Technologies Toluca, S.A. de C.V. (the interests of which are held by Sypris Technologies Mexican Holdings, LLC and Sypris Technologies, Inc.) (all of the foregoing Subsidiaries are referred to as the "Toluca Subsidiaries").

G. The Borrower, the Guarantors, the Agent Bank and the Banks completely amended and restated the 1999 Loan Agreement and related documents by entering into an Amended and Restated Loan Agreement dated as of April 6, 2007 (the "2007 Loan Agreement"), providing for, among other things (i) the Revolving Credit Facility in the amount of \$50,000,000; (ii) consent to the Borrower's redemption of a portion of the outstanding principal amount of the Senior Notes, reducing the outstanding principal amount of the Senior Notes to \$30,000,000 and (iii) certain other changes.

H. The Borrower, the Guarantors, the Agent Bank and the Banks now wish to amend the 2007 Loan Agreement in order to (i) increase the size of the Revolving Credit Facility to \$80,000,000; (ii) consent to the Borrower's redemption of the remaining outstanding principal amount of the Senior Notes, permanently reducing the outstanding principal amount of the Senior Notes to \$0; (iii) changing the restrictions on the Borrower's use of the Dana Payment; and (iv) certain other changes.

I. Subject to the terms set forth herein, the Banks are agreeable to the amendments to the Loan Documents set forth herein. The 2007 Loan Agreement, as amended by this Amendment is referred to herein as the "Loan Agreement."

J. None of the amendments and changes set forth herein shall take effect or have any legal effect until the satisfaction of all conditions precedent set forth in Section 8 hereof. As of the Effective Time (as defined in Section 8.J hereof), the provisions of this Amendment shall take effect.

K. Terms not defined herein shall have the meanings set forth in the Loan Agreement.

NOW, THEREFORE, in consideration of the promises and the mutual covenants and agreements set forth herein and for other good and valuable consideration, the mutuality, receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. AMENDMENT OF LOAN AGREEMENT.

A. Amendment of the Definitions section of Loan Agreement. The following definitions are amended and restated in their entirety:

1.24 "Collateral Agent" means J.P. Morgan Chase Bank, N.A. in its capacity as Collateral Agent for the Banks under that certain Amended and Restated Collateral Sharing Agreement, dated as of April 6, 2007, as amended, together with any successor in such capacity.

1.97 "Pricing Level" means, for any Pricing Period, Pricing Level 0, Pricing Level I, Pricing Level II, Pricing Level III, Pricing Level IV, Pricing Level V, Pricing Level VI, or Pricing Level VII, as may be in effect for such Pricing Period; provided that, the Default Rate shall be in effect upon the occurrence and during the continuation of any Event of Default.

1.98 "Pricing Level I" means the Pricing Level that will be in effect for the applicable Pricing Period if, as at the relevant Date of Determination, the ratio of the Borrower's Adjusted Funded Debt as measured on such Date of Determination, to the Borrower's EBITDA as measured on such Date of Determination, is greater than 0.50 to 1.00 but is less than or equal to 1.00 to 1.00.

1.113 "Revolving Credit Facility" means the revolving line of credit established by the Banks in favor of the Borrower in the principal amount of Eighty Million Dollars (\$80,000,000), subject to being increased by up to an additional Fifty Million Dollars (\$50,000,000) as set forth in Section 2.1G of the Loan Agreement, pursuant to which the Borrower may obtain Revolving Credit Loans from the Banks and/or Letters of Credit from the Agent Bank during the term of the Revolving Credit Facility upon the terms and conditions set forth in this Loan Agreement. The Revolving Credit Facility includes as a sublimit the Letter of Credit Subfacility and the Swing Line Credit Subfacility. All references to the "aggregate

principal balance of the Revolving Credit Loans outstanding” or similar phrases in this Loan Agreement or in the Revolving Credit Notes shall mean, as of the date of determination thereof, the sum of (i) the entire aggregate outstanding principal balance of all Revolving Credit Loans made by the Banks pursuant to this Loan Agreement, (ii) the then existing Letter of Credit Usage and (iii) the then existing Swing Line Usage.

1.117 “Revolving Credit Notes” means (i) that certain Amended and Restated Revolving Credit Promissory Note made by the Borrower, payable to the order of JPMorgan Chase Bank, N.A., and in the face principal amount of Thirty Four Million Dollars (\$34,000,000) the form of which is annexed to the 2007A Amendment to Loan Documents as Exhibit A-1, as the same may hereafter be amended, modified, renewed, replaced and/or restated from time to time; (ii) that certain Amended and Restated Revolving Credit Promissory Note made by the Borrower, payable to the order of LaSalle Bank National Association, and in the face principal amount of Twenty Eight Million Dollars (\$28,000,000), the form of which is annexed to the 2007A Amendment to Loan Documents as Exhibit A-2, as the same may hereafter be amended, modified, renewed, replaced and/or restated from time to time; and (iii) that certain Amended and Restated Revolving Credit Promissory Note made by the Borrower, payable to the order of National City Bank of Kentucky, and in the face principal amount of Eighteen Million Dollars (\$18,000,000), the form of which is annexed to 2007A Amendment to Loan Documents as Exhibit A-3, as the same may hereafter be amended, modified, renewed, replaced and/or restated from time to time and (iv) each future Revolving Credit Promissory Note, if any, made by the Borrower pursuant to the Revolving Credit Facility.

The following definitions are added to the Definitions section of the Loan Agreement:

1.97A “Pricing Level 0” means the Pricing Level that will be in effect for the applicable Pricing Period if, as at the relevant Date of Determination, the ratio of the Borrower’s Adjusted Funded Debt as measured on such Date of Determination, to the Borrower’s EBITDA as measured on such Date of Determination, is equal to or less than 0.50 to 1.00.

1.134A “2007A Amendment to Loan Documents” means the 2007A Amendment to Loan Documents dated September 17, 2007 by and between the Agent Bank, the Banks, the Borrower and the Guarantors.

B. Amendment of Section 2 of the Loan Agreement. The following parts of Section 2 of the Loan Agreement are amended to reflect the increase in the size of the Revolving Credit Facility from Fifty Million Dollars (\$50,000,000) to Eighty Million Dollars (\$80,000,000).

(1) Amendment of the first paragraph of Section 2. The first paragraph of Section 2 is amended and restated to read as follows:

“Subject to the terms and conditions of this Loan Agreement (including but not limited to Section 2.1G hereof), the Banks hereby establish the Revolving Credit Facility in favor of the Borrower in the principal amount of Eighty Million Dollars (\$80,000,000). Pursuant to the Revolving Credit Facility, the Borrower may obtain Revolving Credit Loans and/or Letters of Credit pursuant to, and subject to the terms and conditions set forth in, this Loan Agreement for the purposes set forth in Sections 2.5A and 2.7 hereof. The Revolving Credit Facility is subject to the following terms and conditions:”

(2) Amendment of Section 2.1A. Section 2.1A is amended to delete the words “Fifty Million Dollars (\$50,000,000)” and to substitute therefor “Eighty Million Dollars (\$80,000,000)”.

(3) Amendment of Section 2.1G. Subparagraph (i) of Section 2.1G is amended and restated as follows:

“(i) Amount of Increase in Revolving Loan Commitments. The Borrower may from time to time and at any time, with the consent of the Agent Bank (provided, however, if Borrower shall have complied with the provisions of this Section 2.1G such consent shall not be unreasonably withheld) but without the consent of the Banks, except as provided in Section 2.1G (ii) hereof, increase the total amount of the Revolving Loan Commitments by a maximum amount of up to Eighty Million Dollars (\$80,000,000), to a total amount not to exceed One Hundred Thirty Million Dollars (\$130,000,000), subject to satisfaction of each and all of the requirements contained in this Section 2.G (subject to those requirements, a “Permitted Commitment Increase”).

(4) Amendment of Section 2.2A. The interest rate grid in Section 2.2A is amended and restated in its entirety as follows:

<u>Pricing Level</u>	<u>Adjusted Funded Debt to EBITDA</u>	<u>Applicable LIBOR Margin</u>	<u>Applicable Base Rate Margin</u>
Pricing Level 0	≥ 0.00, but ≤ 0.50	1.125%	0.00%
Pricing Level I	> 0.50, but ≤ 1.00	1.25%	0.00%
Pricing Level II	> 1.00, but < 1.50	1.50	0.00
Pricing Level III	> 1.50, but ≤ 2.00	1.75	0.25
Pricing Level IV	> 2.00, but ≤ 2.50	2.00	0.50
Pricing Level V	> 2.50, but ≤ 3.00	2.50	1.00
Pricing Level VI	> 3.00, but ≤ 3.50	3.00	1.50
Pricing Level VII	> 3.50	3.50	2.00

(4) Amendment of Section 2.3A. The Revolving Credit facility Commitment Fee grid in Section 2.3A is amended and restated in its entirety as follows:

<u>Pricing Level</u>	<u>Adjusted Funded Debt to EBITDA</u>	<u>Applicable Commitment Fee Percentage</u>
Pricing Level 0	$\geq 0.00$ , but $\leq 0.50$	0.175%
Pricing Level I	$> 0.50$ , but $\leq 1.00$	0.20
Pricing Level II	$> 1.00$ , but $\leq 1.50$	0.25
Pricing Level III	$> 1.50$ , but $\leq 2.00$	0.30
Pricing Level IV	$> 2.00$ , but $\leq 2.50$	0.35
Pricing Level V	$> 2.50$ , but $\leq 3.00$	0.40
Pricing Level VI	$> 3.00$ , but $\leq 3.50$	0.50
Pricing Level VII	$> 3.50$	0.50

C. Deletion of Section 2.4D (Mandatory Permanent Reduction in Revolving Loan Commitments Upon Receipt of Dana Payment). Section 2.4D is hereby deleted from the Loan Agreement.

D. Amendment of Section 2.7F (Letters of Credit – Compensation). The Letter of Credit Fee grid in Section 2.7F is amended and restated in its entirety as follows:

<u>Pricing Level</u>	<u>Adjusted Funded Debt to EBITDA</u>	<u>Applicable Letter of Credit Percentage</u>
Pricing Level 0	$\geq 0.00$ , but $\leq 0.50$	1.125%
Pricing Level I	$> 0.50$ , but $\leq 1.00$	1.25%
Pricing Level II	$> 1.00$ , but $\leq 1.50$	1.50
Pricing Level III	$> 1.50$ , but $\leq 2.00$	1.75
Pricing Level IV	$> 2.00$ , but $\leq 2.50$	2.00
Pricing Level V	$> 2.50$ , but $\leq 3.00$	2.50
Pricing Level VI	$> 3.00$ , but $\leq 3.50$	3.00
Pricing Level VII	$> 3.50$	3.50

E. Amendment of Section 4.3B (Conditions Subsequent – Landlord Lien Waivers). Section 4.3B is hereby amended by striking the phrase “assets with a net book value of \$1,000,000” and substituting therefor “assets with a net book value of \$2,000,000”.

F. Amendment of Section 4.3C (Conditions Subsequent – Fixture Filing Statements). Section 4.3C is hereby amended by striking the phrase “(ii) at any other location where the Obligors maintain assets with a net book value of \$1,000,000 within ten (10) days after Closing” and substituting therefor “(ii) at any other location where the Obligors maintain assets with a net book value of \$2,000,000 or more, unless specifically waived by the Collateral Agent.”

G. Amendment of Section 6.3E (Fiscal Year Budget; Quarterly Comparison of Budget to Actual Results; Quarterly Budget Update; Quarterly Market Overview). Subparagraphs (iii) and (iv) are hereby deleted from Section 6.3E.

H. Amendment and Restatement of Section 6.13 (Depository Accounts). Section 6.13 is hereby amended and restated as follows:

“6.13 Depository Accounts. To the extent that the balance in any depository account (excluding any depository account holding moneys for the benefit of employees of the Borrower and the Guarantors under an employee benefit plan) maintained by the Borrower or the Guarantors at a bank or financial institution other than the Agent Bank or a Bank ever exceeds Five Hundred Thousand Dollars (\$500,000), the Borrower and Guarantors shall notify the Collateral Agent of such fact and shall execute a deposit account control agreement with respect to such depository account, all in form and substance satisfactory to the Collateral Agent.”

I. **Amendment and Restatement of Section 7.10 (Capital Expenditures).** Section 7.10 is hereby amended and restated as follows:

“7.10 **Capital Expenditures.** The Borrower shall not incur Capital Expenditures in any calendar year in excess of the following limits:

<u>Calendar Year</u>	<u>Limitation</u>
2007	\$25,000,000
2008	\$35,000,000
2009	\$35,000,000

Notwithstanding the foregoing, to the extent the Borrower’s capital expenditures are less than the above in a calendar year, the Borrower in the following calendar year may additionally expend the difference between the limitation for such calendar year and the amount actually spent in such calendar year (such difference, the “Carry Forward”), provided that a Carry Forward from one calendar year to the next calendar year may not exceed Five Million Dollars (\$5,000,000).”

J. **Amendment and Restatement of Section 7.12B (New Subsidiaries).** Section 7.12B is hereby amended and restated as follows:

“B. Upon the creation or acquisition of a Subsidiary that is a corporation or limited liability company not organized under the laws of the United States or any State or territory thereof (a “Foreign Entity”), if Borrower advises Agent Bank in writing that it believes that requiring such Foreign Entity to execute a Guaranty Agreement would cause adverse tax results to the Borrower under the Internal Revenue Code, then the Borrower shall, or shall cause its applicable parent Subsidiary, as promptly as possible (but in any event within sixty (60) days following the creation or acquisition thereof) to (i) execute a Pledge Agreement in favor of the Collateral Agent with respect to sixty-five percent (65%) of the Stock or limited liability company interests of such Subsidiary, as applicable (such Subsidiary referred to herein as a “Foreign Entity Subsidiary”), and (ii) deliver and cause each such Foreign Entity Subsidiary to deliver to the Collateral Agent stock certificates and stock powers (to the extent applicable) or limited liability company certificates (to the extent applicable) with respect to the Foreign Entity Subsidiary, resolutions, opinions of counsel which are reasonably acceptable to Borrower and the Agent Bank, and such other documentation as the Collateral Agent may reasonably request, all in form and substance reasonably satisfactory to the Collateral Agent; provided, however, that in the event that more than one Subsidiary within a commonly controlled group of Subsidiaries constitutes a Foreign Entity Subsidiary required to be pledged hereunder, then only the capital stock of the “parent” or

“controlling” Subsidiary shall be required to be pledged hereunder; provided further, that the Borrower shall not be required to take the action described in this Section 7.12B unless and until (i) the Foreign Entity Subsidiary first has either assets with a net book value of at least Two Million Dollars (\$2,000,000) or revenues in a calendar year of at least Two Million Dollars (\$2,000,000) or (ii) the Agent Bank reasonably requests that the Borrower take such action.

K. Deletion of Section 7.13 (Restricted Payments). Section 7.13 is hereby deleted from the Loan Agreement.

L. Amendment and restatement of Schedule 2.1. Schedule 2.1 to the Loan Agreement is amended and restated in its entirety by Schedule 2.1 attached hereto.

M. Amendment and restatement of Compliance Certificate. The Compliance Certificate is amended and restated in its entirety by the Compliance Certificate attached hereto as Exhibit G.

2. AMENDMENT AND RESTATEMENT OF REVOLVING CREDIT NOTES. The Revolving Credit Notes are amended, restated and replaced in their entirety by Revolving Credit Notes in the form of Exhibits A-1, A-2 and A-3 attached hereto.

3. AMENDMENT OF GUARANTY AGREEMENT. Section 1 of the Guaranty Agreement is amended and restated as follows:

“SECTION 1  
Recitals and Definitions

This Agreement is entered into concurrently with and pursuant to an Amended and Restated Loan Agreement (the “Loan Agreement”) dated as of the date of this Agreement by and between (i) the Agent Bank; (ii) the Banks identified therein (the “Banks”); (iii) the Borrower and (iv) each Guarantors. Capitalized terms not otherwise defined herein shall have the meanings given them in the Loan Agreement. Pursuant to the Loan Agreement, the Borrower has executed and delivered to the Banks its Revolving Credit Notes (collectively, the “Notes”) in the total principal amount of up to Eighty Million Dollars (\$80,000,000) (subject to increase up to a maximum of One Hundred Thirty Million Dollars (\$130,000,000)) (such Notes, including any note or other instrument issued in renewal, replacement, extension, modification, novation and/or revival thereof, is hereinafter referred to as the Notes) and various other Loan Documents (as that term is defined in the Loan Agreement). This Agreement has been executed by each Guarantor and delivered to the Agent Bank in amendment, restatement and complete replacement of, but not in novation of, the Guaranty Agreements of each Guarantors dated October 27, 1999.”



**4. AMENDMENT OF COLLATERAL SHARING AGREEMENT, SECURITY AGREEMENT, PLEDGE AGREEMENT AND OTHER SECURITY DOCUMENTS.**

A. As of the Effective Time, all of the remaining outstanding Senior Notes will be redeemed and will no longer be outstanding. Accordingly, the Collateral Sharing Agreement, the Security Agreement, the Pledge Agreement, the UCC-1 financing statements referenced in Section 4.1M of the Loan Agreement, the deposit account control agreements referenced in Section 4.1N of the Loan Agreement, the USPTO filings referenced in Section 4.3A of the Loan Agreement and the fixture financing statements referenced in Section 4.3C of the Loan Agreement are all hereby deemed amended to reflect that on and after the Effective Time, the Collateral Agent will hold security for and act as collateral agent solely for the benefit of the Banks and that the Collateral Agent will no longer hold security for or act as collateral agent for the holders of the Senior Notes after such time.

B. The definition of "Retained Dana Payment" is hereby deleted from the Collateral Sharing Agreement. The text of Section 8(a) of the Collateral Sharing Agreement (with respect to the Retained Dana Payment) is hereby deleted from the Collateral Sharing Agreement, and replaced with the word: "Reserved". The references to the "Dana Payment Account" are hereby deleted in Section 9 of the Collateral Sharing Agreement.

5. **RATIFICATION.** Except as specifically amended by the provisions hereinabove, the Loan Documents remain in full force and effect. The Borrower and Guarantors reaffirm and ratify all of their respective obligations to Agent Bank and the Banks under all of the Loan Documents, as amended and modified hereby, including, but not limited to, the Loan Agreement, the Guaranty Agreement, and all other agreements, documents and instruments now or hereafter evidencing and/or pertaining to the Loan Agreement. Each reference to all or any of the Loan Documents contained in any other of the Loan Documents shall be deemed to be a reference to such Loan Document, as modified hereby; provided, however, that the Loan Documents shall be deemed not to include the "Note Purchase Agreement," the "Senior Notes," the "\$55,000,000 Senior Notes," the "Notes," the "Noteholders," the "Third Amendment to Note Purchase Agreement," or any references to the foregoing, and any such references otherwise contained in the Loan Documents are hereby deleted except for those references to the Senior Notes in the recitals, §4 and §8.I of this Amendment.

6. **REPRESENTATIONS, WARRANTIES, AND COVENANTS OF THE BORROWER.** To induce the Agent Bank and the Banks to enter into this Amendment, the Borrower represents and warrants to Agent Bank and the Banks as follows:

A. The Borrower has full power, authority, and capacity to enter into this Amendment, and this Amendment constitutes the legal, valid and binding obligation of the Borrower, enforceable against it in accordance with its respective terms.

B. No uncured Event of Default under the Revolving Credit Notes or any of the other Loan Documents has occurred which continues unwaived by the Agent Bank, and no Potential Default exists as of the date hereof.

C. The Person executing this Amendment on behalf of the Borrower is duly authorized to do so.

D. The representations and warranties made by the Borrower in any of the Loan Documents are hereby remade and restated as of the date hereof.

E. Except as previously disclosed to the Agent Bank or disclosed in the Borrower's filings with the Securities and Exchange Commission, copies of which have been provided previously to the Agent Bank, there are no material actions, suits, legal, equitable, arbitration or administrative proceedings pending or threatened against the Borrower, the adverse determination of which could have a material adverse effect on the Loan Documents, the business operations or financial condition of the Borrower and the Guarantors taken as a whole, or the ability of the Borrower to fulfill its obligations under the Loan Documents.

7. REPRESENTATIONS, WARRANTIES, AND COVENANTS OF THE GUARANTORS. To induce the Agent Bank and the Banks to enter into this Amendment, the Guarantors represent and warrant to the Agent Bank and the Banks as follows:

A. Each Guarantor has full power, authority, and capacity to enter into this Amendment, and this Amendment constitutes the legal, valid and binding obligations of such Guarantor, enforceable against such Guarantor in accordance with their terms.

B. The Person executing this Amendment on behalf of each Guarantor is duly authorized to do so.

C. The representations and warranties made by each Guarantor in any of the Loan Documents are hereby remade and restated as of the date hereof.

D. Except as previously disclosed to the Agent Bank, there are no material actions, suits, legal, equitable, arbitration or administrative proceedings pending or threatened against any Guarantor, the adverse determination of which could have a material adverse effect on the Loan Documents, the business operations or financial condition of the Borrower and the Guarantors taken as a whole or the ability of any Guarantor to fulfill its obligations under the Guaranty Agreement.

8. CONDITIONS PRECEDENT. The obligations of the Agent Bank and the Banks under this Amendment are expressly conditioned upon, and subject to the following:

A. the execution and delivery by the Borrower and the Guarantors of this Amendment;

B. the execution and delivery by the Borrower of the Revolving Credit Notes;

C. Delivery to the Agent Bank of a copy of the certificate of the corporate secretary of Borrower certifying resolutions of the Borrower's board of directors to the effect that execution, delivery and performance of this Amendment have been duly authorized and as to the incumbency of those authorized to execute and deliver this Amendment and all other documents to be executed in connection herewith;

D. With respect to each corporate Guarantor, delivery to the Agent Bank of a copy of the certificate of the corporate secretary of each corporate Guarantor certifying resolutions of such Guarantor's board of directors to the effect that execution, delivery and performance of this Amendment have been duly authorized and as to the incumbency of those authorized to execute and deliver this Amendment and all other documents to be executed in connection herewith;

E. With respect to each non-corporate Guarantor, delivery to the Agent Bank of a copy of the certificate of the Secretary or other appropriate representative of such Guarantor (i) certifying as to the authenticity, completeness and accuracy of, and attaching copies of the written consent of the managers of such Guarantor authorizing the execution, delivery and performance of this Amendment, and (ii) certifying the names and true signatures of the officers of such Guarantor authorized to execute and deliver on behalf of such Guarantor this Amendment;

F. Delivery to the Agent Bank of opinions of counsel to Borrower and the Guarantors, satisfactory to the Agent Bank.

G. Payment of a commitment fee in the amount of 0.25% of the difference between Eighty Million Dollars (\$80,000,000) and Fifty Million Dollars (\$50,000,000) (the "Revolving Loan Commitment Increase"), such commitment fee payable to the Agent Bank for the benefit of the Banks in accordance with their pro rata shares of the Revolving Loan Commitment Increase, plus payment of Agent Bank's counsel fees in preparation and closing of the amendment documents and other out-of-pocket costs.

H. The Borrower's receipt of net cash proceeds equal to at least \$62,930,000 as a result of the Borrower's receipt, assignment or liquidation of the Dana Payment.

I. The Agent Bank's verification that the Borrower has caused the redemption or purchase of all of the outstanding Senior Notes.

J. The Borrower's submission to the Agent Bank of a certificate stating that all of the conditions set forth in this Section 8 have been met. To the extent that the Agent Bank determines that such certificate is correct, the Agent Bank shall note the date and time of submission of such certificate upon such certificate, and such date and time shall be known as the "Effective Time."

#### 9. MISCELLANEOUS.

A. Illegality. In case any one or more of the provisions contained in this Amendment should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

B. Changes in Writing. No modification, amendment or waiver of any provision of this Amendment nor consent to any departure by the Borrower or any of the Guarantors therefrom, will in any event be effective unless the same is in writing and signed by the Agent Bank, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given.

C. Successors and Assigns. This Amendment will be binding upon and inure to the benefit of the Borrower, the Guarantors, the Agent Bank and the Banks and their respective successors and assigns; provided, however, that neither the Borrower nor the Guarantors may assign this Amendment in whole or in part without the prior written consent of the Agent Bank, and the Agent Bank and the Banks at any time may assign this Amendment in whole or in part, as provided in Section 11 of the Loan Agreement.

D. Counterparts. This Amendment may be signed in any number of counterpart copies and by the parties hereto on separate counterparts, but all such copies shall constitute one and the same instrument.

E. Documents Held in Escrow until December 31, 2007. As set forth hereinabove, none of the amendments and changes set forth herein shall take effect or have any legal effect until all conditions precedent set forth in Section 8 hereof have been satisfied and, as a result, the Effective Time (as defined in Section 8.J hereof) has occurred. Prior to the Effective Time, all executed versions of this Amendment and the Revolving Credit Notes shall be held in escrow by counsel to the Agent Bank. To the extent the conditions precedent set forth in Section 8 hereof have not been satisfied (and,

as a result the Effective Time has not occurred) prior to the close of business December 31, 2007, all executed versions of this Amendment and the Revolving Credit Notes shall be destroyed and this Amendment and the Revolving Credit Notes attached hereto shall be treated as though such documents had never been executed.

IN WITNESS WHEREOF, the Agent Bank, the Documentation Agent, each Bank, the Borrower and each Guarantor has caused this Amendment to be duly executed as of the day and year first above written.

JP MORGAN CHASE BANK, N.A.  
as Administrative Agent,  
Syndications Agent and Collateral  
Agent (the "Agent Bank")

By /s/ J. Duffy Baker  
J. Duffy Baker  
Senior Vice President

LASALLE BANK, NATIONAL ASSOCIATION,  
as Documentation Agent

By /s/ Anne Eharoshe  
Anne Eharoshe  
Vice President

JP MORGAN CHASE BANK, N.A.  
(successor by merger to BANK ONE, NA  
with main office in Chicago, Illinois), as a Bank

By /s/ J. Duffy Baker  
J. Duffy Baker  
Senior Vice President

LASALLE BANK NATIONAL ASSOCIATION  
as a Bank

By /s/ Anne Eharoshe  
Anne Eharoshe  
Vice President

NATIONAL CITY BANK  
as a Bank

By /s/ Rob King  
Rob King  
Senior Vice President

SYPRIS SOLUTIONS, INC.  
(the "Borrower")

By /s/ Anthony C. Allen  
Anthony C. Allen  
Vice President and Treasurer

SYPRIS TEST & MEASUREMENT, INC.  
a Delaware corporation ("ST&M")  
(as a "Guarantor")

By /s/ Anthony C. Allen  
Anthony C. Allen  
Treasurer and Assistant Secretary

SYPRIS TECHNOLOGIES, INC.  
a Delaware corporation ("ST")  
(as a "Guarantor")

By /s/ Anthony C. Allen  
Anthony C. Allen  
Treasurer and Assistant Secretary

SYPRIS ELECTRONICS, LLC  
a Delaware limited liability company ("SE")  
(as a "Guarantor")

By /s/ Anthony C. Allen  
Anthony C. Allen  
Treasurer and Assistant Secretary



SYPRIS DATA SYSTEMS, INC.  
a Delaware corporation (“SDS”)  
(as a “Guarantor”)

By /s/ Anthony C. Allen  
Anthony C. Allen  
Treasurer and Assistant Secretary

SYPRIS TECHNOLOGIES MARION, LLC  
a Delaware limited liability company (“Marion”)  
(as a “Guarantor”)

By /s/ Anthony C. Allen  
Anthony C. Allen  
Treasurer and Assistant Secretary

SYPRIS TECHNOLOGIES KENTON, INC.  
a Delaware corporation (“STK”)  
(as a “Guarantor”)

By /s/ Anthony C. Allen  
Anthony C. Allen  
Treasurer and Assistant Secretary

SYPRIS TECHNOLOGIES MEXICAN HOLDINGS, LLC  
a Delaware limited liability company (“STMH”)  
(as a “Guarantor”)

By /s/ Anthony C. Allen  
Anthony C. Allen  
Treasurer and Assistant Secretary

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

I, Jeffrey T. Gill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sypris Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2007

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

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

I, T. Scott Hatton, certify that:

1. I have reviewed this quarter report on Form 10-Q of Sypris Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2007

By: /s/ T. Scott Hatton  
T. Scott Hatton  
Vice President & Chief Financial Officer

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

In connection with the Quarterly Report of Sypris Solutions, Inc. (the Company) on Form 10-Q for the period ending September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the Report), each of the undersigned hereby certifies, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of Sypris Solutions, Inc., that to his knowledge:

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

Date: November 2, 2007

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

Date: November 2, 2007

By: /s/ T. Scott Hatton  
T. Scott Hatton  
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.