

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

FORM 10-K

(Mark one)

- Annual report pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934. For the fiscal year ended December 31, 1999.
- 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)

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

101 Bullitt Lane, Suite 450  
Louisville, Kentucky 40222  
(Address of principal executive offices, including zip code)

(502) 585-5544  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:  
None

Securities registered pursuant to Section 12(g) of the Act:  
Common Stock, \$.01 par value  
(Title of Class)

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   
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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the Registrant's Common Stock held by non-affiliates on February 4, 2000 (based upon the average of the high and low prices of the registrant's Common Stock reported for such date on The Nasdaq Stock Market), was \$12,256,284. As of February 4, 2000, the Registrant had 9,651,790 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to shareholders in connection with the Annual Meeting of Stockholders to be held May 2, 2000 are incorporated by reference into Part III to the extent described therein.

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PART I

Item 1. Business

Introduction

Sypris Solutions, Inc. is a diversified provider of technology-based outsource services and specialized industrial products. The Company performs a wide range of manufacturing and technical services, typically under long-term contracts with major manufacturers. The Company also manufactures and sells complex data storage systems, magnetic instruments, current sensors, high-pressure closures and a variety of other industrial products. The terms "Sypris" and the "Company" as used herein include Sypris Solutions, Inc. and its consolidated subsidiaries, except where the context indicates otherwise.

Sypris is a Delaware corporation which was organized in 1997 and began business on March 30, 1998 with the completion of the merger of Group Financial Partners, Inc. ("GFP") and two of its subsidiaries, Bell Technologies, Inc. ("Bell") and Tube Turns Technologies, Inc. ("Tube Turns"), with and into Group Technologies Corporation ("GroupTech"), a Nasdaq-traded company in which GFP owned an approximate 80% interest. Effective immediately thereafter, GroupTech was merged with and into Sypris, a subsidiary created to accomplish the reincorporation in Delaware. As a result of these and other transactions (collectively referred to herein as the "Reorganization"), Sypris became the holding company for Bell, GroupTech, Tube Turns and Metrum-Datatape, Inc. ("Metrum-Datatape"), a wholly-owned subsidiary of GFP prior to the Reorganization, and succeeded to the listing of GroupTech on the Nasdaq Stock Market under the new symbol SYPR.

The Company has two reportable segments: the Electronics Group and the Industrial Group. The segments are each managed separately because of the distinctions between the products, services, markets, customers, technologies and workforce skills of the segments. The Company evaluates performance and allocates resources based on profit or loss from operations before interest and income taxes. Financial information about these segments for the three fiscal years ended December 31, 1999 is set forth in Note 16 to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

Electronics Group

The Electronics Group provides a broad range of specialized products and manufacturing and technical services to industrial and commercial customers and to various government agencies. The Electronics Group consists of three operating units: Bell, GroupTech and Metrum-Datatape. The Electronics Group's products and manufacturing and technical services are marketed through a direct sales force, including the involvement of members of senior management and domestic and international independent distributors and representatives. The Electronics Group operates four manufacturing facilities, five testing laboratories and twenty service operations across the United States.

The Electronics Group's products include data acquisition, storage and analysis products for critical instrumentation recording and data collection applications in test aircraft, spacecraft, satellites, ships and submarines, in addition to applications in scientific laboratories and commercial data centers. The Electronics Group also manufactures magnetic and current sensing components and measurement instrumentation products for industrial and research applications.

The Electronics Group's service offerings include a variety of manufacturing and technical services for a diversified base of customers as an outsource service provider. The Electronics Group employs a multi-disciplined engineering team that provides comprehensive manufacturing and design support and high assurance encryption solutions to its customers in a variety of markets, including information security, avionics, space and telecommunications. The Electronics Group's advanced engineering services capabilities include electronic design services, software systems, electronic assembly, testing and evaluation and related support services. The Electronics Group provides various levels of testing and evaluation services that include analysis, engineering, and mechanical and electronic testing to ascertain performance and reliability under induced environmental stress conditions including vibration, temperature extremes, hi-g acceleration, altitude, shock, flammability, acoustical noise and flight dynamics. The Electronics Group also provides calibration and repair services for electronic, mechanical and process-control instrumentation.

The Electronics Group completed two acquisitions during 1999. The data acquisition storage and analysis product line was expanded in September 1999 through the purchase of a business that provides telemetry acquisition and analysis systems. The vertical product integration added by this acquisition provides customers with a broader range of solutions. The Electronics Group also purchased a calibration and repair service business in December 1999 that primarily provides calibration services to remote locations through a mobile service operation. This operation complements the calibration and repair services currently offered by the Electronics Group at its branch and on-site service locations.

The principal raw materials and purchased component parts for the manufacture of the Electronics Group's products are available from a number of suppliers and are generally available in sufficient quantities to meet its current requirements. During 1998, the Electronics Group implemented a program to consolidate the purchasing of certain electronic materials and components with a select group of vendors. In 1999, the Electronics Group expanded this program to include more classes of raw materials. Any shortages of raw materials may result in production delays which could have a material adverse affect on the Company's financial position or results of operations.

The Company's customers include the National Security Agency, the Department of Defense, the Federal Bureau of Investigation and other U.S. Government agencies which, in the aggregate, accounted for 26%, 22% and 18% of the Company's total net revenue and 32%, 27% and 22% of the Electronics Group's net revenue for 1999, 1998 and 1997, respectively. No single U.S. Government agency or any other single customer accounted for more than 10% of the Company's net revenue in 1999. The Company's contracts with U.S. Government agencies are subject to the standard government contract clause that permits the government to terminate such contracts at its convenience. In the event of such termination, there are provisions to enable the Company to recover its costs plus a fee. The Company does not anticipate the termination of any of its major government contracts.

The Electronics Group operates in a highly competitive environment and competes against numerous domestic and foreign manufacturers for the sale of its products and against numerous national, regional and local service providers. The Electronics Group's competitors are expected to increase the introduction of new products utilizing the latest technologies aimed at providing cost-effective solutions. The Company believes that the primary basis of competition for the Electronics Group in its targeted product markets are time-to-market, capability, price, manufacturing quality, advanced manufacturing technology and reliable delivery. The key competitive factors for the Electronics Group's services are price, technology, quality, responsiveness, on-time delivery and accuracy. The Company believes that it generally competes favorably with respect to each of these factors for its products and services.

#### Industrial Group

The Industrial Group provides manufacturing services and products to industrial and commercial customers. The Industrial Group currently consists of one operating unit: Tube Turns. The Industrial Group's products and services are marketed through a direct sales force, including the involvement of members of senior management and domestic and international independent representatives. The Industrial Group has one manufacturing facility in the United States.

The Industrial Group provides manufacturing services to a variety of customers that outsource forged steel components and subassemblies. The Industrial Group manufactures forged heavy-duty drive train components for the commercial truck and construction markets and forged engine cylinders and shafts for the aerospace market. The Industrial Group also offers a line of fabricated products that includes engineered piping components and assemblies for use in pipeline, chemical, container and other pressurized systems used by the energy and chemical industries. The Industrial Group's fabricated products include high-pressure closures for storage tanks and insulated joints for underground piping.

Steel utilized in the manufacturing process must meet certain specifications based upon the application in which the product will be utilized. The material specifications are determined by the customer and, for certain contracts, the supplier for the material must be approved by the customer. The Industrial Group presently purchases the majority of its steel from several North American suppliers. The Industrial Group believes its relationships with

its suppliers are positive and has no indication that it will experience shortages of raw materials or components essential to its production processes or that it will be forced to seek alternative sources of supply. Any shortages of raw materials may result in production delays and costs which could have a material adverse effect on the Company's financial condition or results of operations.

Manufacturing services provided to one customer accounted for approximately 50% and 37% of the Industrial Group's net revenue during 1999 and 1998, respectively. The Industrial Group is the sole supplier of forged truck axles to this customer and has recently been awarded an extension to its multi-year contract with this customer through 2004. The contract award also expands the scope of work performed for this customer and the Industrial Group believes its relationship with this customer is good. The Industrial Group has a number of other customers for its forged and fabricated products in the construction, aerospace, energy and chemical markets.

The Industrial Group invested \$7.1 million in capital expenditures during 1999, primarily in support of growth opportunities in the forged truck axle market. The anticipated level of capital expenditures during 2000 for this segment will approximate \$20.0 million. The increased investment during 1999 and 2000 will include manufacturing facilities improvements, additional forging equipment, new machining capabilities and automation of manufacturing processes.

The Industrial Group faces competition for its manufacturing services from three major domestic competitors and from a number of smaller competitors. The Company believes that the Industrial Group maintains a good reputation in the market for forged manufacturing services for product quality and reliability. The fabricated product line competes with a number of domestic and international competitors. The Company believes the primary competitive factors for the Industrial Group are price, quality and on-time delivery and that it competes favorably with respect to each of these factors.

#### Research and Development

Sypris invested \$6.4 million, \$5.9 million and \$3.5 million in research and development in 1999, 1998 and 1997, respectively. The investments were primarily in support of the development of the product lines of the Company's Electronics Group. Sypris also utilizes its research and development capability to develop processes and technologies for the benefit of its customers.

#### Patents, Trademarks and Licenses

Sypris owns and is licensed under a number of patents and trademarks that management believes are sufficient for its operations. The Company's business as a whole is not materially dependent upon any one patent, trademark or license or technologically-related group of patents or licenses.

#### Government Regulation

The Company's operations are subject to certain federal, state and local regulatory requirements relating to environmental, waste management, health and safety matters. Management believes that the Company's business is operated in material compliance with applicable regulations promulgated by the Occupational Safety and Health Administration and the Environmental Protection Agency and corresponding state agencies, which pertain to health and safety in the workplace and the use, discharge and storage of chemicals employed in the manufacturing process. Current costs of compliance are not material to the Company. However, new or modified requirements, not presently anticipated, could be adopted creating additional expense for the Company.

GroupTech's former leased facility located on Waters Avenue in Tampa, Florida, is currently subject to remediation activities related to ground water contamination by methylene chloride and other volatile organic compounds which occurred prior to GroupTech's lease of the facility. Through a series of evaluations, it was determined that ground water contamination is also present off site. In December 1986, Honeywell, Inc. ("Honeywell"), a prior operator of the facility, entered into a consent order (the "Consent Order") with the State of Florida Department of Environmental Regulation under which Honeywell agreed to take certain corrective action to remediate the contamination. These remediation activities include the installation of recovery wells and the

treatment of the contaminated ground water. Under the Consent Order, Honeywell assumed the responsibility for initiating and conducting these remediation activities, including the annual cost associated with these remediation activities, currently estimated to be up to \$500,000 per year. At the time GroupTech purchased the assets of the business located on this leased site, it obtained an agreement from the seller, Philips Electronics North America Corporation, to indemnify and hold GroupTech harmless with respect to such matters. GroupTech vacated the property in December 1994, at which time its lease obligation expired.

In the course of the acquisition of certain assets of a business from Alliant Techsystems, Inc. ("Alliant") by Metrum Inc. ("Metrum"), a wholly-owned subsidiary of GroupTech, Metrum and GroupTech became aware of ground water contamination that will require remedial action at the facility located in Littleton, Colorado. The facility has been under lease to various subsidiaries of the Company since the acquisition by Metrum in December 1992. Evaluations indicate that certain chlorinated solvents were disposed of on the site by a previous owner of the business, and these solvents have contaminated the ground water. In December 1995, a remediation system approved by the state of Colorado was put in place, and it is estimated that the clean-up cost could reach as high as \$20 million in the aggregate. As part of the agreement for the purchase and sale of the assets of the business, Alliant agreed to indemnify and hold Metrum harmless with respect to such matters.

The facility of Tube Turns was subject to environmental contamination involving underground storage tanks by a predecessor owner. Tube Turns has obtained a \$1.0 million indemnity from Sumitomo Metal Industries, Ltd., Sumitomo Corporation and Sumitomo Corporation of America for these matters, substantially all of which has been expended. Tube Turns believes, however, that such contamination has been substantially remediated and that any further costs of remediation, if any, will not be material.

#### Backlog

The Company's order backlog at December 31, 1999 was approximately \$127 million as compared to order backlog at December 31, 1998 of approximately \$106 million. Backlog consists of firm purchase orders and commitments. Approximately \$100 million of the backlog represents orders that are expected to be filled within twelve months. However, since orders and commitments may be rescheduled or canceled, backlog is not a definitive indicator of future financial performance.

#### Employees

As of December 31, 1999, Sypris employed approximately 1,600 employees. Approximately 441 of the Company's employees are covered by collective bargaining agreements with various unions that expire on various dates through 2003. The Company last experienced a temporary work stoppage during 1995 in connection with renegotiations of union contracts in the Industrial Group. Sypris believes its overall relationships with its employees are good and does not anticipate any significant labor disputes in 2000.

#### Forward-looking Statements

This Form 10-K and the documents incorporated by reference contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Similar forward-looking statements are made periodically in reports to the Securities and Exchange Commission, press releases, reports and documents and in written and oral presentations to investors, shareholders, analysts and others, regarding future results or expected developments. Words such as "anticipates," "believes," "estimates," "expects," "is likely," "predicts," and variations of such words and similar expressions are intended to identify such forward-looking statements. Although Sypris believes that its expectations are based on reasonable assumptions, it cannot assure that the expectations contained in such statements will be achieved. Such statements involve risks and uncertainties which may cause actual future activities and results of operations to be materially different from those suggested in this report, including, among others: the Company's dependence on its current management; the risks and uncertainties present in the Company's business; business conditions and growth in the general economy and the electronics and industrial markets served by the Company; competitive factors and price pressures; availability of third party component parts at reasonable prices; inventory risks due to shifts in market demand and/or price erosion of purchased components; changes in

product mix; cost and yield issues associated with the Company's manufacturing facilities; as well as other factors described elsewhere in this report and in the Company's other filings with the Securities and Exchange Commission.

## Item 2. Properties

The following chart indicates the significant properties owned or leased by the Company, the segment which uses the properties, and the location and size of each such property. The properties listed below (other than the corporate office) are used principally as manufacturing facilities.

Facility and Location	Own or Lease	Approximate Square Feet
Corporate Office Louisville, Kentucky.....	Lease	9,000
Electronics Group		
Tampa, Florida.....	Lease	308,000
Orlando, Florida.....	Own	66,000
Littleton, Colorado.....	Lease	70,000
Monrovia, California.....	Lease	70,000
Industrial Group		
Louisville, Kentucky.....	Own	410,000

In addition, the Company leases space in seventeen other facilities primarily utilized by the Electronics Group to provide technical services, all of which are located in the United States. The Company believes its facilities and equipment to be in good condition and reasonably suited and adequate for its current needs.

## Item 3. Legal Proceedings

Tube Turns is a co-defendant in two separate lawsuits filed in 1993 and 1994, one pending in federal court and one pending in state district court in Louisiana, arising out of an explosion in a coker plant owned by Exxon Corporation located in Baton Rouge, Louisiana. The suits are being defended for Tube Turns by its insurance carrier, and the Company intends to vigorously defend its case. The Company believes that a settlement or related judgment would not result in a material loss to Tube Turns or the Company.

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

## Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of the year ended December 31, 1999.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

Since March 30, 1998, the Company's common stock has been traded on The Nasdaq Stock Market under the symbol "SYPR." Prior to that date, the common stock of GroupTech was traded on The Nasdaq Stock Market under the symbol "GRTK." The following table sets forth, for the periods indicated, the high and low sales prices per share of the common stock as reported by The Nasdaq Stock Market. All prices prior to the Reorganization have been adjusted to reflect the one-for-four reverse stock split which occurred concurrent with the Reorganization.

	High -----	Low -----
Year ended December 31, 1998:		
First Quarter.....	\$15.252	\$9.250
Second Quarter.....	\$11.375	\$6.500
Third Quarter.....	\$10.375	\$7.500
Fourth Quarter.....	\$ 8.750	\$5.938
Year ended December 31, 1999:		
First Quarter.....	\$ 8.250	\$6.375
Second Quarter.....	\$ 9.750	\$6.875
Third Quarter.....	\$11.000	\$9.000
Fourth Quarter.....	\$10.250	\$8.625

As of February 4, 2000, there were 1,014 holders of record of the Company's common stock.

The Company has historically not declared or paid any cash dividend on its common stock. The Company presently intends to retain all of its earnings for the future operation and growth of its business and does not intend to pay cash dividends in the foreseeable future. The payment of cash dividends in the future will be dependent upon the Company's results of operations, earnings, capital requirements, contractual restrictions and other factors considered relevant by the Board of Directors.



Item 6. Selected Financial Data

The following selected historical consolidated financial data should be read in conjunction with the consolidated financial statements and the related notes thereto in Item 8, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 and other financial information included elsewhere in this Form 10-K.

	Years ended December 31,				
	1999	1998	1997	1996	1995
	(in thousands, except for per share data)				
<b>Income Statement Data (1):</b>					
Net revenue.....	\$202,130	\$211,625	\$217,355	\$308,598	\$328,977
Gross profit.....	44,949	47,923	32,135	30,383	16,547
Operating income (loss).....	14,166	12,851	1,785	513	(14,816)
Income (loss) from continuing operations....	9,556	7,446	1,527	(2,536)	(11,765)
Discontinued operations, net of tax.....	--	--	3,817	3,457	3,732
Net income (loss).....	9,556	7,446	5,344	921	(8,033)
<b>Per share data (2):</b>					
<b>Income (loss) from continuing operations:</b>					
Basic.....	\$ 1.00	\$ 0.79	\$ 0.09	\$ (0.45)	\$ (1.62)
Diluted.....	\$ 0.97	\$ 0.76	\$ 0.09	\$ (0.43)	\$ (1.56)
<b>Net income (loss):</b>					
Basic.....	\$ 1.00	\$ 0.79	\$ 0.50	\$ (0.08)	\$ (1.23)
Diluted.....	\$ 0.97	\$ 0.76	\$ 0.48	\$ (0.08)	\$ (1.18)

	December 31,				
	1999	1998	1997	1996	1995
	(in thousands)				
<b>Balance Sheet Data (1):</b>					
Working capital.....	\$ 53,705	\$ 32,121	\$ 35,123	\$ 6,337	\$ 26,159
Total assets.....	148,564	121,119	120,608	132,960	173,028
Total debt.....	54,400	28,583	31,340	46,597	63,814
Total shareholders' equity.....	60,820	49,359	27,728	22,384	21,463

(1) See Notes 2 and 3 to the consolidated financial statements in Item 8, for merger, acquisition and divestiture information.

(2) See Note 15 to the consolidated financial statements in Item 8, for details regarding the calculation of basic and diluted per share amounts.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto which are included in Item 8 herein.

Results of Operations

The following table sets forth certain data from the Company's consolidated income statements for the years ended December 31, 1999, 1998 and 1997, expressed as a percentage of net revenue:

	Years ended December 31,		
	1999	1998	1997
Net revenue.....	100.0%	100.0%	100.0%
Cost of sales.....	77.8	77.4	85.2
Gross profit.....	22.2	22.6	14.8
Selling, general and administrative expense.....	11.5	13.3	12.3
Research and development.....	3.2	2.8	1.6
Amortization of intangible assets.....	0.5	0.4	0.1
Operating income.....	7.0%	6.1%	0.8%
Income from continuing operations.....	4.7%	3.5%	0.7%
Net income.....	4.7%	3.5%	2.5%

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

Net revenue totaled \$202.1 million in 1999, a decrease of \$9.5 million, or 4.5%, from \$211.6 million in 1998. Net revenue for the Electronics Group in 1999 was \$164.9 million, a decrease of \$9.5 million or 5.4% from \$174.4 million in 1998 and net revenue for the Industrial Group in 1999 was \$37.2 million, unchanged from 1998. The \$9.5 million decrease in the Electronics Group's net revenue for 1999 was primarily a result of reduced demand for certain product offerings. During the fourth quarter of 1999, a portion of the government program funding related to these products was delayed due to the timing of the federal budget approval process and certain other program spending was suspended prior to year-end due to year 2000 concerns. The decrease in net revenue for product sales in the fourth quarter of 1999 was offset by an increase in net revenue for manufacturing services, which experienced increased sales volume during the second half of 1999. The Electronics Group's net revenue for the first half of 1999 was \$15.8 million below the first half of 1998. However, net revenue increased in the third and fourth quarters of 1999 by \$1.3 million and \$5.0 million, respectively, over the comparative prior year quarters. The growth that occurred during the second half of 1999 is primarily the result of management's business development efforts in manufacturing services that began during 1998, specifically the transition from low-margin contracts to new business opportunities aimed at improving profitability. The Electronics Group's backlog increased from \$76.7 million to \$95.2 million to \$107.7 million at December 31, 1997, 1998 and 1999, respectively. The current backlog also consists of higher margin contracts than those in place during 1998. The Industrial Group continued to increase shipments of truck axles during 1999, thereby offsetting declines in other forged product lines provided to customers in the aerospace industry and foreign markets of the oil and gas industry.

Gross profit totaled \$44.9 million in 1999, a decrease of \$3.0 million, or 6.3%, from \$47.9 million in 1998. Gross profit for the Electronics Group was \$37.9 million in 1999, a decrease of \$3.5 million, or 8.5%, from \$41.4 million in 1998 and gross profit for the Industrial Group was \$7.0 million in 1999, an increase of \$0.5 million, or 8.5%, from \$6.5 million in 1998. The \$3.5 million decrease in the Electronics Group's gross profit is comprised of a \$4.7 million decrease primarily due to the decline in product sales described above, which was partially offset by a \$1.2 million increase primarily due to the improved performance of manufacturing services. Operational and financial control improvements over manufacturing services reflects management's actions to improve profitability by focusing on specific manufacturing and service opportunities in which the Company offers value-added solutions under a competitive cost structure. Additionally, the Electronics Group's revenue mix for 1999 as compared to 1998

consisted of a higher percentage of manufacturing services revenue and a lower percentage of product sales, primarily due to revenue mix changes during the fourth quarter of 1999. Since the margins on manufacturing services are typically lower than product sales, the Electronics Group's gross profit percentage decreased to 23.0% in 1999 from 23.7% in 1998. The \$0.5 million increase in the Industrial Group's gross profit is primarily due to manufacturing efficiencies in the production of forged truck axles and the increased capacity utilization and cost reductions on certain programs. The productivity and utilization improvements resulted in an increase in the Industrial Group's gross profit percentage to 19.0% in 1999 from 17.5% in 1998.

Selling, general and administrative expense totaled \$23.4 million in 1999, a decrease of \$4.8 million, or 17.1%, from \$28.2 million in 1998. The consolidation of certain functional activities was the primary cause of the decrease in the year-to-year comparison. Other contributing factors include workforce reductions in certain operations, a reduction in selling expense attributable to the decrease in net revenue, and adjustments to the Company's estimated liability for the sale of certain assets of the Electronics Group in June 1997, for which a final settlement agreement was reached during the second quarter of 1999. Also included in 1998 were professional fees and other costs associated with the Reorganization which were nonrecurring. Research and development expense totaled \$6.4 million in 1999, an increase of \$0.5 million, or 7.9%, from \$5.9 million in 1998. This increase was generated by the Electronics Group, and reflects management's continued support and investment in the data acquisition, storage and analysis product lines.

Amortization of intangible assets totaled \$1.0 million in 1999 and in 1998. The amortization is primarily attributable to goodwill recorded in connection with the Reorganization.

Interest expense totaled \$1.7 million in 1999, an increase of \$0.4 million, from \$1.3 million in 1998. Average outstanding debt for 1999 exceeded 1998 primarily due to working capital investments and capital expenditures. The weighted average interest rate was higher in 1999 than in 1998 due to increased rates and a pricing adjustment on the refinancing completed early in the fourth quarter of 1999.

The provision for income taxes totaled \$3.1 million in 1999, a decrease of \$1.2 million, from \$4.3 million in 1998. The Company's effective tax rate in 1999 was 24.5% as compared to 36.7% in 1998. During the fourth quarter of 1999, the Company recognized a tax benefit of approximately \$0.6 million related to a claim for research and development credits attributable to prior years. The provision for income taxes during 1999 also reflects a reduction in the valuation allowance on deferred tax assets of \$1.9 million as compared to \$0.9 million in 1998.

#### Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

Net revenue totaled \$211.6 million in 1998, a decrease of \$5.8 million, or 2.6%, from \$217.4 million in 1997. The Electronics Group experienced a decrease in net revenue of \$11.5 million, while the Industrial Group experienced an increase of \$5.7 million. The \$11.5 million decrease in the Electronics Group's net revenue resulted from the divestiture of the Company's Latin American operations, which accounted for net revenue of \$16.9 million in 1997, and a decrease in net revenue from manufacturing and technical services of \$10.4 million partially offset by an increase in product sales of \$15.8 million. The \$10.4 million decrease in manufacturing and technical services revenue is primarily attributable to management's actions to redirect its resources to pursue low-volume, high-mix, complex industrial electronics assembly and test opportunities which meet specific profitability targets. The \$15.8 million increase in product sales includes the acquisition of certain assets of Datatape Incorporated in November 1997 (the "Datatape Acquisition") which expanded the Company's data acquisition, storage and analysis product line and generated a \$24.8 million increase in net revenue in 1998. The balance of the Electronics Group's product offerings experienced a \$9.0 million decline in net revenue primarily due to a weakening of demand in domestic and Asian markets. The \$5.7 million increase in the Industrial Group's net revenue resulted primarily from an increase in shipments to a customer based upon its commitment to use the Company as its sole source for truck axles in its North American market.

Gross profit totaled \$47.9 million in 1998, an increase of \$15.8 million, or 49.1%, from \$32.1 million in 1997. The Electronics Group and the Industrial Group accounted for \$14.3 million and \$1.5 million of the increase in gross profit, respectively. The Electronics Group's gross profit was \$41.4 million in 1998, an increase of \$14.3 million, or 52.9%, from \$27.1 million in 1997. The \$14.3 million increase in gross profit was achieved while

net revenue for the Electronics Group declined by \$11.5 million to \$174.4 million, reflecting the change in revenue mix described above. Gross profit of the Electronics Group expressed as a percentage of net revenue increased to 23.7% in 1998 from 14.6% in 1997. The increased product sales volume and improved cost management controls over higher margin manufacturing services contracts accounted for approximately \$5.7 million and \$7.7 million of the increase in gross profit, respectively. The Industrial Group's gross profit was \$6.5 million in 1998, an increase of \$1.5 million, or 29.0%, from \$5.0 million in 1997, primarily due to the volume increase reflected in net revenue. Gross profit of the Industrial Group expressed as a percentage of net revenue increased to 17.5% in 1998 compared to 16.1% in 1997, primarily related to increased capacity utilization and cost reductions on certain programs.

Selling, general and administrative expense totaled \$28.2 million in 1998, an increase of \$1.5 million, or 5.7%, from \$26.7 million in 1997. The change in revenue mix occurring in the Electronics Group resulted in an increase in selling, general and administrative expense for the comparable years.

Research and development expense totaled \$5.9 million in 1998, an increase of \$2.4 million, or 70.3%, from \$3.5 million in 1997. This increase was generated by the Electronics Group, and reflects management's continued support and investment in the data acquisition, storage and analysis product lines.

Amortization of intangible assets totaled \$1.0 million in 1998, an increase of \$0.8 million, from \$0.2 million in 1997. This increase is due to the amortization of goodwill recognized in connection with the Reorganization and the Datatape Acquisition.

Interest expense totaled \$1.3 million in 1998, a decrease of \$0.7 million, from \$2.0 million in 1997. This decrease is primarily due to a reduction in the weighted average debt outstanding, a reduction in the Company's overall costs of borrowing and a decrease in amortization expense for debt issuance costs and stock warrants issued to a previous lender. The reduction in debt outstanding in 1998 compared to 1997 is attributable to the repayment of debt from proceeds generated by the divestiture of the Latin American operations, coupled with repayments generated by the Company's improved cash flow from operations in 1998, partially offset by the debt incurred to finance the Datatape Acquisition. The divestiture proceeds were used to repay in full a credit facility on which the effective interest rate was approximately 300 basis points over the Company's cost of borrowing under its consolidated credit facility during 1998.

Other income totaled \$0.2 million in 1998, a decrease of \$2.0 million, from \$2.2 million in 1997. Other income in 1997 included the gain recognized on the divestiture of the Latin American operations totaling \$3.2 million.

The provision for income taxes totaled \$4.3 million, an increase of \$3.2 million, from \$1.1 million in 1997. The Company's effective tax rate in 1998 was 36.7%.

#### Liquidity, Capital Resources and Financial Condition

Net cash used in operating activities totaled \$2.1 million in 1999 as compared to net cash provided by operating activities of \$11.0 million in 1998. The use of cash in operating activities during 1999 was primarily driven by an increase in inventory to support the growth in the Company's order backlog and a decrease in accrued liabilities attributable to cash used to settle or reduce obligations. Inventory increased by \$11.3 million during 1999, \$11.0 million of which was associated with the expected shipment schedule for the Electronics Group. Accrued liabilities decreased by \$6.7 million during 1999, which includes, among other things, the final settlement payment made during the second quarter with respect to the June 1997 asset divestiture transaction, reductions in employee incentive and benefit accruals, and payments on lease obligations. Accounts receivable decreased by \$2.6 million during 1999, primarily due to an improvement in days sales outstanding.

Net cash used in investing activities totaled \$26.4 million in 1999 as compared to \$5.8 million in 1998. Capital expenditures were \$14.4 million and \$5.8 million in 1999 and 1998, respectively. The Company also invested \$11.6 million for two acquisitions by the Electronics Group. Capital expenditures by the Electronics Group and the Industrial Group for 1999 were \$6.3 million and \$7.1 million, respectively. Capital expenditures for the Electronics Group include information system upgrades and replacements as well as manufacturing, assembly and test equipment. The Industrial Group's capital expenditures relate primarily to increasing production capacity to meet the expanding

needs of its customer base. At December 31, 1999, the Industrial Group also had commitments to invest \$1.4 million in manufacturing equipment to further increase production capacity, which is expected to be funded through the Company's cash balances and borrowings under its revolving credit facility. The Company expects total capital expenditures in 2000 to be approximately \$25.0 million. The planned capital expenditures are for facilities and equipment to increase capacity, expand production capabilities and improve efficiency through automation.

Net cash provided by financing activities was \$26.5 million in 1999 as compared to net cash used in financing activities of \$2.6 million in 1998. The Company funded the Electronics Group's acquisitions, the investment in working capital and capital expenditures in 1999 through additional borrowings under its revolving credit facility.

Under the terms of the credit agreement between the Company and its lenders, the Company had total availability for borrowings and letters of credit under its revolving credit facility of \$45.6 million at December 31, 1999, which, with certain limitations, can be used for general corporate purposes. This credit agreement contains customary restrictive covenants, including covenants requiring the Company to maintain certain financial ratios. Maximum borrowings on the revolving credit facility are \$100.0 million, subject to a \$15.0 million limit for letters of credit.

The Company believes cash generated from operations, existing cash reserves and available borrowings under its existing credit facility will satisfy the Company's working capital and capital expenditure requirements for at least the next twelve months.

#### Year 2000 Compliance

During 1999, the Company completed the process of preparing for the Year 2000 date change. This process involved assessing, testing and remediation of all significant information technology ("IT") and non-IT systems, identifying and communicating with customers, suppliers and other critical service providers to determine if entities with which the Company transacts business had an effective plan in place to address the Year 2000 issue, and determining the extent of the Company's vulnerability to the failure of third parties to remediate their own Year 2000 issue.

To date, the Company has not experienced any significant business disruptions as a result of the Year 2000 issue. In addition, the Company has not been informed of any such problems experienced by its customers, suppliers and other critical service providers. Although considered unlikely, it is too soon to conclude that there will not be any problems arising from the Year 2000 issue, particularly at some of the Company's customers, suppliers and other critical service providers. The Company will continue to monitor all business processes throughout 2000 to address any issues and ensure all processes continue to function properly. Contingency plans to address potential risks in the event of Year 2000 failures will be developed as needed.

As of December 31, 1999, the cost of the Year 2000 project totaled \$1,024,000. The Company does not expect to incur significant costs during 2000 related to ongoing monitoring and support activities for the Year 2000 issue.

#### Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The Company had no holdings of derivative financial or commodity instruments at December 31, 1999. The Company is exposed to financial market risks, including changes in interest rates and foreign currency exchange rates. All borrowings under the Company's credit agreement bear interest at a variable rate based on the prime rate, the London Interbank Offered Rate, or certain alternative short-term rates. An increase in interest rates of 100 basis points would not significantly affect the Company's net income. Substantially all of the Company's business is transacted in U.S. dollars. Accordingly, foreign exchange rate fluctuations have never had a significant impact on the Company, and they are not expected to in the foreseeable future.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

SYPRIS SOLUTIONS, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders  
Sypris Solutions, Inc.

We have audited the accompanying consolidated balance sheets of Sypris Solutions, Inc. (and predecessor entities as described in Note 1) as of December 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. Our audits also included the financial statement schedule listed in the index at Item 14(a). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sypris Solutions, Inc. at December 31, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

Louisville, Kentucky  
February 4, 2000

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

	Years ended December 31,		
	1999	1998	1997
Net revenue.....	\$202,130	\$211,625	\$217,355
Cost of sales.....	157,181	163,702	185,220
Gross profit.....	44,949	47,923	32,135
Selling, general and administrative expense.....	23,388	28,169	26,658
Research and development.....	6,409	5,940	3,487
Amortization of intangible assets.....	986	963	205
Operating income.....	14,166	12,851	1,785
Interest expense, net.....	1,730	1,298	1,959
Other income, net.....	(219)	(204)	(2,205)
Income before income taxes, minority interests and discontinued operations.....	12,655	11,757	2,031
Income tax expense.....	3,099	4,311	1,143
Income before minority interests and discontinued operations.....	9,556	7,446	888
Minority interests in losses of consolidated subsidiaries.....	--	--	639
Income from continuing operations.....	9,556	7,446	1,527
Loss from discontinued operations (net of applicable taxes of \$186).....	--	--	(375)
Gain on disposal of discontinued operations (net of applicable taxes of \$2,160)..	--	--	4,192
Net income.....	\$ 9,556	\$ 7,446	\$ 5,344
Earnings per common share:			
Income from continuing operations:			
Basic.....	\$ 1.00	\$ 0.79	\$ 0.09
Diluted.....	\$ 0.97	\$ 0.76	\$ 0.09
Net income:			
Basic.....	\$ 1.00	\$ 0.79	\$ 0.50
Diluted.....	\$ 0.97	\$ 0.76	\$ 0.48
Shares used in computing per common share amounts:			
Basic.....	9,515	9,438	9,424
Diluted.....	9,861	9,793	9,826

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



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

	December 31,	
	1999	1998
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents.....	\$ 10,406	\$ 12,387
Accounts receivable, net.....	23,793	26,283
Inventory, net.....	49,462	38,465
Other current assets.....	4,279	1,724
<b>Total current assets.....</b>	<b>87,940</b>	<b>78,859</b>
Property, plant and equipment, net.....	40,192	27,535
Intangible assets, net.....	18,038	12,500
Other assets.....	2,394	2,225
	<b>\$148,564</b>	<b>\$121,119</b>
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable.....	\$ 11,022	\$ 13,004
Accrued liabilities.....	17,813	23,651
Current portion of long-term debt.....	5,400	10,083
<b>Total current liabilities.....</b>	<b>34,235</b>	<b>46,738</b>
Long-term debt.....	49,000	18,500
Other liabilities.....	4,509	6,522
<b>Total liabilities.....</b>	<b>87,744</b>	<b>71,760</b>
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value, 1,000,000 shares authorized; no shares issued.....	--	--
Common stock, non-voting, par value \$.01 per share, 10,000,000 shares authorized; no shares issued.....	--	--
Common stock, par value \$.01 per share, 20,000,000 shares authorized; 9,589,214 and 9,450,593 shares issued and outstanding in 1999 and 1998, respectively.....	96	95
Additional paid-in capital.....	23,921	23,238
Retained earnings.....	36,876	27,320
Accumulated other comprehensive income (loss).....	(73)	(1,294)
<b>Total shareholders' equity.....</b>	<b>60,820</b>	<b>49,359</b>
	<b>\$148,564</b>	<b>\$121,119</b>
	=====	=====

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

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

	Years ended December 31,		
	1999	1998	1997
Cash flows from operating activities:			
Net income.....	\$ 9,556	\$ 7,446	\$ 5,344
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization.....	7,582	6,909	7,399
Deferred income taxes.....	(645)	989	(309)
Minority interests in losses of consolidated subsidiaries.....	--	--	(639)
Provision for excess and obsolete inventory.....	446	851	2,130
Provision for doubtful accounts.....	(129)	135	718
Gain on disposal of discontinued operations, net of tax.....	--	--	(4,192)
Other noncash charges (credits).....	133	(258)	(1,689)
Changes in operating assets and liabilities, net of acquisitions and dispositions:			
Accounts receivable.....	2,619	1,727	7,490
Inventory.....	(11,277)	4,245	(7,657)
Other assets.....	(1,704)	(1,138)	(775)
Accounts payable.....	(1,997)	(1,855)	(7,986)
Accrued and other liabilities.....	(6,652)	(8,081)	117
Net cash (used in) provided by operating activities.....	(2,068)	10,970	(49)
Cash flows from investing activities:			
Capital expenditures.....	(14,443)	(5,845)	(5,746)
Proceeds from disposal of assets.....	14	380	39,586
Purchase of the net assets of acquired entities.....	(11,642)	--	(14,400)
Changes in nonoperating assets and liabilities.....	(343)	(364)	(911)
Net cash (used in) provided by investing activities.....	(26,414)	(5,829)	18,529
Cash flows from financing activities:			
Net proceeds (repayments) under revolving credit agreements.....	28,280	720	(6,934)
Proceeds from long-term debt.....	--	--	30,650
Principal payments on long-term debt.....	(2,463)	(3,284)	(37,157)
Proceeds from issuance of common stock.....	684	40	--
Payments for redemption of common stock in subsidiaries, net.....	--	(66)	(1,215)
Net cash provided by (used in) financing activities.....	26,501	(2,590)	(14,656)
Net (decrease) increase in cash and cash equivalents.....	(1,981)	2,551	3,824
Cash and cash equivalents at beginning of year.....	12,387	9,836	6,012
Cash and cash equivalents at end of year.....	\$ 10,406	\$12,387	\$ 9,836

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

SYPRIS SOLUTIONS, INC.  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
(in thousands, except for share data)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount				
Balance at January 1, 1997.....	314,196	\$ 7,892	\$ --	\$14,492	\$ --	\$22,384
Net income and comprehensive income.....	--	--	--	5,344	--	5,344
Balance at December 31, 1997.....	314,196	7,892	--	19,836	--	27,728
Net income.....	--	--	--	7,446	--	7,446
Adjustment in minimum pension liability.....	--	--	--	--	(1,294)	(1,294)
Comprehensive income (loss).....	--	--	--	7,446	(1,294)	6,152
Issuance of shares for conversion of GFP no par value common stock to Sypris \$.01 par value common stock.....	8,027,813	(7,808)	7,808	--	--	--
Issuance of shares for conversion of redeemable common stock to Sypris \$.01 par value common stock.....	205,074	2	661	38	--	701
Issuance of shares for acquisition of minority interests in subsidiaries.....	893,822	9	3,560	--	--	3,569
Excess of fair value of common stock issued over net assets acquired.....	--	--	11,169	--	--	11,169
Exercise of stock options.....	9,688	--	40	--	--	40
Balance at December 31, 1998.....	9,450,593	95	23,238	27,320	(1,294)	49,359
Net income.....	--	--	--	9,556	--	9,556
Adjustment in minimum pension liability.....	--	--	--	--	1,221	1,221
Comprehensive income.....	--	--	--	9,556	1,221	10,777
Issuance of shares under Employee Stock Purchase Plan....	15,600	--	99	--	--	99
Exercise of stock options.....	123,021	1	584	--	--	585
Balance at December 31, 1999.....	<u>9,589,214</u>	<u>\$ 96</u>	<u>\$23,921</u>	<u>\$36,876</u>	<u>\$ (73)</u>	<u>\$60,820</u>

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

SYPRIS SOLUTIONS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 1999

(1) Organization and Significant Accounting Policies

Consolidation Policy

The accompanying consolidated financial statements include the accounts of Sypris Solutions, Inc. and its wholly-owned subsidiaries (collectively, "Sypris" or the "Company"), Bell Technologies, Inc. ("Bell"), Group Technologies Corporation ("GroupTech"), Metrum-Datatape, Inc. ("Metrum-Datatape"), and Tube Turns Technologies, Inc. ("Tube Turns"). All significant intercompany accounts and transactions have been eliminated.

Nature of Business

Sypris is a diversified provider of technology-based outsource services and specialized industrial products. The Company performs a wide range of manufacturing and technical services, typically under long-term contracts with major manufacturers. The Company also manufactures and sells complex data storage systems, magnetic instruments, current sensors, high-pressure closures and a variety of other industrial products.

Basis of Presentation

Sypris is a Delaware corporation which was organized in 1997 and began business on March 30, 1998 with the completion of the merger of Group Financial Partners, Inc. ("GFP") and two of its subsidiaries, Bell and Tube Turns, with and into GroupTech, a Nasdaq-traded company in which GFP owned an approximate 80% interest. Effective immediately thereafter, GroupTech was merged with and into Sypris, a subsidiary created to accomplish the reincorporation in Delaware. As a result of these and other transactions (collectively referred to herein as the "Reorganization"), Sypris became the holding company for Bell, GroupTech, Tube Turns and Metrum-Datatape, a wholly-owned subsidiary of GFP prior to the Reorganization, and succeeded to the listing of GroupTech on the Nasdaq Stock Market under the new symbol SYPR. In connection with the Reorganization, a one-for-four reverse stock split was effected for shareholders of record as of March 30, 1998. All references in the financial statements to number of shares and per share amounts of the Company's common stock have been retroactively restated to reflect the decreased number of shares outstanding.

The historical financial statements included herein as of and for the periods ended prior to the Reorganization are the consolidated financial statements of GFP, since GFP is deemed to be the acquirer for accounting purposes. The Reorganization was accounted for as a downstream merger, in which the merger of GFP and GroupTech was accounted for as a purchase of the minority interests of GroupTech. The issuance of shares in exchange for the redeemable common stock held by the Bell and Tube Turns minority shareholders was accounted for as a purchase, and accordingly, the excess of the fair value of the common stock issued over the fair market value of the proportional share of the net assets of Bell and Tube Turns was allocated to the assets and liabilities of Bell and Tube Turns and the excess was allocated to goodwill, which totaled \$6,118,000. Minority interest accounting was reflected in the historical financial statements of GFP as of and for the periods prior to the Reorganization based upon the proportionate share of the equity of GroupTech owned by minority shareholders.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### Inventory

Contract inventory is stated at actual production costs, reduced by the cost of units for which revenue has been recognized. Gross contract inventory is considered work in process. Progress payments under long-term contracts are specified in the contracts as a percentage of cost and are liquidated as contract items are completed and shipped. Other inventory is stated at the lower of cost or market. The first-in, first-out method was used for determining the cost of inventory excluding contract inventory and certain other inventory, which was determined using the last-in, first-out method (see Note 5).

#### Property, Plant and Equipment

Property, plant and equipment is stated on the basis of cost. Buildings and building improvements are depreciated over their estimated economic lives principally using the straight-line method. Machinery, equipment, furniture and fixtures are depreciated over their estimated economic lives principally using the straight-line method. Leasehold improvements are amortized over the lease term using the straight-line method. Expenditures for maintenance, repairs and renewals of minor items are expensed as incurred. Major renewals and improvements are capitalized.

#### Intangible Assets

Goodwill, patents, non-compete agreements, product drawings and similar intangible assets are amortized over their estimated economic lives. Currently, intangible assets are being amortized over periods ranging from five to fifteen years, using the straight-line method. Goodwill is being amortized over a period of fifteen years (see Notes 2 and 7).

#### Impairment of Long-lived Assets

The Company evaluates long-lived assets, including goodwill, for impairment and assesses their recoverability based upon anticipated future cash flows. If facts and circumstances lead the Company's management to believe that the cost of one of its assets may be impaired, the Company will evaluate the extent to which that cost is recoverable by comparing the future undiscounted cash flows estimated to be associated with that asset to the asset's carrying amount and write down that carrying amount to market value or discounted cash flow value to the extent necessary.

#### Revenue Recognition

A portion of the Company's business is conducted under long-term, fixed-price contracts with the U.S. Government and prime contractors with the U.S. Government. Contract revenue is included in the consolidated statement of operations as units are completed and shipped using the units of delivery, percentage of completion method of accounting. The costs attributed to contract revenue are based upon the estimated average costs of all units to be shipped. The cumulative average costs of units shipped to date is adjusted through current operations as estimates of future costs to complete change (see "Contract Accounting" below).

Revenue recognized under the percentage of completion method of accounting totaled \$90,819,000, \$56,867,000 and \$47,887,000 for the years ended December 31, 1999, 1998 and 1997, respectively. Substantially all such amounts were accounted for under the units of delivery method. All other revenue is recognized as product is shipped and title passes or when services are rendered.

#### Contract Accounting

For long-term contracts, the Company capitalizes in inventory direct material, direct labor and factory overhead as incurred. The Company also capitalizes certain general and administrative costs for estimating and bidding

SYPRIS SOLUTIONS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

on contracts awarded (of which approximately \$210,000 remained in inventory at December 31, 1999 and 1998). Selling costs are expensed as incurred. Costs to complete long-term contracts are estimated on a monthly basis. Estimated margins at completion are applied to cumulative contract revenue to arrive at costs charged to operations.

Accounting for long-term contracts under the percentage of completion method involves substantial estimation processes, including determining the estimated cost to complete a contract. As contracts may require performance over several accounting periods, formal detailed cost-to-complete estimates are performed which are updated monthly via performance reports. Management's estimates of costs-to-complete change due to internal and external factors such as labor rate and efficiency variances, revised estimates of warranty costs, estimated future material prices and customer specification and testing requirement changes. Changes in estimated costs are reflected in gross profit in the period in which they are known. If increases in projected costs-to-complete are sufficient to create a loss contract, the entire estimated loss is charged to operations in the period the loss first becomes known. Provisions for losses on firm fixed priced contracts totaled \$807,000, \$907,000 and \$1,600,000 in 1999, 1998 and 1997, respectively.

#### Concentrations of Credit Risk

Financial instruments which potentially expose the Company to concentrations of credit risk consist of accounts receivable. The Company's customer base consists of various departments or agencies of the U.S. Government, prime contractors with the U.S. Government and a number of customers in diverse industries across geographic areas. At December 31, 1999, the Company does not have significant credit risk concentrations. The Company performs periodic credit evaluations of its customers' financial condition and does not require collateral on its commercial accounts receivable. Credit losses are provided for in the financial statements and consistently have been within management's expectations.

The Company recognized revenue from the U.S. Government and its agencies of approximately \$53,244,000, \$47,178,000 and \$40,170,000 during the years ended December 31, 1999, 1998 and 1997, respectively. The Company's largest commercial customer for the year ended December 31, 1997 was IBM, which represented approximately 10% of the Company's revenue. No other single commercial customer accounted for more than 10% of the Company's net revenue for the years ended December 31, 1999, 1998 or 1997.

#### Stock Based Compensation

Stock options are granted under various stock compensation programs to employees and independent directors (see Note 13). The Company accounts for stock option grants in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25").

#### Reclassifications

Certain amounts in the Company's 1998 and 1997 consolidated financial statements have been reclassified to conform with the 1999 presentation.

#### (2) Mergers and Acquisitions

See "Basis of Presentation" included in Note 1 for a discussion of the Reorganization on March 30, 1998 that resulted in the formation of Sypris. If the Reorganization had occurred at the beginning of each year, income before minority interests and discontinued operations in 1998 and 1997 would have been reduced by \$103,000 and \$413,000, respectively.

During 1999, the Company completed two transactions in which it acquired the assets of the related businesses. The transactions were accounted for as purchases, in which the combined purchase price of \$11,642,000 was allocated based on the fair values of assets acquired, with the excess amount allocated to goodwill, which

SYPRIS SOLUTIONS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

totalled \$6,607,000. The results of operations of the acquired businesses have been included in the consolidated financial statements since the respective acquisition dates. The acquisitions were financed by the Company's credit agreement (see Note 9).

On November 14, 1997, the Company acquired substantially all of the assets and assumed certain liabilities of Datatape Incorporated. The transaction was accounted for as a purchase, in which the purchase price of \$14,400,000 was allocated based on the fair values of assets acquired and liabilities assumed, with the excess amount allocated to goodwill, which totaled \$4,631,000. The acquisition was financed by the Company's credit agreement (see Note 9).

(3) Dispositions

On June 30, 1997, the Company sold to SCI Systems, Inc., SCI Systems De Mexico S.A. de C.V. and SCI Holdings, Inc., (collectively, "SCI"), all of its investment in the capital stock and/or equity interests of three of its wholly-owned subsidiaries, Group Technologies S.A. de C.V., Group Technologies Suprimentos de Informatica Industria E Comercio Ltda. and Group Technologies Integraoes em Electronica Ltda. (the "Latin American Operations"). These three subsidiaries comprised all of GroupTech's operations in Latin America. The Company also sold or assigned to SCI certain assets principally used in or useful to the operations being sold, including accounts receivable, inventory, equipment, accounts payable and equipment leases. The final sales price of the aforementioned assets totaled approximately \$14,400,000 and the assumption by SCI of certain liabilities. During 1999, the Company repaid \$3,614,000 of the initial sales price paid by SCI in 1997 in accordance with a settlement reached pursuant to the purchase and sale agreement. The Company recognized a gain of \$3,200,000 in 1997 relative to this disposition.

(4) Accounts Receivable

Accounts receivable consists of the following:

	December 31,	
	----- 1999	----- 1998
	----- (in thousands)	
Commercial.....	\$18,419	\$18,789
U.S. Government.....	6,044	8,330
	-----	-----
Allowance for doubtful accounts..	24,463	27,119
	(670)	(836)
	-----	-----
	\$23,793	\$26,283
	=====	=====

Accounts receivable from the U.S. Government includes amounts due under long-term contracts, all of which are billed at December 31, 1999 and 1998, of \$4,282,000 and \$2,203,000, respectively.

SYPRIS SOLUTIONS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(5) Inventory

Inventory consists of the following:

	December 31,	
	1999	1998
	-----	
	(in thousands)	
Raw materials.....	\$12,640	\$12,308
Work-in process.....	9,649	10,068
Finished goods.....	1,673	2,085
Costs relating to long-term contracts and programs, net of amounts attributed to revenue recognized to date.....	31,258	22,861
Progress payments related to long-term contracts and programs.....	(1,038)	(4,224)
LIFO reserve.....	(430)	(609)
Reserve for excess and obsolete inventory.....	(4,290)	(4,024)
	-----	-----
	\$49,462	\$38,465
	=====	=====

The preceding amounts include inventory valued under the last-in, first-out ("LIFO") method totaling \$7,582,000 and \$7,020,000 at December 31, 1999 and 1998, respectively, which approximates replacement cost.

(6) Property, Plant and Equipment

Property, plant and equipment consists of the following:

	December 31,	
	1999	1998
	-----	
	(in thousands)	
Land and land improvements.....	\$ 1,024	\$ 991
Buildings and building improvements.....	13,392	12,395
Machinery, equipment, furniture and fixtures.....	70,173	57,824
Facilities in progress.....	6,327	967
	-----	-----
	90,916	72,177
Accumulated depreciation.....	(50,724)	(44,642)
	-----	-----
	\$ 40,192	\$ 27,535
	=====	=====

Depreciation expense totaled \$6,526,000, \$5,934,000 and \$6,908,000 for the years ended December 31, 1999, 1998 and 1997, respectively.

(7) Intangible Assets

Intangible assets consists of the following:

	December 31,	
	1999	1998
	-----	
	(in thousands)	
Costs in excess of net assets of businesses acquired.....	\$18,462	\$11,849
Other.....	2,954	3,034
	-----	-----
	21,416	14,883
Accumulated amortization.....	(3,378)	(2,383)
	-----	-----
	\$18,038	\$12,500
	=====	=====

Amortization expense totaled \$1,056,000, \$975,000 and \$491,000 for the years ended December 31, 1999, 1998 and 1997, respectively.



SYPRIS SOLUTIONS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(8) Accrued Liabilities

Accrued liabilities consists of the following:

	December 31,	
	1999	1998
	(in thousands)	
Employee benefit plan accruals.....	\$ 5,007	\$ 5,471
Salaries, wages and incentives.....	3,694	4,179
Sale of business price adjustment.....	--	3,614
Other.....	9,112	10,387
	-----	-----
	\$17,813	\$23,651
	=====	=====

Included in other accrued liabilities are employee payroll deductions, advance payments, accrued operating expenses, accrued warranty expenses, accrued interest and other items, none of which exceed 5% of total current liabilities.

(9) Long-Term Debt

Long-term debt consists of the following:

	December 31,	
	1999	1998
	(in thousands)	
Revolving Credit Agreement.....	\$54,400	\$ 16,870
Term Loan.....	--	11,500
Other.....	--	213
	-----	-----
	54,400	28,583
Less current portion.....	(5,400)	(10,083)
	-----	-----
	\$49,000	\$ 18,500
	=====	=====

On October 27, 1999, the Company entered into an amended and restated credit agreement (the "Revolving Credit Agreement"), under the terms of which a syndicate of banks committed a maximum of \$100,000,000 to the Company for cash borrowings and letters of credit through January 2005. Under the terms of the Revolving Credit Agreement, interest rates are determined at the time of borrowing and are based on the Company's choice of the prime rate, the London Interbank Offered Rate plus a spread, or certain alternative rates, and approximated 7.09% at December 31, 1999. The Revolving Credit Agreement also requires compliance with a number of financial and non-financial covenants. The commitment fee on the unused portion of the Revolving Credit Agreement ranges from 0.20% to 0.25% per annum. Current maturities of long-term debt at December 31, 1999 principally represent amounts due under a short-term borrowing arrangement included in the Revolving Credit Agreement. The Revolving Credit Agreement replaced a \$30,000,000 revolving credit facility and a \$15,000,000 term loan entered into in November 1997.

Interest paid during the years ended December 31, 1999, 1998 and 1997 totaled \$1,629,000, \$1,664,000 and \$2,238,000, respectively.

(10) Fair Value of Financial Instruments

Cash, accounts receivable, accounts payable and accrued liabilities are reflected in the financial statements at their carrying amount which approximates fair value because of the short-term maturity of those instruments. The carrying amount of debt outstanding at December 31, 1999 under the Revolving Credit Agreement approximates fair value, due to the short period of time that this instrument has been outstanding. The carrying amount of debt

SYPRIS SOLUTIONS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

outstanding under the revolving credit facility at December 31, 1998 is assumed to approximate fair value because of the short-term nature of the instrument. The carrying amount of the term loan at December 31, 1998 is assumed to approximate fair value because there were not any significant changes in market conditions or specific circumstances since the instrument was recorded.

(11) Employee Benefit Plans

The Company sponsors noncontributory defined benefit pension plans (the "Pension Plans") covering certain employees of Tube Turns. The Pension Plans covering salaried and management employees provide pension benefits that are based on the employees' highest five-year average compensation within ten years before retirement. The Pension Plans covering hourly employees and union members generally provide benefits at stated amounts for each year of service. The Company's funding policy is to make the minimum annual contributions required by the applicable regulations. The Pension Plans' assets are primarily invested in equity securities and fixed income securities. The Company recorded an increase of \$1,221,000 and a decrease of \$1,294,000 to its minimum pension liability during 1999 and 1998, respectively. No tax effect was recorded related to these adjustments.

The following table details the components of pension expense:

	Years ended December 31,		
	1999	1998	1997
	-----		
	(in thousands)		
Service cost benefits earned during the period..	\$ 181	\$ 163	\$ 157
Interest cost of projected benefit obligation...	1,283	1,312	1,312
Net amortizations and deferrals.....	554	474	889
Actual return on plan assets.....	(1,480)	(1,321)	(1,592)
	-----	-----	-----
	\$ 538	\$ 628	\$ 766
	=====	=====	=====

The following are summaries of the changes in the benefit obligations and plan assets and of the funded status of the Pension Plans:

	December 31,	
	1999	1998
	-----	
	(in thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of year.....	\$19,185	\$17,195
Service cost.....	181	163
Interest cost.....	1,283	1,312
Actuarial (gain) loss.....	(1,549)	1,745
Benefits paid.....	(1,241)	(1,230)
	-----	-----
Benefit obligation at end of year.....	\$17,859	\$19,185
	=====	=====
Change in plan assets:		
Fair value of plan assets at beginning of year..	\$13,146	\$11,924
Actual return on plan assets.....	1,480	1,321
Company contributions.....	944	1,131
Benefits paid.....	(1,241)	(1,230)
	-----	-----
Fair value of plan assets at end of year.....	\$14,329	\$13,146
	=====	=====

SYPRIS SOLUTIONS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

	December 31,	
	----- 1999	1998 -----
	(in thousands)	
Funded status of the plans:		
Benefit obligation at end of year.....	\$17,859	\$19,185
Fair value of plan assets at end of year.....	14,329	13,146
	-----	-----
Funded status of plan (underfunded).....	(3,530)	(6,039)
Unrecognized actuarial (gain) loss.....	(821)	1,126
Unrecognized prior service cost.....	608	764
	-----	-----
Net liability recognized.....	\$(3,743)	\$(4,149)
	=====	=====
Balance sheet liabilities (assets):		
Accrued benefit liability.....	\$ 4,379	\$ 6,203
Intangible asset.....	(563)	(760)
Accumulated other comprehensive income (loss).....	(73)	(1,294)
	-----	-----
Net amount recognized.....	\$ 3,743	\$ 4,149
	=====	=====
Assumptions at year end:		
Discount rate used in determining present values..	8.00%	7.00%
Rate of compensation increase.....	4.25%	3.25%
Expected long-term rate of return on plan assets..	8.50%	8.50%

The Company sponsors defined contribution plans (the "Defined Contribution Plans") for substantially all employees of the Company. The Defined Contribution Plans are intended to meet the requirements of Section 401(k) of the Internal Revenue Code. The Defined Contribution Plans allow the Company to match participant contributions as approved by the Company's Board of Directors, and certain of the Defined Contribution Plans include required base contributions and discretionary contributions. Contributions to the Defined Contribution Plans for 1999, 1998 and 1997 totaled \$2,996,000, \$2,661,000 and \$1,863,000, respectively.

The Company has partially self-insured medical plans (the "Medical Plans") covering certain employees. The Medical Plans limit the Company's annual obligations to fund claims to specified amounts per participant and in the aggregate. The Company is adequately insured for amounts in excess of these limits. Employees are responsible, in some instances, for payment of a portion of the premiums. During 1999, 1998 and 1997, the Company charged \$2,802,000, \$2,407,000 and \$2,265,000, respectively, to operations related to reinsurance premiums, medical claims incurred and estimated, and administrative costs for the Medical Plans. Claims paid during 1999, 1998 and 1997 did not exceed the aggregate limits.

SYPRIS SOLUTIONS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(12) Commitments and Contingencies

The Company leases certain of its real property and certain computer, manufacturing and office equipment under operating leases with terms ranging from month-to-month to ten years and which contain various renewal and rent escalation clauses. Future minimum noncancelable lease payments are as follows:

	Years ending December 31, (in thousands)
2000.....	\$ 3,591
2001.....	3,431
2002.....	2,413
2003.....	1,587
2004 and thereafter.....	322
	\$11,344
	=====

Rent expense for the years ended December 31, 1999, 1998 and 1997 totaled \$3,858,000, \$4,701,000 and \$3,406,000, respectively.

Tube Turns is a co-defendant in two separate lawsuits filed in 1993 and 1994, one pending in federal court and one pending in state district court in Louisiana, arising out of an explosion in a coker plant owned by Exxon Corporation located in Baton Rouge, Louisiana. The suits are being defended for Tube Turns by its insurance carrier, and the Company intends to vigorously defend its case. The Company believes that a settlement or related judgment would not result in a material loss to Tube Turns or the Company.

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

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.

SYPRIS SOLUTIONS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(13) Stock Option and Purchase Plans

The Company has certain stock compensation plans under which options to purchase common stock may be granted to officers, key employees and non-employee directors. Options may be granted at not less than the market price on the date of grant. Options are exercisable in whole or in part up to two years after the date of grant and ending ten years after the date of grant. Options issued under stock compensation plans of subsidiaries prior to the Reorganization were assumed by the Company without modifying the vesting terms and conditions of the outstanding options. The number of shares issuable under options assumed pursuant to the Reorganization and the related exercise price of the outstanding options were determined in accordance with the terms of the Reorganization. The following table summarizes option activity from the effective date of the Reorganization through December 31, 1999:

	Shares	Exercise Price Range	Weighted Average Exercise Price
	-----	-----	-----
Options assumed pursuant to the Reorganization			
effective March 30, 1998.....	871,987	\$1.72 - 31.00	\$5.33
Granted.....	379,214	7.00 - 9.13	8.68
Exercised.....	(9,688)	2.76 - 4.36	4.16
Forfeited.....	(13,125)	3.52 - 15.76	7.36
	-----	-----	-----
Balance at December 31, 1998.....	1,228,388	1.72 - 31.00	6.35
Granted.....	226,352	5.94 - 9.63	7.75
Exercised.....	(123,021)	2.76 - 6.68	4.75
Forfeited.....	(19,259)	2.96 - 11.00	8.26
	-----	-----	-----
Balance at December 31, 1999.....	1,312,460	\$1.72 - 31.00	\$6.71
	=====	=====	=====

The following table summarizes certain weighted average data for options outstanding and currently exercisable at December 31, 1999:

Exercise Price Range	Outstanding			Exercisable	
	Shares	Weighted Average		Shares	Weighted Average Exercise Price
		Exercise Price	Remaining Contractual Life		
-----	-----	-----	-----	-----	-----
\$1.72.....	156,648	\$ 1.72	2.7	156,648	\$ 1.72
\$2.76 - \$4.12.....	120,578	3.33	2.0	119,953	3.33
\$4.24 - \$6.24.....	220,578	4.81	6.5	97,242	4.98
\$6.68 - \$10.00.....	765,016	8.28	6.5	308,146	8.07
\$10.52 - \$15.76.....	35,533	12.50	3.5	33,658	12.32
\$16.12 - \$23.00.....	10,003	18.16	6.4	10,003	18.16
\$25.52 - \$31.00.....	4,104	28.86	5.2	4,104	28.86
	-----	-----	-----	-----	-----
Total.....	1,312,460	\$ 6.71	5.5	729,754	\$ 5.97
	=====	=====	=====	=====	=====

The Company's stock compensation program also provides for the grant of performance-based stock options to key employees. The terms and conditions of the performance-based option grants provide for the determination of the exercise price and the beginning of the vesting period to occur when the fair market value of the Company's common stock achieves certain targeted price levels. Performance-based options to purchase 16,000 shares and 380,000 shares of common stock were granted during 1999 and 1998, respectively. None of the targeted price levels of the performance-based options were achieved during 1999 or 1998 and, accordingly, these options are excluded from disclosures of options outstanding at December 31, 1999 and 1998. The aggregate number of

SYPRIS SOLUTIONS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

shares of common stock reserved for issuance under the Company's stock compensation programs as of December 31, 1999 was 3,000,000. The aggregate number of shares available for future grant as of December 31, 1999 was 1,251,089.

Prior to the Reorganization, stock compensation plans were maintained for each entity. The Company used a formula price valuation as a basis for establishing a market value for stock which was not publicly traded. The following table summarizes option activity for periods prior to the Reorganization:

	GFP		Tube Turns		Bell		GroupTech	
	Shares	Exercise Price Range	Shares	Exercise Price Range	Shares	Exercise Price Range	Shares	Exercise Price Range
Balance at January 1, 1997.....	6,600	\$45.99 - 73.40	75,000	\$9.05 - 10.75	109,650	\$9.92 - 16.56	1,249,688	\$0.84 - 7.75
Granted.....	--	--	--	--	--	--	806,879	0.88 - 4.03
Exercised.....	--	--	(5,000)	9.05	(36,350)	9.92 - 15.49	(600)	2.75
Forfeited.....	--	--	--	--	--	--	(411,600)	1.06 - 5.25
Balance at December 31, 1997.....	6,600	45.99 - 73.40	70,000	9.05 - 10.75	73,300	9.92 - 16.56	1,644,367	0.84 - 7.75
Granted.....	--	--	--	--	--	--	16,080	3.25
Exercised.....	--	--	--	--	(10,400)	9.92	(154,000)	1.09 - 1.67
Forfeited.....	--	--	--	--	--	--	(9,800)	1.09 - 2.75
Balance at March 30, 1998.....	6,600	\$45.99 - 73.40	70,000	\$9.05 - 10.75	62,900	\$9.92 - 16.56	1,496,647	\$0.84 - 7.75

The following table summarizes the weighted average exercise prices for option activity for periods prior to the Reorganization:

	GFP	Tube Turns	Bell	GroupTech
Balance at January 1, 1997....	\$48.90	\$9.50	\$13.24	\$2.30
Granted.....	--	--	--	1.29
Exercised.....	--	9.05	13.85	2.75
Forfeited.....	--	--	--	2.23
Balance at December 31, 1997..	48.90	9.54	12.94	1.82
Granted.....	--	--	--	3.25
Exercised.....	--	--	9.92	1.06
Forfeited.....	--	--	--	1.40
Balance at March 30, 1998....	\$48.90	\$9.54	\$13.45	\$1.86

The Company applies APB 25 and related interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, when the exercise price of the Company's employee stock options is equal to the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma information regarding net income and net income per share is required by SFAS 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method of SFAS 123. The fair value for options granted by the Company during 1999 and 1998 were estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions: expected term of six years, no dividends, a volatility factor of the expected market price of the Company's common stock of 0.755 in 1999 and 0.942 in 1998, and risk-free interest rates of 6.30% and 5.68% in 1999 and 1998. The weighted average Black-Scholes value of options granted under the stock option plans during 1999 and 1998 was \$5.50 and \$6.91.

SYPRIS SOLUTIONS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

The fair value for options granted prior to the Reorganization was estimated at the date of grant using a Black-Scholes option pricing model for options of GroupTech. The following weighted average assumptions were used for options granted by GroupTech in 1997: expected term of 3.3 years, no dividends, a volatility factor of 1.12, and a risk-free interest rate of 5.75%. The per share weighted average fair value of options granted by GroupTech during 1997 was \$1.30. No options were granted by Tube Turns and Bell during 1997.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information is as follows:

	Years ended December 31,		
	1999	1998	1997
	-----		
	(in thousands, except for per share data)		
Pro forma income from continuing operations.....	\$ 8,533	\$ 5,989	\$ 546
	=====	=====	=====
Pro forma net income.....	\$ 8,533	\$ 5,989	\$ 4,363
	=====	=====	=====
Pro forma per share data:			
Income from continuing operations:			
Basic.....	\$ 0.90	\$ 0.63	\$ 0.06
Diluted.....	\$ 0.87	\$ 0.61	\$ 0.06
Net income:			
Basic.....	\$ 0.90	\$ 0.63	\$ 0.46
Diluted.....	\$ 0.87	\$ 0.61	\$ 0.44

Effective February 1, 1999, the Company adopted a stock purchase plan to provide substantially all employees who have satisfied the eligibility requirements to purchase shares of the Company's common stock on a compensation deduction basis. The purchase price is the lower of 85% of the fair market value of the common stock on the first or last business day of the purchase period. Payroll deductions may not exceed \$6,000 for any six-month cycle. The stock purchase plan expires January 31, 2006. At December 31, 1999, there were 284,400 shares available for purchase under the plan. During 1999, a total of 15,600 shares were issued under the plan.

SYPRIS SOLUTIONS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(14) Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Accordingly, deferred income taxes have been provided for temporary differences between the recognition of revenue and expenses for financial and income tax reporting purposes and between the tax basis of assets and liabilities and their reported amounts in the financial statements.

The components of income taxes related to continuing operations are as follows:

	Years ended December 31,		
	1999	1998	1997
	-----		
	(in thousands)		
Current:			
Federal.....	\$ 3,386	\$ 2,844	\$ 1,171
State.....	320	441	138
Other.....	38	37	169
	-----	-----	-----
	3,744	3,322	1,478
Deferred:			
Federal.....	(630)	1,011	(251)
State.....	(15)	(22)	(84)
	-----	-----	-----
	(645)	989	(335)
	-----	-----	-----
	\$ 3,099	\$ 4,311	\$ 1,143
	=====	=====	=====

The Company files a consolidated federal income tax return which includes all subsidiaries. Income taxes paid during 1999, 1998 and 1997 totaled \$2,136,000, \$5,329,000 and \$4,747,000, respectively. Income tax refunds received during 1997 totaled \$1,373,000. At December 31, 1999, the Company had state net operating loss carryforwards of approximately \$17,800,000 with various expiration dates.

The following is a reconciliation of income tax expense to that computed by applying the federal statutory rate of 34% to income before income taxes, minority interests and discontinued operations:

	Years ended December 31,		
	1999	1998	1997
	-----		
	(in thousands)		
Federal tax at the statutory rate.....	\$ 4,303	\$ 3,997	\$ 691
State income taxes, net of federal tax benefit.....	236	291	47
Change in valuation allowance for deferred tax asset.....	(1,891)	(882)	247
Research and development tax credit.....	(544)	--	--
Other.....	995	905	158
	-----	-----	-----
	\$ 3,099	\$ 4,311	\$ 1,143
	=====	=====	=====



SYPRIS SOLUTIONS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Deferred income tax assets and liabilities are as follows:

	December 31,	
	1999	1998
	(in thousands)	
Deferred tax assets:		
Compensation and benefit accruals.....	\$ 992	\$ 1,026
Inventory valuation.....	969	857
Net operating loss carryforward.....	977	1,041
Accounts receivable allowance.....	250	310
Defined benefit pension plan.....	985	1,629
Other.....	1,279	1,405
	-----	-----
Valuation allowance.....	5,452	6,268
	(3,985)	(5,876)
	-----	-----
	1,467	392
Deferred tax liabilities:		
Depreciation.....	(1,494)	(1,148)
Contract provisions.....	(278)	(194)
	-----	-----
	(1,772)	(1,342)
	-----	-----
Net deferred tax liability.....	\$ (305)	\$ (950)
	=====	=====

The valuation allowance for deferred tax assets decreased by \$1,891,000 and \$882,000 in 1999 and 1998, respectively. The valuation allowance is recorded on the Company's deferred tax assets to reduce the total to an amount that management believes will more likely than not be realized. Realization of deferred tax assets is dependent upon sufficient taxable income during the period that temporary differences and carryforwards are expected to be available to reduce taxable income.

(15) Net Income Per Common Share

For periods prior to the Reorganization, shares used in computing basic and diluted net income per common share include the outstanding shares of Sypris common stock as of the date of the Reorganization and the dilution associated with common stock options issued prior to the Reorganization. For the years ended December 31, 1999 and 1998, the computation also gives effect to the dilution associated with the issuance of common stock options subsequent to the Reorganization. Additionally, earnings used in the computation of per share amounts for income from continuing operations and net income for periods prior to the Reorganization have been adjusted to exclude the minority interests reflected in the historical financial statements of GFP.

SYPRIS SOLUTIONS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

The following table presents information necessary to calculate net income per common share:

	Years ended December 31,		
	1999	1998	1997
	(in thousands, except for per share data)		
Shares outstanding:			
Weighted average shares outstanding.....	9,515	9,438	9,424
Effect of dilutive employee stock options.....	346	355	402
Adjusted weighted average shares outstanding and assumed conversions..	9,861	9,793	9,826
Income applicable to common stock:			
Income from continuing operations.....	\$ 9,556	\$ 7,446	\$ 1,527
Discontinued operations.....	--	--	3,817
Net income.....	9,556	7,446	5,344
Minority interests in losses of consolidated subsidiaries.....	--	--	(639)
Net income applicable to common stock.....	\$ 9,556	\$ 7,446	\$ 4,705
Income per common share:			
Basic income per common share:			
Income from continuing operations.....	\$ 1.00	\$ 0.79	\$ 0.09
Discontinued operations.....	--	--	0.41
Net income per common share.....	\$ 1.00	\$ 0.79	\$ 0.50
Diluted income per common share:			
Income from continuing operations.....	\$ 0.97	\$ 0.76	\$ 0.09
Discontinued operations.....	--	--	0.39
Net income per common share.....	\$ 0.97	\$ 0.76	\$ 0.48

SYPRIS SOLUTIONS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(16) Segment Information

The Company's operations are conducted in two reportable business segments: the Electronics Group and the Industrial Group. There was no intersegment net revenue recognized for all years presented. The following presents financial information for the reportable segments of the Company:

	Years ended December 31,		
	1999	1998	1997
	(in thousands)		
Net revenue from unaffiliated customers:			
Electronics Group.....	\$164,963	\$174,396	\$185,854
Industrial Group.....	37,167	37,229	31,501
	-----	-----	-----
	\$202,130	\$211,625	\$217,355
	=====	=====	=====
Gross profit:			
Electronics Group.....	\$ 37,873	\$ 41,400	\$ 27,079
Industrial Group.....	7,076	6,523	5,056
	-----	-----	-----
	\$ 44,949	\$ 47,923	\$ 32,135
	=====	=====	=====
Operating income:			
Electronics Group.....	\$ 12,005	\$ 11,207	\$ 2,501
Industrial Group.....	4,930	4,329	2,456
General, corporate and other.....	(2,769)	(2,685)	(3,172)
	-----	-----	-----
	\$ 14,166	\$ 12,851	\$ 1,785
	=====	=====	=====
Total assets:			
Electronics Group.....	\$106,229	\$ 90,174	\$ 97,978
Industrial Group.....	26,714	18,905	16,946
General, corporate and other.....	15,621	12,040	5,684
	-----	-----	-----
	\$148,564	\$121,119	\$120,608
	=====	=====	=====
Depreciation and amortization:			
Electronics Group.....	\$ 6,551	\$ 5,933	\$ 6,111
Industrial Group.....	902	825	816
General, corporate and other.....	129	151	93
Discontinued operations.....	--	--	379
	-----	-----	-----
	\$ 7,582	\$ 6,909	\$ 7,399
	=====	=====	=====
Capital expenditures:			
Electronics Group.....	\$ 6,327	\$ 4,598	\$ 3,329
Industrial Group.....	7,134	1,185	2,294
General, corporate and other.....	982	62	108
Discontinued operations.....	--	--	15
	-----	-----	-----
	\$ 14,443	\$ 5,845	\$ 5,746
	=====	=====	=====

SYPRIS SOLUTIONS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

The Company attributes net revenue to countries based upon the location of its operations. Prior to June 30, 1997, the Company's Electronics Group had operations in Latin America (see Note 3). The Company's assets since that date are located exclusively in the United States. Export sales from the United States totaled \$30,061,000, \$25,551,000 and \$22,717,000 in 1999, 1998 and 1997, respectively. Following is geographic information regarding the Company's net revenue:

	Years ended December 31,		
	1999	1998	1997
	-----		
	(in thousands)		
United States.....	\$202,130	\$211,625	\$200,424
Latin America.....	--	--	16,931
	-----		
	\$202,130	\$211,625	\$217,355
	=====	=====	=====

(17) Discontinued Operations

The Company formerly owned various commercial office buildings, industrial buildings and land (the "Real Estate Group"). The assets of the Real Estate Group were divested in a series of transactions beginning in October 1995 and ending in February 1997. The Real Estate Group is accounted for as a discontinued operation and, accordingly, the results of operations and related gain on the disposal are segregated in the accompanying consolidated income statements. The Company received proceeds from the sale of the real estate of \$21,200,000 in 1997. The majority of the proceeds were used to repay mortgages on the related real estate properties.

(18) Quarterly Financial Information (Unaudited)

The following is an analysis of certain items in the consolidated income statements by quarter for the years ended December 31, 1999 and 1998:

	1999				1998			
	First	Second	Third	Fourth	First	Second	Third	Fourth
	-----							
	(in thousands, except for per share data)							
Net revenue.....	\$44,898	\$49,331	\$48,291	\$59,610	\$55,490	\$55,196	\$46,936	\$54,003
Gross profit.....	9,720	11,734	12,041	11,454	10,912	13,152	10,960	12,899
Operating income.....	2,432	3,704	4,364	3,666	2,093	3,772	3,299	3,687
Net income.....	1,533	2,459	2,763	2,801	1,061	2,087	1,919	2,379
Per share data:								
Net income:								
Basic.....	0.16	0.26	0.29	0.29	0.11	0.22	0.20	0.25
Diluted.....	0.16	0.25	0.28	0.28	0.11	0.21	0.20	0.24

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

### PART III

Item 10. Directors and Executive Officers of the Registrant

The information required herein is incorporated by reference from sections of the Company's Proxy Statement titled "Section 16(a) Beneficial Ownership Reporting Compliance," "Election of Directors," and "Executive Officers," which Proxy Statement will be filed with the Securities and Exchange Commission pursuant to instruction G(3) of the General Instructions to Form 10-K.

Item 11. Executive Compensation

The information required herein is incorporated by reference from sections of the Company's Proxy Statement titled "Election of Directors - Board of Directors and Committees of the Board," "Compensation of Directors," "Compensation Committee Report," "Compensation Committee Interlocks and Insider Participation," "Performance Graph," and "Executive Compensation," which Proxy Statement will be filed with the Securities and Exchange Commission pursuant to instruction G(3) of the General Instructions to Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required herein is incorporated by reference from the section of the Company's Proxy Statement titled "Security Ownership of Certain Beneficial Owners and Management," which Proxy Statement will be filed with the Securities and Exchange Commission pursuant to instruction G(3) of the General Instructions to Form 10-K.

Item 13. Certain Relationships and Related Transactions

The information required herein is incorporated by reference from the section of the Company's Proxy Statement titled "Certain Relationships and Related Transactions," which Proxy Statement will be filed with the Securities and Exchange Commission pursuant to instruction G(3) of the General Instructions to Form 10-K.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) The following documents are filed as part of this Report:

1. Financial Statements

The financial statements as set forth under Item 8 of this report on Form 10-K are included.

2. Financial Statement Schedules

Schedule II - Valuation and Qualifying Accounts

All other consolidated financial statement schedules have been omitted because the required information is shown in the consolidated financial statements or notes thereto or they are not applicable.

3. Exhibits

Exhibit Number -----	Note -----	Description -----
2	(10)	Fourth Amended and Restated Agreement and Plan of Reorganization dated February 5, 1998 by and among Group Financial Partners, Inc., Group Technologies Corporation, Bell Technologies, Inc. and Tube Turns Technologies, Inc.
2.1	(1)	Purchase and Sale Agreement among Honeywell Inc., Defense Communications Products Corporation (prior name of Group Technologies Corporation) and Group Financial Partners, Inc. dated May 21, 1989.
2.2	(1)	Purchase and Sale Agreement among Alliant Techsystems Inc., MAC Acquisition I, Inc. and Group Technologies Corporation dated December 31, 1992.
2.3	(1)	Purchase and Sale Agreement among Philips Electronic North America Corporation and Group Technologies Corporation dated June 25, 1993.
2.4	(6)	Stock and Asset Purchase and Sale Agreement among Group Technologies Corporation, Group Technologies Mexican Holding Company, SCI Systems, Inc., SCI Systems de Mexico S.A. de C.V. and SCI Holdings, Inc. dated June 30, 1997.
2.5	(14)	Asset Purchase Agreement among Datatape Incorporated, Delta Tango, Inc., Metrum-D, Inc., Impactdata, Inc. and M. Stuart Millar dated November 12, 1997.
3.1	(12)	Certificate of Incorporation of the Company.
3.2	(13)	Bylaws of the Company.
4.1	(16)	Specimen common stock certificate.
4.2	(11)	Agreement and Plan of Merger dated September 22, 1997 by and between Group Technologies Corporation and Sypris Solutions, Inc.
10.1		1999 Amended and Restated Loan Agreement between Bank One, Kentucky, NA, Sypris Solutions, Inc., Bell Technologies, Inc., Tube Turns Technologies, Inc., Group Technologies Corporation and Metrum-Datatape, Inc. dated October 27, 1999.
10.2	(1)	Form of U.S. Government Award/Contract.
10.3	(1)	Lease between John Hancock Mutual Life Insurance Company and Honeywell, Inc. dated April 27, 1979; related Notice of Assignment from John Hancock Mutual Life Insurance

Company to Sweetwell Industrial Associates, L.P., dated July 10, 1986; related Assignment and Assumption of Lease between Honeywell, Inc. and Defense Communications Products Corporation (prior name of Group Technologies Corporation) dated May 21, 1989; and related Amendment I to Lease Agreement between Sweetwell Industries Associates, L.P. and Group Technologies Corporation dated October 25, 1991, regarding Tampa industrial park property.

- 10.4 (14) Lease between Metrum-Datatape, Inc. (assignee of Metrum, Inc.) and Alliant Techsystems, Inc. dated March 29, 1993 and amended July 29, 1993, May 2, 1994, November 14, 1995, December 4, 1996 and February 12, 1998 regarding 4800 East Dry Creek Road Property.
- 10.5 (14) Sublease between Pharmacia & Upjohn Company and Metrum-D, Inc. dated November 14, 1997.
- 10.6 (3) Sypris Solutions, Inc. Stock Option Plan, Restated effective December 17, 1996, dated January 22, 1990.
- 10.7 (15) Sypris Solutions, Inc. 1994 Stock Option Plan for Key Employees as Amended and Restated effective July 1, 1998, dated October 27, 1994.
- 10.8 (14) Sypris Solutions, Inc. Share Performance Program For Stock Option Grants dated July 1, 1998.
- 10.9 (16) Sypris Solutions, Inc. Independent Directors' Stock Option Plan as Amended and Restated effective February 23, 1999, dated October 27, 1994.
- 10.10 (14) Sypris Solutions, Inc. Independent Directors Compensation Program Amended and Restated on April 28, 1998, dated September 1, 1995.
- 10.11 (16) Sypris Solutions, Inc. Profit Sharing Bonus Plan, effective as of January 2, 1999.
- 10.12 (16) Group Technologies Corporation Profit Sharing Bonus Plan, effective as of January 2, 1999.
- 10.13 (16) Tube Turns Technologies, Inc. Profit Sharing Bonus Plan, effective as of January 2, 1999.
- 10.14 (2) Group Technologies Corporate Management Deferred Compensation Plan Restated effective October 16, 1995, dated August 29, 1995.
- 10.15 (4) Stock Purchase Right Agreement dated April 7, 1997 between Group Technologies Corporation and Thomas W. Lovelock.
- 10.16 (5) Employment Agreement by and between Group Technologies Corporation and Thomas W. Lovelock dated June 23, 1997.
- 21 (16) Subsidiaries of the Company.
- 23 Consent of Ernst & Young LLP, independent auditors.
- 27 Financial Data Schedule.

- 
- (1) Incorporated by reference to the Company's Registration Statement on Form S-1 filed May 18, 1994 (Registration No. 33-76326).
  - (2) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended October 2, 1995 filed on November 15, 1995.
  - (3) Incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 1996 filed on March 31, 1997.
  - (4) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended March 30, 1997 filed on May 14, 1997.

- (5) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended June 29, 1997 filed on August 13, 1997.
- (6) Incorporated by reference to the Company's Form 8-K filed on July 15, 1997.
- (7) Incorporated by reference to Exhibit 10.4.5 included in the Company's Registration Statement on Form S-4/A filed February 12, 1998 (No. 333-20299).
- (8) Incorporated by reference to Exhibit 10.4.6 included in the Company's Registration Statement on Form S-4/A filed February 12, 1998 (No. 333-20299).
- (9) Incorporated by reference to Exhibit 10.31 included in the Company's Registration Statement on Form S-4/A filed February 12, 1998 (No. 333-20299).
- (10) Incorporated by reference to Appendix A to the Prospectus included in the Company's Registration Statement on Form S-4/A filed February 12, 1998 (No. 333-20299).
- (11) Incorporated by reference to Appendix G to the Prospectus included in the Company's Registration Statement on Form S-4/A filed February 12, 1998 (No. 333-20299).
- (12) Incorporated by reference to Appendix H to the Prospectus included in the Company's Registration Statement on Form S-4/A filed February 12, 1998 (No. 333-20299).
- (13) Incorporated by reference to Appendix I to the Prospectus included in the Company's Registration Statement on Form S-4/A filed February 12, 1998 (No. 333-20299).
- (14) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended June 28, 1998 filed on August 4, 1998.
- (15) Incorporated by reference to the Company's Form S-8 filed on September 2, 1998.
- (16) Incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 1998 filed on March 5, 1999.



SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 25, 2000.

SYPRIS SOLUTIONS, INC.

(Registrant)

/s/ Jeffrey T. Gill

-----  
(Jeffrey T. Gill)  
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 25, 2000:

/s/ Robert E. Gill

Chairman of the Board

-----  
(Robert E. Gill)

/s/ Jeffrey T. Gill

President, Chief Executive Officer and Director

-----  
(Jeffrey T. Gill)

/s/ David D. Johnson

Vice President and Chief Financial Officer

-----  
(David D. Johnson)

(Principal Financial Officer)

/s/ Anthony C. Allen

Vice President and Controller

-----  
(Anthony C. Allen)

(Principal Accounting Officer)

/s/ Henry F. Frigon

Director

-----  
(Henry F. Frigon)

/s/ R. Scott Gill

Director

-----  
(R. Scott Gill)

/s/ William L. Healey

Director

-----  
(William L. Healey)

/s/ Roger W. Johnson

Director

-----  
(Roger W. Johnson)

/s/ Sidney R. Petersen

Director

-----  
(Sidney R. Petersen)

/s/ Robert Sroka

Director

-----  
(Robert Sroka)

SCHEDULE II

SYPRIS SOLUTIONS, INC.  
VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Period -----	Charged to Costs and Expenses -----	Deductions -----	Balance at End of Period -----
	(in thousands)			
Allowance for doubtful accounts:				
Year ended December 31, 1999.....	\$ 836	\$ (129)	\$ (37) (1)	\$ 670
Year ended December 31, 1998.....	\$ 1,097	\$ 135	\$ (396) (1)	\$ 836
Year ended December 31, 1997.....	\$ 2,011	\$ 718	\$ (1,632) (1)	\$ 1,097
Reserve for inactive, obsolete and unsalable inventory:				
Year ended December 31, 1999.....	\$ 4,024	\$ 446	\$ (180) (2)	\$ 4,290
Year ended December 31, 1998.....	\$ 5,769	\$ 851	\$ (2,596) (2)	\$ 4,024
Year ended December 31, 1997.....	\$ 6,531	\$ 2,130	\$ (2,892) (2)	\$ 5,769

- (1) Uncollectible accounts written off.  
(2) Inactive, obsolete and unsalable inventory written off.

1999 AMENDED AND RESTATED LOAN AGREEMENT

By and between

SYPRIS SOLUTIONS, INC.  
as the Borrower

and

BELL TECHNOLOGIES, INC.,  
TUBE TURNS TECHNOLOGIES, INC.,  
GROUP TECHNOLOGIES CORPORATION,  
METRUM-DATATAPE, INC.,

as Guarantors

and

BANK ONE, KENTUCKY, NA  
as Agent Bank

and

BANK ONE, KENTUCKY, NA  
LASALLE BANK NATIONAL ASSOCIATION  
BANK OF AMERICA, N.A.  
SUNTRUST BANK, NASHVILLE, N.A.  
as Banks

dated as of October 27, 1999

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1999 AMENDED AND RESTATED LOAN AGREEMENT  
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THIS 1999 AMENDED AND RESTATED LOAN AGREEMENT (this "Loan Agreement"), is made and entered into as of the 27th day of October, 1999, by and among (i) BANK ONE, KENTUCKY, NA, a national banking association with an office and place of business in Louisville, Kentucky ("the Agent Bank") (Bank One, Kentucky, NA may also be referred to as a "Bank"); (ii) the BANKS identified on Schedule 1.1

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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").

P R E L I M I N A R Y   S T A T E M E N T :  
-----

A. Certain of the Guarantors and their Affiliate entered into a Loan Agreement dated as of March 21, 1997 with the Agent Bank (the "Original Loan Agreement"), whereby the Agent Bank has 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 1998B Amendment to Loan Documents. The Original Loan Agreement, as amended and restated by the 1997A Loan Agreement, as amended, is referred to as the "Existing Loan Agreement."

C. The Borrower and the Guarantors wish to amend and restate the Existing Loan Agreement to (i) provide for a revolving line of credit in the amount of \$100,000,000, (ii) a swing line subfacility of \$5,000,000, (iii) a letter of credit subfacility of \$15,000,000, (iv) guaranties by the Guarantors, (v) the deletion of certain securitization requirements, (vi) changes in financial and other covenants and (vii) certain other changes, on the terms set forth herein.

D. The Banks are agreeable to the foregoing changes, on the terms set forth herein.

E. The Borrower and the Guarantors will benefit from the extension of the Revolving Credit Facility, the Letter of Credit Subfacility and the Swing Line Credit Subfacility because such extensions of credit will enable the Borrower to have available and to draw from time to time credit and will further enable the Borrower to make such credit available to the Guarantors.

NOW, THEREFORE, in consideration of the premises 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 hereto hereby agree as follows:

SECTION 1  
DEFINITIONS AND CROSS REFERENCE  
-----

Certain terms used in this Loan Agreement are defined in this Section 1; other terms are defined elsewhere in this Loan Agreement.

1.1 "Adjusted Funded Debt" means Funded Debt less all book cash balances.

1.2 "Advance" means with respect to the Borrower, each and every advance of proceeds under the Revolving Credit Facility, the Letter of Credit Subfacility, or the Swing Line Credit Subfacility, directly or indirectly, to the Borrower, regardless of whether such advance is accounted for under GAAP as an extension of credit, a contribution of capital or otherwise.

1.3 "Affiliate" means, as applied to any Person, (i) any other Person directly or indirectly controlling, controlled by, or under common control with, that Person, (ii) any other Person that, directly or indirectly, owns or

controls, whether beneficially or as a trustee, guardian or other fiduciary, 10% or more of the stock having ordinary voting power in the election of directors of such Person, or (iii) each of such Person's directors and officers appointed by the board of directors of such Person. For the purposes of this definition, "control" (including with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or by contract or otherwise.

1.4 "Agent Bank" has the meaning assigned to that term in the introduction to this Loan Agreement.

1.5 "And/or" means one or the other or both, or any one or more or all, of the things or persons or parties in connection with which the conjunction is used.

1.6 "Applicable LIBOR Margin" means the applicable per annum percentage set forth in the table appearing in Section 2.2A hereof, with respect to LIBOR Loans.

1.7 "Applicable Letter of Credit Percentage" means the applicable per annum percentage set forth in the table appearing in Section 2.7F of the Loan Agreement.

1.8 "Applicable Commitment Fee Percentage" means the applicable per annum percentage set forth in the table appearing in Section 2.3A hereof, with respect to the calculation of Revolving Credit Facility Commitment Fees.

1.9 "Application and Agreement for Letter of Credit" means the document substantially in the form of Exhibit C annexed hereto, with appropriate  
-----  
insertions and deletions, with respect to the proposed issuance or amendment of a Letter of Credit.

1.10 "Authorized Officer" means the President, the Financial Officer and any other officer of the Borrower, who, by the Certificate of Incorporation, Bylaws or Resolutions of the Board of Directors of the Borrower, is authorized to execute and deliver this Loan Agreement and the other Loan Documents on behalf of the Borrower.

1.11 "Banks" has the meaning assigned to that term in the introduction to this Loan Agreement.

1.12 "Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy" as now and hereafter in effect, or any successor statute.

1.13 "Bank One 1-Day Funds Transfer Pricing Rate" means an interest rate established daily by the Agent Bank, based on its cost of funds, and used in connection with Swing Line Loans.

1.14 "Base Rate" means at any time the variable interest rate per annum that is the higher of (i) the Agent Bank's Reference Rate as announced publicly and changing from time to time when such Reference Rate changes or (ii) the Federal Funds Effective Rate plus 1/2%.

1.15 "Base Rate Loan" means Loans bearing interest at rates determined with reference to the Base Rate, as the same may change from time to time, as provided in Section 2.2A with respect to Revolving Credit Loans that are Base Rate Loans.

1.16 "Borrower" means Sypris Solutions, Inc.

1.17 "Borrower's Loan Accounts" means the accounts respectively on the books of the Banks in which will be recorded Loans made by the Banks to the Borrower, payments made on such Loans and other appropriate debits and credits as provided by this Loan Agreement.

1.18 "Business Combination" means any acquisition or merger, whether accounted for under GAAP as a purchase or pooling of interests and regardless of whether the value of the consideration paid or received is comprised of cash, assets, common stock, preferred stock, partnership interests, limited liability company or limited liability partnership interests.



1.19 "Business Day" means any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the Commonwealth of Kentucky or is a day on which banking institutions located in the Commonwealth of Kentucky are authorized or required by law or other governmental action to close.

1.20 "Change in Control" means the acquisition by any Person or "group" (as defined in Section 13 (d) (3) of the Securities Exchange Act of 1934, as amended) of more than 50% of the Voting Stock of the Borrower by a Person or "group" other than the shareholders (or their Affiliates) of the Borrower in existence as of the Closing Date, including any such acquisition by merger or consolidation.

1.21 "Closing Date" means October 27, 1999.

1.22 "Companies" means the Borrower and the Guarantors.

1.23 "Compliance Certificate" means a certificate substantially in the form of Exhibit G annexed hereto delivered by the Borrower to the Agent Bank  
-----  
pursuant to Section 6.3C hereof.

1.24 "Contingent Obligations" means, with respect to the Borrower or any Guarantor, any direct or indirect liability, contingent or otherwise (excluding all transactions which, on a Combined basis under GAAP, should be eliminated) of the Borrower or Guarantor, (i) with respect to any indebtedness, lease, dividend, letter of credit or other obligation of another if the primary purpose or intent thereof by the Borrower or Guarantor is to provide assurance to the obligee of such obligation of another that such obligation of another will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holder of such obligation will be protected (in whole or in part) against loss in respect thereof, or (ii) under any letter of credit issued for the account of the Borrower or Guarantor or for which the Borrower or Guarantor is otherwise liable for reimbursement thereof, or (iii) under interest rate swap agreements, interest rate collar agreements or other similar arrangements providing interest rate protection. Contingent Obligations shall include, without limitation, (a) the direct or indirect guaranty, endorsement (otherwise than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by the Borrower or Guarantor of the obligation of another, and (b) any liability of the Borrower or Guarantor for the obligations of another through any agreement (contingent or otherwise) (1) to purchase, repurchase, or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), (2) to maintain the solvency of any balance sheet item, level of income or financial condition of another, or (3) to make take-or-pay or similar payments if required regardless of non-performance by any other party or parties to an agreement, in the case of any agreement described under subclauses (1), (2) or (3) of this sentence if the primary purpose or intent thereof is as described in clause (i) of the preceding sentence. The amount of any Contingent Obligation, as at any time of determination, shall be equal to the amount of the obligation so guaranteed or otherwise supported at such time of determination which amount shall be deemed to be the amount of such obligation guaranteed, as reasonably estimated by the Borrower or Guarantor, if such amount cannot be specifically determined at the time of determination.

1.25 "Covered Tax" means any Tax that is not an Excluded Tax.

1.26 "Current Maturities of Long Term Debt" means the current principal maturities of all indebtedness for borrowed money (including but not limited to amortization of capitalized lease obligations) having an original term of one year or more.

1.27 "Date of Determination" means, for purposes of determining the applicable Pricing Level on any Pricing Level Calculation Date, the last day of the most recently ended fiscal quarter.

1.28 "Default Rate" means, for any Loan, the Base Rate plus two percent (2.00%).

1.29 "Designated Interest Rate Agreement" has the meaning set forth in Section 7.9 hereof.

1.30 "Dollars" or "\$" means lawful currency of the United States of America.

1.31 "EBIT" means, as of the end of any Fiscal Quarter, the sum of the amounts for such period of the Borrower's (i) Net Income, (ii) Interest Expense, and (iii) provisions for taxes based on income for the previous four Fiscal Quarters, determined on a consolidated basis in accordance with GAAP.

1.32 "EBITDA" means, as of the end of any Fiscal Quarter, the sum of the Borrower's (i) Net Income, (ii) Interest Expense, (iii) provisions for taxes based on income, (iv) depreciation, and (v) amortization for the previous four Fiscal Quarters, determined on a consolidated basis in accordance with GAAP. The calculation of EBITDA shall include adjustments necessary to reflect the pro forma results of acquisitions and dispositions. Any pro forma adjustments required to be made hereby shall include adjustments to reflect consolidation savings (without limitation as to other appropriate pro forma adjustments in accordance with generally accepted financial practice) giving effect to all acquisitions and dispositions made during the period with respect to which such adjustment is being made as if such acquisitions and dispositions were made on the first day of such period. The calculation of EBITDA shall exclude the following: (i) gains or losses on dispositions of noncurrent assets, (ii) losses on writedowns of noncurrent assets or lease obligation, and (iii) the cumulative effect of changes in accounting principles.

1.33 "Environmental Complaint" means any complaint, order, directive, claim, citation or notice by any governmental authority or any other Person described in Section 5.13E hereof.

1.34 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statute.

1.35 "Events of Default" means the occurrence or happening of any of the matters set forth in Section 8 hereof.

1.36 "Excluded Tax" means any of the following taxes, levies, imposts, duties, deductions, withholdings or charges, and all liabilities with respect thereto: (i) Taxes imposed on the net income of any Bank or a Tax Transferee (including without limitation branch profits taxes, minimum taxes and taxes computed under alternative methods, at least one of which is based on net income) (collectively referred to as "net income taxes") by (A) the United States of America, (B) the jurisdiction under the laws of which such Bank or Tax Transferee is organized or any political subdivision thereof, or (C) the jurisdiction of such Bank's or Tax Transferee's applicable lending office or any political subdivision thereof, or (D) any jurisdiction in which such Bank or Tax Transferee is doing business, (ii) any Taxes to the extent that they are in effect and would apply to a payment to any Bank as of the Closing Date, or as of the date such Person becomes a Bank, in the case of any assignee pursuant to Section 11 hereof, (iii) any Taxes that are in effect and would apply to a payment to a Tax Transferee as of the date of acquisition of any portion of the Revolving Credit Loans by such Tax Transferee or the date of the change of lending office of such Tax Transferee, as the case may be (provided however that

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a Person shall not be considered a Tax Transferee for purposes of this clause (iii) as a result of a change of its lending office or the taking of any other steps pursuant to Section 13.4 hereof), (iv) any Taxes to the extent of any credit or other Tax benefit available to any Bank or Tax Transferee, as applicable, as a result thereof, or (v) any Taxes that would not have been imposed but for the failure by any Bank or Tax Transferee, as applicable, to provide and keep current any certification or other documentation required to qualify for an exemption from or reduced rate of any Tax.

1.37 "Federal Funds Effective Rate" for any day means the rate per annum (based on a year of 360 days and actual days elapsed and rounded upward to the nearest 1/100 of 1%) announced by the Federal Reserve Bank of New York (or any successor) on such day as being the weighted average of the rates on overnight Federal funds transactions arranged by Federal funds brokers on the previous trading day, as computed and announced by such Federal Reserve Bank (or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the "Federal Funds Effective Rate" as of the date of this Agreement; provided, if such Federal

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Reserve Bank (or its successor) does not announce such rate on any day, the "Federal Funds Effective Rate" for such day shall be the Federal Funds Effective Rate for the last day on which such rate was announced.

1.38 "Financial Officer" means the chief financial officer or controller of the Borrower.

1.39 "Fiscal Quarter" means a fiscal quarter of the Borrower. The Fiscal Quarters of the Borrower will be reported on or about the last day of each March, June, September and December of each calendar year.

1.40 "Fiscal Year" means a fiscal year of the Borrower. The Borrower's Fiscal Year ends on the last day of December of each calendar year.

1.41 "Fixed Charge Coverage Ratio" means, as of any Date of Determination thereof, the ratio of (i) the sum of the Borrower's EBIT plus Operating Lease Rentals to (ii) the sum of the Borrower's Interest Expense, plus Operating Lease Rentals.

1.42 "Funded Debt" means, with respect to the Borrower on a consolidated basis, (i) all indebtedness for borrowed money, including, without limitation, all Revolving Credit Loans, all Swing Line Loans, all reimbursement obligations in respect of all letters of credit, including the Letters of Credit, (ii) mandatorily redeemable preferred stock of the Borrower and Guarantors (except any mandatorily redeemable preferred stock owned by Borrower or the Guarantor), (iii) that portion of obligations with respect to capital leases which is properly classified as a liability on a balance sheet in conformity with GAAP, (iv) that portion of obligations with respect to Synthetic Leases which is not classified as a liability on a balance sheet in conformity with GAAP, (v) notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money, (vi) any obligation owed for all or any part of the deferred purchase price of property or services which purchase price is (y) due more than six months from the date of the incurring of the obligation in respect thereof, or (z) evidenced by a note or similar written instrument, but excluding trade payables incurred in the ordinary course of business, (vii) all indebtedness secured by any lien on any property or asset owned by the Borrower or the Guarantors regardless of whether the indebtedness secured thereby shall have been assumed by the Borrower or is non-recourse to the credit of the Borrower or the Guarantors but only to the extent of the fair market value of any such property or assets, and (viii) all other Contingent Obligations of the Borrower and the Guarantors not otherwise included in clauses (i) through (vii) of this Section.

1.43 "Funding Date" means the date of the funding of a Revolving Credit Loan.

1.44 "GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination, as applied in accordance with Sections 1.106 and 6.3 hereof.

1.45 "Guarantor" means any Person identified on Schedule 1.2 hereto and -----  
any new Subsidiaries of the Borrower hereafter acquired or created, with the consent of the Banks, pursuant to the provisions of Section 7.1 hereof.

1.46 "Guaranty Agreements" means the Guaranty Agreements between the Agent Bank and each of the Guarantors, where each Guarantor has jointly and severally guaranteed the Borrower's payment of the Loans.

1.47 "Hazardous Discharge" means any event described in Section 5.13D hereof.

1.48 "Hazardous Materials" means any and all substances, chemicals or wastes (including, without limitation, asbestos, polychlorinated biphenyls ("PCBs") and petroleum) that are designated or defined (either by inclusion in a list of materials or by reference to exhibited characteristics) as hazardous, toxic or dangerous, or as a pollutant or contaminant in any of the Relevant Environmental Laws.

1.49 "Interest Expense" means, for the period in question, total interest expense (including that attributable to capital leases in conformity with GAAP) of the Borrower with respect to all outstanding Funded Debt of the Borrower, including, without limitation, all capitalized interest, all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net costs and benefits under interest rate agreements, whether payable in cash or accrued (including amortization of discount), net of any interest income all as determined on a consolidated basis in accordance with GAAP.

1.50 "Interest Payment Date" means, (i) with respect to each Base Rate Loan, the last day of each calendar quarter during which such Base Rate Loan is outstanding in whole or in part, (ii) with respect to each LIBOR Loan, the ninetieth (90th) day of the Interest Period applicable to such LIBOR Loan, and/or the last day of the Interest Period applicable to such LIBOR Loan, whichever is earlier, (iii) with respect to each Swing Line Loan, the last day of each calendar quarter during which such Swing Line Loan is outstanding in whole or in part, and (iv) with respect to all Revolving Credit Loans and Swing Line Loans, the date of maturity thereof.

1.51 "Interest Period" means any interest period applicable to a LIBOR Loan, as determined pursuant to Section 2.2B hereof with respect to the Revolving Credit Loans that are LIBOR Loans.

1.52 "Interest Rate Agreement" means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other similar agreement.

1.53 "Interest Rate Determination Date" means each date for calculating the LIBOR for purposes of determining the interest rate in respect of an Interest Period. The Interest Rate Determination Date shall be the date which is two (2) Business Days prior to the related Interest Period for a LIBOR Loan.

1.54 "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended to the date hereof and from time to time hereafter.

1.55 "Letters of Credit" means all standby letters of credit or similar instruments issued by the Agent Bank for the account of the Borrower pursuant to Section 2.7 of the Loan Agreement for the purpose of securing the performance, payment, deposit or surety obligations of the Borrower or a Subsidiary of the Borrower.

1.56 "Letter of Credit Subfacility" means the commitment of the Agent Bank, to issue Letters of Credit for the account of the Borrower or a Subsidiary of the Borrower up to an aggregate amount at any one time outstanding of Fifteen Million Dollars (\$15,000,000). The Letter of Credit Subfacility is a sublimit of the Revolving Credit Facility.

1.57 "Letter of Credit Fee" has the meaning assigned to that term in Section 2.7F(i) hereof.

1.58 "Letter of Credit Fronting Fee" has the meaning assigned to that term in Section 2.7F(v) hereof.

1.59 "Letter of Credit Usage" means, as at any date, the sum of (i) the maximum aggregate amount which is or at any time thereafter may become available for drawing under all Letters of Credit then outstanding, plus (ii) the aggregate amount of all drawings under all Letters of Credit honored by the Agent Bank and not theretofore reimbursed by the Borrower to the Agent Bank, whether by virtue of the Banks making a Revolving Credit Loan to the Borrower to enable the Borrower to reimburse the Agent Bank for such drawing or otherwise.

1.60 "LIBOR Loan" means any advance or any part of the principal of any Revolving Credit Loan for which the Borrower has properly selected an Interest Period and which is to bear interest at LIBOR plus the Applicable LIBOR Margin.

1.61 "LIBOR" means, for a particular LIBOR Loan for a particular Interest Period, the annual rate of interest determined by the Agent Bank in accordance with its usual procedures (which determination shall be conclusive absent manifest error) (rounded, if necessary, to the nearest 1/16 of 1%) to be the "offered" Eurodollar rate as of 11:00 a.m. London time two Business Days preceding the first day of the Interest Period for such LIBOR Loan for deposits in immediately available funds in United States dollars for delivery on the first day of such Interest Period for an amount substantially equal to the principal amount of that LIBOR Loan and for a period approximately equal to such Interest Period, as shown on the TeleRate Service or as published by a comparable interest rate reporting service selected by the Agent Bank.

1.62 "Loan" means a Revolving Credit Loan or a Swing Line Loan.

1.63 "Loan Agreement" means this Loan Agreement as further amended, supplemented or otherwise modified from time to time.

1.64 "Loan Documents" means this Loan Agreement, the Revolving Credit Notes, each Application and Agreement for Letter of Credit, the Negative Pledge Agreement, the Guaranty Agreements, any Interest Rate Agreement and all other agreements, documents and instruments now or hereafter evidencing and/or pertaining to this Loan Agreement and/or the other Obligations, and as may be further amended, supplemented or otherwise modified from time to time.

1.65 "Negative Pledge Agreement" means the Negative Pledge Agreement by and among the Borrower, the Guarantors and the Agent Bank.

1.66 "Net Worth" means the Borrower's retained earnings, capital stock, additional paid in capital minus the sum of treasury stock subscribed for and unissued determined on a consolidated basis in accordance with

GAAP. The calculation of Net Worth excludes any amounts with respect to accumulated other comprehensive income or similar non-cash adjustments to shareholder's equity.

1.67 "Net Income" means, for the period in question, the consolidated net income (or loss) of the Borrower for such period taken as a single accounting period, determined on a consolidated basis in accordance with GAAP and excluding any extraordinary items.

1.68 "Notice of Conversion/Continuation" means the Notice in the form of Exhibit D annexed hereto with respect to the conversion and/or continuation of -----  
the interest rate(s) applicable to the Revolving Credit Loans, as set forth in Section 2.2B hereof.

1.69 "Obligations" means, collectively, (i) the entire unpaid principal balance of and all interest now accrued or hereafter to accrue on the Revolving Credit Notes, (ii) the entire unpaid principal balance of and all interest now accrued or hereafter to accrue on the Swing Line Credit Subfacility, (iii) the obligation of the Borrower to reimburse the Agent Bank for all drafts honored by the Agent Bank under Letters of Credit together with accrued interest thereon, (iv) the performance of all of the covenants, agreements and obligations of the Borrower hereunder and under the other Loan Documents, and (v) all other liabilities, obligations, covenants and duties owing by the Borrower to any Bank arising under or pursuant to this Loan Agreement or the other Loan Documents of any kind or nature, present or future, and whether or not evidenced by any note, guaranty or other instrument. The term "Obligations" includes, without limitation, all interest, charges, expenses, reasonable attorneys' fees and any other sums chargeable to the Borrower under this Loan Agreement and/or any other Loan Document.

1.70 "Operating Lease Rentals" means the periodic expense for the portion of obligations with respect to non-capital leases determined on a consolidated basis in accordance with GAAP.

1.71 "Permitted Acquisition" means an acquisition proposed to be made by the Borrower or any Guarantor that has been consented to by the Banks, pursuant to Section 7.1 hereof.

1.72 "Person" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, other entity or group, institution, party or government, whether federal, state, county, city, municipal or other, or any agency or division thereof.

1.73 "Potential Default" means the occurrence of any act or event which, with the giving of notice and/or the passage of time, or both, would become an Event of Default.

1.74 "Pricing Level" means, for any Pricing Period, Pricing Level I, Pricing Level II, Pricing Level III, Pricing Level IV, or Pricing Level V, 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.

1.75 "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 equal to or greater than 0 to 1.00 but is less than or equal to 1.24 to 1.00.

1.76 "Pricing Level II" 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 greater than 1.25 to 1.00 but is less than or equal to 1.74 to 1.00.

1.77 "Pricing Level III" 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 greater than 1.75 to 1.00 but is less than or equal to 2.24 to 1.00.

1.78 "Pricing Level IV" means the Pricing Level that will be in effect for the applicable Pricing Period if, as of 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 greater than 2.25 to 1.00 but is less than or equal to 2.50 to 1.00.

1.79 "Pricing Level V" means the Pricing Level that will be in effect for the applicable Pricing Period if, as of 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 greater than 2.51 to 1.00 but is less than or equal to 3.00 to 1.0.

1.80 "Pricing Level Calculation Date" means the date of the delivery to the Banks of a Compliance Certificate in the form of Exhibit G hereto  
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demonstrating the appropriate Pricing Level, which delivery can occur on any date from the prior Date of Determination to the due date of the Borrower's financial statements for the particular quarter or year then ended as required by Section 6.3A hereof.

1.81 "Pricing Period" means, with respect to any Date of Determination, the period commencing on the day immediately after such Date of Determination and ending on the next Date of Determination.

1.82 "Real Property" means the real property and improvements thereon owned by any of the Borrower or the Guarantors.

1.83 "Relevant Environment Laws" means any and all federal, state and local laws, codes, ordinances, rules, regulations, reported and publicly available orders, reported judicial determinations, and reported and publicly available decisions of an executive body or any governmental and quasi-governmental entity, whether in the past, the present or the future, pertaining to health, safety or the environment in effect in any and all jurisdictions in which the Borrower is or at any time may be doing business, or where the Real Property is located. The Relevant Environmental Laws shall include, but shall not be limited to, the following: (i) the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Sections 9601, et seq.; the Superfund Amendments and Reauthorization Act, Public Law 99-949, 100 Stat. 1613; the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq.; the National Environmental Policy Act, 42 U.S.C. Section 4321; the Safe Drinking Water Act, 42 U.S.C. Sections 300F, et seq.; the Toxic Substances Control Act, 15 U.S.C. Section 2601; the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801; the Federal Water Pollution Control Act, 33 U.S.C. Sections 1251, et seq.; the Clean Air Act, 42 U.S.C. Section 7401, et seq.; and the regulations promulgated in connection therewith; (ii) EPA regulations pertaining to asbestos (including 29 C.F.R. Sections 1910.1001 and 1926.58); and any state and local laws and regulations pertaining to Hazardous Materials and/or asbestos.

1.84 "Request for Revolving Credit Loan" means the Request in the form of Exhibit E annexed hereto with respect to a proposed Revolving Credit Loan to be  
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delivered by the Borrower to the Agent Bank pursuant to Section 2.1C hereof.

1.85 "Request for Swing Line Loan" means the Request in the form of Exhibit F annexed hereto with respect to a proposed Swing Line Loan to be  
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delivered by the Borrower to the Agent Bank pursuant to Section 2.6A hereof.

1.86 "Revolving Credit Facility" means the revolving line of credit established by the Banks in favor of the Borrower in the principal amount of One Hundred Million Dollars (\$100,000,000) 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.

1.87 "Revolving Credit Facility Commitment Fees" has the meaning set forth in Section 2.3A hereof.

1.88 "Revolving Credit Facility Pro Rata Shares" means, with respect to each Revolving Loan Commitment of each Bank, the percentage set forth opposite that Bank's name on Schedule 2.1 annexed hereto; provided that Schedule 2.1  
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shall be amended and each Bank's Revolving Credit Facility Pro Rata Share shall be adjusted from time to time to give effect to the addition or removal of any Bank as provided herein or by assignment, sales or purchases, pursuant to Section 11 hereof.

1.89 "Revolving Credit Loans" means advances of principal of the Revolving Credit Facility made pursuant to Section 2 hereof by the Banks to the Borrower from time to time pursuant to, and subject to the terms and conditions set forth in, this Loan Agreement to support the working capital needs of the Borrower and for the other purposes described in Section 2.5A hereof.

1.90 "Revolving Credit Notes" means (i) that certain Amended and Restated Revolving Credit Promissory Note made by the Borrower, payable to the order of Bank One, Kentucky, NA, and in the face principal amount of Thirty-Five Million Dollars (\$35,000,000) the form of which is annexed to this Loan Agreement as Exhibit A-1, as the same may hereafter be amended, modified, renewed, replaced

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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-Five Million Dollars (\$25,000,000), the form of which is annexed to this Loan Agreement as Exhibit A-2, as the same may hereafter be amended, modified,

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renewed, replaced and/or restated from time to time; (iii) that certain Amended and Restated Revolving Credit Promissory Note made by the Borrower, payable to the order of Bank of America, N.A. and in the face principal amount of Twenty-Five Million Dollars (\$25,000,000), the form of which is annexed to this Loan Agreement as Exhibit A-3, as the same may hereafter be amended, modified,

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renewed, replaced and/or restated from time to time; (iv) that certain Amended and Restated Revolving Credit Promissory Note made by the Borrower, payable to the order of SunTrust Bank, Nashville, N.A., and in the face principal amount of Fifteen Million Dollars (\$15,000,000), the form of which is annexed to this Loan Agreement as Exhibit A-4, as the same may hereafter be amended, modified,

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renewed, replaced and/or restated from time to time and (v) each future Revolving Credit Promissory Note, if any, made by the Borrower pursuant to the Revolving Credit Facility.

1.91 "Revolving Loan Commitments" means each Bank's commitment to maintain or make Revolving Credit Loans and Swing Line Loans and/or to issue Letters of Credit as set forth in Section 2.1 hereof.

1.92 "Revolving Loan Commitment Termination Date" means the Revolving Loan Commitment Termination Date then in effect, which shall be the earliest of (i) January 2, 2005, (ii) the date as of which the Obligations shall have become immediately due and payable pursuant to Section 8 of the Loan Agreement and (iii) the date on which all of the Obligations are paid in full (including, without limitation, the repayment, expiration, termination or cash collateralization of Letters of Credit pursuant to this Loan Agreement) and the Revolving Loan Commitments are reduced to zero.

1.93 "Synthetic Lease" means any lease (i) that is treated as an operating lease for accounting purposes, with the result that the obligations with respect to such lease are not classified as a liability on a balance sheet, in conformity with GAAP, and (ii) that is treated as a conditional sale for Federal income tax purposes, with the result that the lessee of such lease is entitled to take depreciation on the leased property and to characterize rental payments as payments of principal and interest for Federal income tax purposes.

1.94 "Subsidiary" means (i) any corporation of which more than 50% of the outstanding voting stock is at the time owned by the Borrower or by one or more of its Subsidiaries, and (ii) any Person controlled by the Borrower or by one or more of its Subsidiaries, whether by virtue of voting interest, other beneficial interest or by voting agreement, contract, proxy or otherwise.

1.95 "Swing Line Commitment Period" means the period from the Closing Date through the Swing Line Commitment Termination Date.

1.96 "Swing Line Credit Subfacility" means the sums advanced or to be advanced by the Agent Bank as described in Section 2.6 hereof.

1.97 "Swing Line Loan" means advances of principal of the Swing Line Credit Subfacility made by the Agent Bank to the Borrower from time to time pursuant to, and subject to the terms and conditions set forth in, this Loan Agreement for the other purposes described in Section 2.6 hereof.

1.98 "Swing Line Commitment Termination Date" means the same date as the Revolving Loan Commitment Termination Date.

1.99 "Swing Line Usage" means, as at any date of determination thereof, the sum of the maximum aggregate principal amount of all outstanding Swing Line Loans, which amount shall never exceed Five Million Dollars (\$5,000,000).

1.100 "Tax" or "Taxes" means any present or future tax, levy, impost, duty, charge, governmental fee, deduction or withholding of any nature and whatever called, by whomsoever, on whomsoever and wherever imposed, levied, collected, withheld or assessed; provided that "Tax on the overall net income"

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of a Person shall be construed as a reference to a tax imposed by the jurisdiction in which that Person's principal office (and/or, in the case of any Bank, its lending office) is located on all or part of the net income, profits or gains of that Person (whether worldwide, or only insofar as such income, profits or gains are considered to arise in or to relate to a particular jurisdiction, or otherwise).

1.101 "Tax Transferee" means any Person who acquires any interest in the Revolving Credit Loans (whether or not by operation of law) or the office to which any Bank has transferred its Revolving Credit Loans for purposes of determining where such Bank's Revolving Credit Loans are made, accounted for or booked.

1.102 "Total Utilization of Revolving Loan Commitments" means, as at any Date of Determination thereof, the sum of (i) the aggregate principal amount of all outstanding Revolving Credit Loans, (ii) the Letter of Credit Usage and (iii) the Swing Line Usage.

1.103 "Uniform Commercial Code" means the Uniform Commercial Code in effect in the Commonwealth of Kentucky, currently codified as KRS 355.101 et

seq.

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1.104 "Voting Stock" means the shares of capital stock or other securities of the Borrower entitled to vote generally in the election of the directors of the Borrower.

1.105 Accounting Terms and Financial Information.

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A. Accounting Terms. For purposes of this Loan Agreement, all

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accounting terms not otherwise defined herein shall have the meanings assigned to them in conformity with GAAP and all financial statements and certificates and reports as to financial matters required to be delivered to the Agent Bank hereunder shall (unless otherwise disclosed to the Agent Bank in writing at the time of delivery thereof in the manner described in paragraph B of this Section) be prepared on a consolidated basis in accordance with GAAP applied on a basis consistent with GAAP as applied in the preparation of the latest financial statements furnished to the Agent Bank hereunder.

B. Accounting Variances. The Borrower, for itself and the

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Guarantors, shall deliver to the Agent Bank at the same time as the delivery of any annual or quarterly financial statement under Section 6.3 hereof, (i) a description in reasonable detail of any variation between the application of accounting principles employed in the preparation of such statement and the application of accounting principles employed in the preparation of the next preceding annual or quarterly financial statements (which variation materially affects the presentation of the financial position or results of operations of the Borrower in accordance with GAAP) and (ii) reasonable estimates of the difference between such statements arising as a consequence thereof.

1.106 Other Definitional Provisions. Any reference in this Loan Agreement

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(i) to a Section, an Annex, a Schedule or an Exhibit is a reference to a section hereof, an annex hereto, a schedule hereto or an exhibit hereto, respectively; and (ii) to a subsection or a clause is, unless otherwise stated, a reference to a subsection or a clause of the Section or subsection in which the reference appears. In this Loan Agreement the singular includes the plural and the plural the singular; "hereof," "herein," "hereto," "hereunder" and the like mean and refer to this Loan Agreement as a whole and not merely to the specific section, paragraph or clause in which the respective word appears; words importing any gender include the other genders; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; references to "writing" include printing, typing, lithography and other means of reproducing words in a tangible visible form; the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; references to agreements and other contractual instruments shall be deemed to include all subsequent amendments, supplements, assignments and other modifications thereto, but only to the extent such modifications are not prohibited by the terms of this Loan Agreement, and references to Persons include their respective permitted successors and assigns or, in the case of governmental Persons, Persons succeeding to the relevant functions of such Persons.



SECTION 2  
REVOLVING CREDIT FACILITY  
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Subject to the terms and conditions of this Loan Agreement, the Banks hereby establish the Revolving Credit Facility in favor of the Borrower in the principal amount of One Hundred Million Dollars (\$100,000,000). 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:

2.1 Revolving Loan Commitments, Revolving Credit Loans.  
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A. Revolving Loan Commitments. Each Bank severally agrees, subject  
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to the terms and conditions set forth herein and the limitations set forth below with respect to the maximum amount of Revolving Credit Loans permitted to be outstanding from time to time, to lend to the Borrower from time to time during the period from the Closing Date to but excluding the Revolving Loan Commitment Termination Date an aggregate amount not exceeding its Revolving Credit Facility Pro Rata Share of the aggregate Revolving Loan Commitments. The amount of each Bank's Revolving Loan Commitment is set forth opposite its name on Schedule 2.1  
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annexed to this Loan Agreement and the aggregate amount of the Revolving Loan Commitments is One Hundred Million Dollars (\$100,000,000); provided, the amount  
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of the Revolving Loan Commitments shall be reduced from time to time by the amount of any voluntary reductions that are allowed to be made pursuant to Section 2.4D hereof (it being understood that all references to the Revolving Loan Commitments of the Banks set forth in this Loan Agreement shall mean the initial Revolving Loan Commitments of the Banks set forth on Schedule 2.1  
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annexed to this Loan Agreement, as reduced by any voluntary reductions of the Revolving Loan Commitments effected by the Borrower pursuant to Section 2.4D of the Loan Agreement). Each Bank's Revolving Loan Commitment shall expire on the Revolving Loan Commitment Termination Date and all Revolving Credit Loans shall be paid in full no later than that date. Amounts borrowed under this Section 2.1A may be repaid and reborrowed to but excluding the Revolving Loan Commitment Termination Date, subject to the provisions of Section 2.4C hereof.

Anything contained in this Loan Agreement to the contrary notwithstanding, the Revolving Credit Loans and the Revolving Loan Commitments shall be subject to the following limitations:

(i) The Letter of Credit Subfacility is a sublimit under the Revolving Credit Facility. The amount otherwise available for borrowing under the Revolving Loan Commitments as of the time of determination thereof (other than to reimburse the Agent Bank for the amount of any drawings under any Letters of Credit honored by the Agent Bank and not theretofore reimbursed by the Borrower) shall be reduced by an amount equal to the Letter of Credit Usage as of such time of determination;

(ii) The Swing Line Credit Subfacility is a sublimit under the Revolving Credit Facility. The amount otherwise available for borrowing under the Revolving Loan Commitments as of the time of determination thereof shall be reduced by an amount equal to the Swing Line Usage; and

(iii) The Total Utilization of Revolving Loan Commitments shall not exceed the then-applicable aggregate Revolving Loan Commitments.

B. Term of Revolving Loan Commitments. The Revolving Loan  
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Commitments shall become effective immediately as of the Closing Date, and as of the Closing Date, the Borrower may obtain Revolving Credit Loans subject to the terms and conditions contained herein. The Revolving Loan Commitments shall continue in effect until the Revolving Loan Commitment Termination Date, unless sooner terminated (i) by the Banks upon the occurrence and during the continuation of an Event of Default, or (ii) by the Borrower upon a voluntary reduction in all of the Revolving Loan Commitments, pursuant to Section 2.4D hereof. The Revolving Loan Commitment Termination Date may only be extended by the unanimous written consent of all of the Banks in their sole and absolute discretion. If any Bank elects not to extend the Revolving Loan Commitment Termination Date, such Bank shall notify the Borrower and the other Banks thereof. In the event any Bank elects not to extend the Revolving Loan Commitment Termination Date, the Revolving Loan Commitments shall terminate, and the entire unpaid principal balance of and all accrued and unpaid interest on the Revolving Credit Loans, the Swing Line Loans and the Letters of Credit shall be respectively due and payable in full to the Banks on the Revolving Loan Commitment Termination Date, subject at all times to the Banks' absolute right to terminate the Revolving Loan Commitments upon the occurrence and during the continuation of an Event of Default. Upon termination of the

Revolving Loan Commitments by the Banks upon the occurrence and during the continuation of an Event of Default, the entire unpaid principal balance of and all accrued and unpaid interest on the Revolving Credit Loans, the Swing Line Loans and the Letters of Credit shall be respectively due and payable in full to the Banks. The termination of the Revolving Loan Commitments, for whatever reason, shall not in any way release or relieve the Borrower from its obligations incurred hereunder or in connection herewith or under the Revolving Credit Notes, the Applications and Agreements For Letters of Credit or the other Loan Documents and the provisions hereof and of the Revolving Credit Notes, the Applications and Agreements For Letters of Credit and the other Loan Documents shall continue in full force and effect until the Revolving Credit Notes, the Applications and Agreements For Letters of Credit and all other Obligations have been respectively paid in full to the Banks. In the event the Borrower terminates the Revolving Loan Commitments, pursuant to Section 2.4C hereof, the Borrower shall be obligated to pay the Revolving Credit Notes, the Applications and Agreements For Letters of Credit and all other Obligations in full to the Banks, respectively.

C. Borrowing Mechanics For Revolving Credit Loans Made to the

Borrower. Revolving Credit Loans (excluding Swing Line Loans under the Swing

Line Credit Subfacility discussed in Section 2.6 hereof) made to the Borrower on any Funding Date shall be in an aggregate minimum amount of (i) One Hundred Thousand Dollars (\$100,000) and integral multiples of Ten Thousand Dollars (\$10,000) in excess of that amount in the case of Base Rate Loans, and (ii) Two Hundred Fifty Thousand Dollars (\$250,000) and integral multiples of Fifty Thousand Dollars (\$50,000) in excess of that amount in the case of LIBOR Loans. Whenever the Borrower desires that the Banks make a Revolving Credit Loan to the Borrower, the Borrower shall deliver to the Agent Bank a Request For Revolving Credit Loan no later than 12:00 noon (Louisville, Kentucky time) at least three (3) Business Days in advance of the proposed Funding Date in the case of a LIBOR Loan and on the proposed Funding Date in the case of a Base Rate Loan. The Request For Revolving Credit Loan shall be in the form of Exhibit E annexed

hereto and shall specify (i) the proposed Funding Date, (ii) the amount of the Revolving Credit Loan, (iii) whether the Revolving Credit Loan shall be a Base Rate Loan or a LIBOR Loan, (iv) in the case of any Revolving Credit Loan requested to be made as a LIBOR Loan, the initial Interest Period applicable thereto, and (v) that the amount of the proposed Revolving Credit Loan will not cause the Total Utilization of Revolving Loan Commitments to exceed the aggregate Revolving Loan Commitments. Revolving Credit Loans made to the Borrower may be continued as or converted into Base Rate Loans or LIBOR Loans in the manner provided in Section 2.2D hereof. In lieu of delivering the above described Request For Revolving Credit Loan, the Borrower may give the Agent Bank telephonic notice by the required time of the requested Revolving Credit Loan under this Section 2.1C; provided that such notice shall be promptly confirmed in writing by delivery of a Request For Revolving Credit Loan to the Agent Bank on or before the applicable Funding Date.

No Bank shall incur any liability to the Borrower in acting upon any telephonic notice referred to above which the Agent Bank believes in good faith to have been given by a duly Authorized Officer or other Person authorized to borrow on behalf of the Borrower or for otherwise acting in good faith under this Section 2.1C and, upon funding of any Revolving Credit Loan by the Banks in accordance with this Loan Agreement pursuant to any telephonic notice, the Borrower shall have effected such Revolving Credit Loan hereunder.

Except as provided in Sections 3.2, 3.3 and 3.7 hereof, a Request For Revolving Credit Loan for a LIBOR Loan (or telephonic notice in lieu thereof) shall be irrevocable on and after the related Interest Rate Determination Date, and the Borrower shall be bound to obtain the LIBOR Loan in accordance therewith.

D. Disbursement of Revolving Credit Loans to the Borrower. All

Revolving Credit Loans made to the Borrower under this Loan Agreement shall be made by the Banks simultaneously and proportionately in accordance with their respective Revolving Credit Facility Pro Rata Shares, it being understood that no Bank shall be responsible for any default by any other Bank in funding its Revolving Credit Facility Pro Rata Share of a Revolving Credit Loan requested hereunder by the Borrower, nor shall the Revolving Loan Commitment of any Bank be increased or decreased as a result of the default by another Bank in funding its Revolving Credit Facility Pro Rata Share of a Revolving Credit Loan requested hereunder by the Borrower. Each Bank shall make its Revolving Credit Facility Pro Rata Share of each Revolving Credit Loan to be made to the Borrower available to the Agent Bank, in same day funds, at the office of the Agent Bank located at 416 West Jefferson Street, Louisville, Kentucky not later than 1:00 P.M. (Louisville, Kentucky time) on the Funding Date. Except with respect to the reimbursement to the Agent Bank for a drawing under a Letter of Credit issued by the Agent Bank as provided in Section 2.7 hereof, upon satisfaction or waiver of the conditions precedent specified in Section 4.1 in the case of the initial Revolving Credit Loan on the initial Funding Date and Section 4.2 in the case of a Revolving Credit Loan on any subsequent Funding Date, the Agent Bank shall make the proceeds of each Revolving Credit Loan requested by the Borrower available to the Borrower on the Funding Date by causing an amount of same day funds equal to the

proceeds of the Banks' respective Revolving Credit Facility Pro Rata Shares of such Revolving Credit Loan received by the Agent Bank at its office located at the address set forth in the preceding sentence to be credited to the Borrower's Loan Account maintained at such office of the Agent Bank or wired to an account designated by the Borrower. All Revolving Credit Loans shall be respectively paid in full to the Banks on the Revolving Loan Commitment Termination Date.

Nothing in this Section 2.1D shall be deemed to relieve any Bank from its obligation to fulfill its Revolving Loan Commitment hereunder or to prejudice any rights that the Borrower may have against any Bank as a result of any default by such Bank hereunder.

E. Records. Each Bank shall record the Revolving Credit Loans made

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to the Borrower from time to time and each repayment or prepayment in respect of the principal amount of such Revolving Credit Loans in the Bank's electronic records. Any such recordation in accordance with the terms of this Loan Agreement shall be conclusive and binding on the Borrower absent manifest error; provided, the failure to make any such recordation, or any error in such  
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recordation, shall not affect the Borrower's obligation to repay all Revolving Credit Loans to the Banks in accordance with this Loan Agreement and the Revolving Credit Notes.

F. Borrower's Loan Accounts.

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(i) Each Bank shall enter all Revolving Credit Loans made to the Borrower as debits in the Borrower's Loan Account maintained with such Bank. Each Bank shall also record in the Borrower's Loan Account maintained with such Bank in accordance with customary accounting practice all other charges, expenses and other items properly chargeable to the Borrower; all payments made by the Borrower on account of the Revolving Credit Loans made by such Bank; and other appropriate debits and credits. The debit balance of the Borrower's Loan Account maintained with such Bank shall reflect the unpaid principal balance of the Revolving Credit Loans from time to time maintained with such Bank. At least once each month the Agent Bank shall render a statement of account for the Borrower's Loan Account maintained with the Agent Bank and the other Banks, which statement shall be considered correct and accepted by the Borrower and conclusively binding upon the Borrower in the absence of manifest error unless the Borrower notifies the Agent Bank to the contrary within thirty (30) days from the receipt of said statement by the Borrower.

(ii) Any and all principal, interest, charges and expenses, attorneys' fees and taxes now or hereafter due and owing under the Revolving Credit Notes and any of the other Loan Documents may be charged to any deposit account of the Borrower with a Bank or to the Borrower's Loan Account maintained with such Bank.

2.2 Interest on the Revolving Credit Loans.

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A. Rates of Interest. Subject to the provisions of Section 2.2E,

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Section 3 and Section 13 hereof, each Revolving Credit Loan shall bear interest on the unpaid principal amount thereof from the date made through maturity (whether by acceleration or otherwise) at the (i) Base Rate or (ii) the LIBOR plus the Applicable LIBOR Margin, as the case may be. The applicable interest rate mode with respect to Revolving Credit Loans shall be selected by the Borrower initially at the time a Request For Revolving Credit Loan is delivered to the Agent Bank pursuant to Section 2.1C hereof. The interest rate with respect to any Revolving Credit Loan may be changed by the Borrower from time to time pursuant to Section 2.2D hereof. If on any day a Revolving Credit Loan is outstanding with respect to which notice has not been delivered to the Agent Bank or the Banks in accordance with the terms of this Loan Agreement specifying the applicable interest rate, then, for that day, that Revolving Credit Loan shall bear interest at the Base Rate.

Subject to the provisions of Section 2.2E, Section 3 and Section 13 hereof, Revolving Credit Loans shall bear interest through maturity as follows:

(i) if a Base Rate Loan, at a rate equal to the Base Rate.

(ii) if a LIBOR Loan, at a rate per annum equal to the sum of the LIBOR plus the Applicable LIBOR Margin; provided that, on each Date of

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Determination, commencing with the first Date of Determination to occur after the Closing Date, the Applicable LIBOR Margin in effect for the Pricing Period commencing on such Date of Determination and continuing for the term of the Pricing Period that begins on such

Date of Determination shall be the Applicable LIBOR Margin corresponding to the Pricing Level in effect for such Pricing Period, as follows:

Pricing Level	Adjusted Funded Debt to EBITDA	Applicable LIBOR Margin
Pricing Level I	more than or equal to 0.00, but less than or equal to 1.24	1.00%
Pricing Level II	more than or equal to 1.25, but less than or equal to 1.74	1.25
Pricing Level III	more than or equal to 1.75, but less than or equal to 2.24	1.50
Pricing Level IV	more than or equal to 2.25, but less than or equal to 2.50	1.75
Pricing Level V	more than or equal to 2.51, but less than or equal to 3.00	2.00

Notwithstanding anything in the foregoing to the contrary, if any Compliance Certificate (the form of which is included as Exhibit G) delivered by

the Borrower demonstrating the appropriate Pricing Level shall prove to be incorrect (as determined by reference to a subsequent Compliance Certificate), then such Compliance Certificate shall no longer be in effect. In such event, the Agent Bank shall calculate the difference between the amount of interest actually paid by the Borrower on LIBOR Loans on the basis of such incorrect Compliance Certificate and the amount of interest which would have been due on such LIBOR Loans had such incorrect Compliance Certificate not been delivered, and shall forward to the Borrower a statement setting forth the amount of the difference and the method of calculation of such amount (which calculation, in the absence of demonstrable error, shall be deemed correct) and the Borrower shall pay such amount to the Agent Bank for the benefit of the Banks within three (3) Business Days of such notice.

**B. Interest Periods for LIBOR Loans.** In connection with each LIBOR

Loan, the Borrower may, pursuant to the applicable Request For Revolving Credit Loan, select the Interest Period to be applicable to such LIBOR Loan, which Interest Period shall be at the Borrower's option either a one, two, three or six month period. The following provisions are applicable to Interest Periods generally:

- (i) the initial Interest Period for any LIBOR Loan shall commence on the Funding Date of such LIBOR Loan, in the case of a Revolving Credit Loan initially made as a LIBOR Loan, or on the date specified in the applicable Notice of Conversion/Continuation, in the case of a Revolving Credit Loan converted to a LIBOR Loan;
- (ii) in the case of immediately successive Interest Periods applicable to a LIBOR Loan continued as such pursuant to Notice of Conversion/Continuation, each successive Interest Period shall commence on the day on which the next preceding Interest Period expires;
- (iii) if an Interest Period would otherwise expire on a day that is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; provided that, if any Interest Period would otherwise expire on a day that is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;
- (iv) any Interest Period of a LIBOR Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (iii) of this Section 2.2B, end on the last Business Day of a calendar month;
- (v) in the event the Borrower fails to specify an Interest Period with respect to a LIBOR Loan in the applicable Request For Revolving Credit Loan or Notice of Conversion/Continuation, the Borrower shall be deemed to have selected an Interest Period of one month; and
- (vi) no Interest Period shall extend beyond the Revolving Loan Commitment Termination Date.

**C. Interest Payments.** Subject to the provisions of Section 2.2E

hereof, interest shall be payable on the Revolving Credit Loans as follows:

(i) interest on each Base Rate Loan shall be payable in arrears on and to the last day of each calendar quarter, and at maturity (including final maturity); and

(ii) interest on each LIBOR Loan shall be payable in arrears on and to the ninetieth (90th) day during each Interest Period applicable to that LIBOR Loan, the last day of each Interest Period applicable to that LIBOR Loan, and upon any prepayment or repayment of that LIBOR Loan (to the extent accrued on the amount being prepaid or repaid) and at maturity (including final maturity).

D. Conversion or Continuation of Interest Rate Modes. Subject to

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the provisions of Section 2.4 hereof, the Borrower shall have the option (i) at any time to convert all or any part of outstanding Revolving Credit Loans bearing interest as Base Rate Loans to Revolving Credit Loans bearing interest as LIBOR Loans; and (ii) upon the expiration of any Interest Period applicable to a Revolving Credit Loan bearing interest as a LIBOR Loan, (a) to continue all or any portion of such Loan as a LIBOR Loan, with the succeeding Interest Period of such continued LIBOR Loan to commence on the most recent Interest Payment Date thereof or (b) to convert all or any part of such Loan to a Base Rate Loan. The Borrower shall deliver a Notice of Conversion/Continuation to the Agent Bank no later than 12:00 noon (Louisville, Kentucky time) at least three (3) Business Days in advance of the proposed conversion/continuation date. A Notice of Conversion/Continuation shall specify (i) the proposed conversion/continuation date (which shall be a Business Day), (ii) the amount of the Revolving Credit Loan to be converted/continued, (iii) the nature of the proposed conversion/continuation, (iv) in the case of a conversion to, or continuation of, a LIBOR Loan, the requested Interest Period, and (v) in the case of a conversion to, or a continuation of, a LIBOR Loan or a Base Rate Loan, that no Event of Default has occurred and is continuing. In lieu of delivering the above-described Notice of Conversion/Continuation, the Borrower may give the Agent Bank telephonic notice by the required time of any proposed conversion/continuation under this Section 2.2D; provided that such notice shall be promptly confirmed in writing by delivery of a Notice of Conversion/Continuation to the Agent Bank on or before the proposed conversion/continuation date.

The Banks shall not incur any liability to the Borrower in acting upon any telephonic notice referred to above that the Agent Bank believes in good faith to have been given by a duly Authorized Officer or other Person authorized to act on behalf of the Borrower or for otherwise acting in good faith under this Section 2.2D, and upon conversion or continuation of the applicable basis for determining the interest rate with respect to any Revolving Credit Loans in accordance with this Loan Agreement pursuant to any such telephonic notice, the Borrower shall have effected a conversion or continuation, as the case may be, hereunder.

Except as otherwise provided in Sections 3.2, 3.3 and 3.7 hereof, a Notice of Conversion/Continuation for conversion to, or continuation of, a LIBOR Loan (or telephonic notice in lieu thereof) shall be irrevocable on and after the related Interest Rate Determination Date and the Borrower shall be bound to effect a conversion or continuation in accordance therewith.

E. Post-Maturity Interest. Any principal payments on the Revolving

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Credit Loans not paid when due and, to the extent permitted by applicable law, any interest payments on the Revolving Credit Loans or any fees or other amounts owed by the Borrower hereunder not paid when due, in each case whether at stated maturity, by notice of prepayment, by acceleration or otherwise, shall thereafter bear interest (including post-petition interest in any proceeding under the Bankruptcy Code or other applicable bankruptcy laws) payable on demand at a rate equal to the Default Rate. Payment or acceptance of the increased rates of interest provided for in this Section 2.2E is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of the Banks.

F. Computation of Interest. Interest on Revolving Credit Loans

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shall be computed on the basis of a 360-day year, and the actual number of days elapsed in the period during which it accrues. In computing interest on any Revolving Credit Loan, the date of the making of such Revolving Credit Loan or the first day of an Interest Period applicable to such Revolving Credit Loan, as the case may be, shall be included, and the date of payment of such Revolving Credit Loan or the expiration date of an Interest Period applicable to such Revolving Credit Loan or, with respect to a Revolving Credit Loan being converted to a LIBOR Loan or a Base Rate Loan, the date of conversion of such Revolving Credit Loan to such LIBOR Loan or a Base Rate Loan shall be excluded; provided that if a Revolving Credit Loan is repaid on the same day on which it is made, one day's interest shall be paid on that Revolving Credit Loan.

G. Limitation on LIBOR Loan Tranches. At no time shall the number

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of Revolving Credit Loans bearing interest as LIBOR Loans outstanding at any time outstanding exceed twelve (12) in the aggregate.

2.3 Fees.

A. Commitment Fees.

(i) The Borrower agrees to pay to the Agent Bank, for the benefit of the Banks in proportion to their respective Revolving Credit Facility Pro Rata Shares, commitment fees (the "Revolving Credit Facility Commitment Fees") for the period from and including the Closing Date to and excluding the Revolving Loan Commitment Termination Date, equal to the average of the daily excess of the Revolving Loan Commitments (as they may be reduced pursuant to Sections 2.4C hereof) over the aggregate outstanding principal amount of Revolving Credit Loans, Swing Line Loans and the Letter of Credit Usage multiplied by the Applicable Commitment Fee Percentage set forth below; provided that, on each Date of Determination, commencing with the first Date of Determination to occur after the Closing Date, the Applicable Commitment Fee Percentage in effect for the Pricing Period commencing on such Date of Determination and continuing for the term of the Pricing Period that begins on such Date of Determination shall be the Applicable Commitment Fee Percentage corresponding to the Pricing Level in effect for such Pricing Period, as follows:

Pricing Level	Adjusted Funded Debt to EBITDA	Applicable Commitment Fee Percentage
Pricing Level I	more than or equal to 0.00, but less than or equal to 1.24	0.20%
Pricing Level II	more than or equal to 1.25, but less than or equal to 1.74	0.20
Pricing Level III	more than or equal to 1.75, but less than or equal to 2.24	0.25
Pricing Level IV	more than or equal to 2.25, but less than or equal to 2.50	0.25
Pricing Level V	more than or equal to 2.51, but less than or equal to 3.00	0.25

The Revolving Credit Facility Commitment Fees shall be calculated on the basis of a 360-day year and the actual number of days elapsed and shall be payable quarterly in arrears on the last day of each Fiscal Quarter, commencing on the first such date to occur after the Closing Date, and on the Revolving Loan Commitment Termination Date. The Borrower shall have no liability to any Bank for any Revolving Credit Facility Commitment Fees paid to the Agent Bank which the Agent Bank does not properly remit to such Bank, and such Bank's sole remedy in respect thereof shall be against the Agent Bank.

(ii) Notwithstanding anything in the foregoing to the contrary, if any Compliance Certificate (the form of which is attached hereto as Exhibit G) delivered by the Borrower demonstrating the appropriate Pricing Level shall prove to be incorrect (as determined by reference to a subsequent Compliance Certificate), such Compliance Certificate shall no longer be in effect, and the Agent Bank shall notify the Borrower of such incorrectness and shall calculate the difference between the amount of the Revolving Credit Facility Commitment Fees actually paid by the Borrower on the basis of such incorrect Compliance Certificate and the amount of Revolving Credit Facility Commitment Fees which would have been due had such incorrect Compliance Certificate not been delivered. The Agent Bank shall notify the Borrower of the amount of such difference, if any, in a statement setting forth the method of calculation of such amount (which calculation, in the absence of demonstrable error, shall be deemed correct) and the Borrower shall pay such amount to the Agent Bank for the benefit of the Banks within three (3) Business Days of such notice.

B. Upfront Fees. The Borrower shall pay to the Agent Bank for the

benefit of the Banks in proportion to their respective Revolving Credit Facility Pro Rata Shares on the Closing Date, an upfront fee equal to 25/100 of one percent (0.25%) of the Revolving Loan Commitments. The Borrower shall have no liability for any Upfront Fees paid to Agent Bank which the Agent Bank does not properly remit to such Bank, and such Bank's sole remedy in respect thereof shall be against the Agent Bank.

C. Other Fees and Expenses. The Borrower agrees to pay to the Agent

Bank such fees for serving as the Agent Bank hereunder in the amounts and at the times agreed to in writing between the Borrower and the Agent Bank, as well as any other fees agreed to in writing between the Borrower and the Agent Bank. The Borrower also agrees to pay to the Agent Bank on the Closing Date the reasonable fees and expenses of the Agent

Bank's counsel in negotiating, drafting and closing this Loan Agreement, the Loan Documents and related documents.

#### 2.4 Prepayments and Payments; Reductions in Revolving Loan Commitments.

##### A. Voluntary Prepayments. The Borrower may, upon not less than one

(1) Business Day prior written or telephonic notice confirmed in writing to the Agent Bank, at any time and from time to time, prepay any Revolving Credit Loans (other than Swing Line Loans, which are discussed in Section 2.6 hereof) in whole or in part in an aggregate minimum amount of One Hundred Thousand Dollars (\$100,000) and integral multiples of Twenty Five Thousand Dollars (\$25,000) in excess of that amount; provided however that in the event that the Borrower prepays a LIBOR Loan pursuant to this Section 2.4A on a date that is other than the expiration date of the Interest Period applicable thereto, the Borrower shall compensate the Banks in accordance with the provisions of Section 3.4 hereof. If the Borrower has given notice of prepayment as aforesaid, the principal amount of the Revolving Credit Loans specified in such notice shall become due and payable on the prepayment date specified therein. All prepayments of principal of the Revolving Credit Loans shall be accompanied by the payment of accrued interest on the principal amount being prepaid and shall be applied to the payment of interest before application to principal. All prepayments of the Revolving Credit Loans shall be applied first to Base Rate Loans to the full extent thereof and then shall be applied to LIBOR Loans, in each case in a manner which minimizes the amount of any payments required to be made by the Borrower pursuant to Section 3.4 hereof.

##### B. General Provisions Regarding Payments.

###### (i) Manner and Time of Payment. All payments of principal,

interest and fees hereunder and under the Revolving Credit Notes by the Borrower shall be made without defense, setoff and counterclaim and in same day funds and delivered to the Agent Bank not later than 12:00 noon (Louisville, Kentucky time) on the date due at its office located in Louisville, Kentucky; funds received by the Agent Bank after that time shall be deemed to have been paid by the Borrower on the next succeeding Business Day. The payments to be made by the Borrower with respect to the Revolving Credit Notes for the benefit of the Banks shall be aggregated into a single payment made by the Borrower to the Agent Bank for the benefit of the Banks. The Agent Bank shall be responsible for remitting to each Bank its portion of such payment based upon its Revolving Credit Facility Pro Rata Share of such payment.

###### (ii) Payments on Business Days. Whenever any payment to be made

hereunder or under the Revolving Credit Notes shall be stated to be due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day (unless no further Business Day occurs in such month, in which case payment shall be made on the next preceding Business Day) and such extension or reduction of time shall be included in the computation of the payment of interest hereunder or under the Revolving Credit Notes or of the Revolving Credit Facility Commitment Fees, as the case may be.

##### C. Voluntary Reduction of Revolving Loan Commitments. The Borrower

shall have the right, at any time and from time to time, to terminate in whole or permanently reduce in part, without premium or penalty, the Revolving Loan Commitments. The Borrower shall give not less than five (5) Business Days' prior written notice to the Agent Bank designating the date (which shall be a Business Day) of such termination or reduction and the amount of any partial reduction of the Revolving Loan Commitments. Such termination or partial reduction of the Revolving Loan Commitments shall be effective on the date specified in the Borrower's notice and shall reduce the Revolving Loan Commitment of each Bank in proportion to its Revolving Credit Facility Pro Rata Share. Any such partial reduction of the Revolving Loan Commitments shall be in a minimum amount of One Million Dollars (\$1,000,000) and integral multiples of One Hundred Thousand Dollars (\$100,000) in excess of that amount.

#### 2.5 Use of Proceeds.

##### A. Revolving Credit Loans. The proceeds of the Revolving Credit

Loans shall be used by the Borrower to finance Permitted Acquisitions, to finance working capital requirements and to finance general corporate purposes of the Borrower.

##### B. Margin Regulations. No portion of the proceeds of any Revolving

Credit Loans under this Loan Agreement shall be used by the Borrower in any manner which might cause the making of the Revolving Credit Loans or the application of the proceeds thereof to violate Regulation G, Regulation U, Regulation T, or Regulation X of the Board of Governors of the Federal Reserve System or any other regulation of such Board or to

violate the Securities and Exchange Act of 1934, in each case as in effect on the date or dates of the making of any such Revolving Credit Loan and such use of the proceeds thereof. If requested by the Banks, the Borrower shall execute and deliver to the Banks a completed Federal Reserve Form U-1.

2.6 Swing Line Credit Subfacility. Subject to the terms and conditions of this Loan Agreement, the Agent Bank hereby agrees to make Swing Line Loans to the Borrower under the Swing Line Credit Subfacility.

A. Swing Line Credit Subfacility. From the date hereof throughout the Swing Line Commitment Period, and subject to the terms, conditions and other provisions of this Agreement, the Agent Bank agrees to make Swing Line Loans to the Borrower from time to time in a total amount not exceeding Five Million Dollars (\$5,000,000) in amounts of One Thousand Dollars (\$1,000) and integral multiples of One Thousand Dollars (\$1,000) in excess thereof. The Swing Line Credit Subfacility is established for the administrative convenience of the Borrower, the Agent Bank and the Banks. During the Swing Line Commitment Period the Borrower may borrow and repay advances under the Swing Line Credit Subfacility in whole or in part, and reborrow all in accordance with the terms, conditions and other provisions of this Agreement. The making of each Swing Line Loan shall be subject to the further provisions of this Section 2.6, and shall be subject to all of the conditions of lending stated in Section 4.2 being fulfilled at the time of each Swing Line Loan, and provided further that each Swing Line Loan shall be on the terms and subject to the conditions hereinafter stated.

(i) Interest. Swing Line Loans shall bear interest (calculated on the basis that an entire year's interest is earned in 365 or 366 days as the case may be) from the date of each such Swing Line Loan until repaid at an annual rate equal to the Bank One 1-Day Funds Transfer Pricing Rate. After maturity, whether by acceleration or scheduled maturity, until paid in full, or when and so long as there shall exist any uncured Event of Default, Swing Line Loans shall bear interest at the applicable Default Rate. Interest shall be due and payable to the Agent Bank at the end of each calendar quarter following receipt of a statement from the Agent Bank and on the Swing Line Commitment Termination Date.

(ii) Principal. The Borrower shall pay all principal of all then outstanding Swing Line Loans in excess of \$500,000 before the end of each fiscal month. To the extent that the Borrower fails to repay such amount by such date, the Agent Bank shall convert the outstanding principal balance of such Swing Line Loans in excess of \$500,000 to a Revolving Credit Loan, to be payable on the dates and in the manner set forth in Article II hereof and to bear interest as a Base Rate Loan or, at the Borrower's option, as a LIBOR Loan, any LIBOR loan shall be in the minimum amount of Two Hundred Fifty Thousand Dollars (\$250,000) and integral multiples of Fifty Thousand Dollars (\$50,000) in excess thereof. The Borrower shall pay the Agent Bank the outstanding principal balance of all Swing Line Loans on the Swing Line Commitment Termination Date.

(iii) Conditions for Swing Line Loans. So long as no Event of Default shall have occurred and be continuing, during the Swing Line Commitment Period, the Borrower may borrow, repay and reborrow under the Swing Line Credit Subfacility on any Business Day, subject to the terms, conditions and other provisions of this Agreement. The making of Swing Line Loans will be conditioned upon receipt by the Agent Bank from the Borrower, of a Request for Swing Line Loan by 12:00 noon Louisville, Kentucky, time on the Business Day of the requested Swing Line Loan. Notwithstanding the foregoing, the Agent Bank may, in its sole discretion, accept an oral or written request made on behalf of the Borrower by an Authorized Officer by telephone, telex, facsimile or some other form of written electronic communication, in which case the Agent Bank shall be entitled to rely on any such oral or written request received by the Agent Bank in good faith from anyone reasonably believed by the Agent Bank to be an Authorized Officer. The Borrower shall promptly confirm any such communication by delivery of a Request for Swing Line Loan upon request of the Agent Bank. Disbursements of, and payments of principal, with respect to Swing Line Loans may be evidenced by notations of the Agent Bank in its electronic data processing equipment. The aggregate amount of all disbursements of Swing Line Loans made and shown on the Agent Bank's electronic data processing equipment, over all of the payments of principal made by the Borrower and recorded on the Agent Bank's electronic data processing equipment shall be prima facie evidence

of the outstanding principal balance due under the Swing Line Credit Subfacility.



(v) General Provisions Regarding Payments.

(a) Manner and Time of Payment. All payments of principal,

interest and fees hereunder and under the Swing Line Credit Subfacility by the Borrower shall be made without defense, setoff and counterclaim and in same day funds and delivered to the Agent Bank not later than 12:00 noon (Louisville, Kentucky time) on the due date therefor at its office located in Louisville, Kentucky; funds received by the Agent Bank after that time shall be deemed to have been paid by the Borrower on the next succeeding Business Day.

(b) Payments on Business Days. Whenever any payment to be

made hereunder or under the Swing Line Credit Subfacility shall be stated to be due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day (unless no further Business Day occurs in such month, in which case payment shall be made on the next preceding Business Day) and such extension or reduction of time shall be included in the computation of the payment of interest hereunder or under the Swing Line Credit Subfacility.

(vi) Voluntary Reduction of Swing Line Loan Commitment. The

Borrower shall have the right, at any time and from time to time, to terminate in whole or permanently reduce in part, without premium or penalty, the Swing Line Loan Commitment. The Borrower shall give not less than five (5) Business Days' prior written notice to the Agent Bank designating the date (which shall be a Business Day) of such termination or reduction and the amount of any partial reduction of the Swing Line Loan Commitment. Such termination or partial reduction of the Swing Line Loan Commitment shall be effective on the date specified in the Borrower's notice. Any such partial reduction of the Swing Line Loan Commitment shall be in a minimum amount of One Hundred Thousand Dollars (\$100,000).

(vii) Other Banks. Swing Line Loans will be made by the Agent

Bank in its individual capacity. Upon a request to reduce the principal amount outstanding in Swing Line Loans from the Agent Bank, the Banks shall make advances based on their Revolving Credit Facility Pro Rata Shares in amounts sufficient to effect the requested reduction in Swing Line Loans. Any such advances will be made pursuant to the terms and conditions set forth in this Loan Agreement.

(viii) Limitation. The Borrower may not request that the Agent

Bank make any Swing Line Loan if, after making such Swing Line Loan, (x) the total aggregate principal amount of outstanding Swing Line Loans would exceed Five Million Dollars (\$5,000,000), or (y) the Total Utilization of Revolving Loan Commitments would exceed the Revolving Loan Commitments, as the amount available under such Revolving Loan Commitments may be reduced from time to time pursuant to Sections 2.4C.

B. Use of Proceeds.

(i) Swing Line Loans. The principal of the Swing Line Loans

shall be used by Borrower for any lawful corporate purposes.

(ii) Margin Regulations. No portion of the principal of the Swing

Line Loans shall be used by the Borrower in any manner which might cause the making of the Swing Line Loan or the application of the proceeds thereof to violate Regulation G, Regulation U, Regulation T, or Regulation X of the Board of Governors of the Federal Reserve System or any other regulation of such Board or to violate the Securities and Exchange Act of 1934, in each case as in effect on the date or dates of each Swing Line Loan. If requested by the Agent Bank, the Borrower shall execute and deliver to the Agent Bank a completed Federal Reserve Form U-1.

2.7 Letters of Credit.

A. Letters of Credit. Subject to the terms and conditions of this Loan

Agreement and in reliance upon the representations and warranties of the Borrower set forth herein, the Borrower may request, in accordance with the provisions of this Section 2.7A, that on and after the Closing Date, the Agent Bank issue Letters of Credit for the account of the Borrower denominated in Dollars. Issuances of Letters of Credit shall be subject to the following limitations:

(i) The Borrower may not request that the Agent Bank issue any Letter of Credit if, after giving effect to such issuance, (x) the total Letter of Credit Usage would exceed Fifteen Million Dollars (\$15,000,000), or (y) the Total Utilization of Revolving Loan Commitments would exceed the Revolving Loan

Commitments, as the amount available under such Revolving Loan Commitments may be reduced from time to time pursuant to Sections 2.4C.

(ii) In no event shall the Agent Bank issue, reissue, amend or permit the extension of: (y) any Letter of Credit having an expiration date later than the Revolving Loan Commitment Termination Date in effect at the time of issuance, reissuance, amendment or extension (automatic or otherwise) thereof; or (z) subject to the foregoing clause (y), any Letter of Credit having an expiration date more than one year after its date of issuance; provided that subject to the foregoing clause (y), this clause (z) shall not prevent the Agent Bank from agreeing that a Letter of Credit will automatically be extended annually for one or more periods each not to exceed one year if the Agent Bank does not cancel such extension, subject to the Banks extending the Revolving Loan Commitment Termination Date.

It shall be a condition precedent to the issuance of any Letter of Credit in accordance with the provisions of this Section 2.7 that each condition set forth in Sections 4.1 and 4.2A and 4.2B of this Loan Agreement shall have been satisfied.

Immediately upon the issuance of each Letter of Credit, each Bank shall be deemed to, and hereby agrees to, have irrevocably purchased from the Agent Bank a participation in such Letter of Credit and drawings thereunder in an amount equal to such Bank's Revolving Credit Facility Pro Rata Share of the maximum amount which is or at any time may become available to be drawn thereunder.

Each Letter of Credit shall provide that it shall be subject to the Uniform Customs and Practice of Documentary Credits (1993 Revision), International Chamber of Commerce Brochure No. 500, or any successor thereto. Each Letter of Credit may provide that the Agent Bank may (but shall not be required to) pay the beneficiary thereof upon the occurrence of an Event of Default and the acceleration of the maturity of the Revolving Credit Loans or, if payment is not then due to the beneficiary, provide for the deposit of funds in an account to secure payment to the beneficiary and that any funds so deposited shall be paid to the beneficiary of the Letter of Credit if conditions to such payment are satisfied or returned to the Agent Bank for distribution to the Banks (or, if all Obligations shall have been indefeasibly paid in full, to the Borrower) if no payment to the beneficiary has been made and thirty (30) days after the final date available for drawings under the Letter of Credit has passed. Each payment or deposit of funds by the Agent Bank as provided in this paragraph shall be treated for all purposes of this Loan Agreement as a drawing duly honored by the Agent Bank under the related Letter of Credit.

**B. Notice of Issuance.** Whenever the Borrower desires the issuance

of a Letter of Credit, the Borrower shall deliver to the Agent Bank an Application and Agreement for Letter of Credit in the form of Exhibit C annexed

hereto no later than 12:00 noon (Louisville, Kentucky time) at least ten (10) Business Days, or in each case such shorter period as may be agreed to by the Agent Bank in any particular instance, in advance of the proposed date of issuance. The Application and Agreement for Letter of Credit shall specify (i) the proposed date of issuance (which shall be a Business Day under the laws of the Commonwealth of Kentucky), (ii) the face amount of the Letter of Credit, (iii) the expiration date of the Letter of Credit, (iv) the name and address of the beneficiary of the Letter of Credit, and (v) a summary of the purpose and contemplated terms of the Letter of Credit. Prior to the date of issuance of any Letter of Credit, the Borrower shall specify a precise description of the documents and the proposed text of any certificate to be presented by the beneficiary under such Letter of Credit which, if presented by the beneficiary prior to the expiration date of the Letter of Credit, would require the Agent Bank to make payment under the Letter of Credit; provided that the Agent Bank,

in its sole reasonable judgment, may require changes in any such documents and certificates; provided further that no Letter of Credit shall require payment

against a conforming draft to be made thereunder on the same Business Day (under the laws of the Commonwealth of Kentucky) that such draft is presented if such presentation is made after 12:00 noon (Louisville, Kentucky time) on such Business Day. In determining whether to pay under any Letter of Credit, the Agent Bank shall be responsible only to determine that the documents and certificates required to be delivered under that Letter of Credit have been delivered and that they comply on their face with the requirements of that Letter of Credit; provided, further, nothing contained in this Section 2.7B

shall be deemed to prejudice the right of the Borrower to recover from the Agent Bank in respect of any amounts paid by the Agent Bank under any Letter of Credit in the event that it is determined by a court of competent jurisdiction that the payment with respect to such Letter of Credit by the Agent Bank constituted gross negligence or willful misconduct on the part of the Agent Bank.

**C. Delivery of Copies of Letters of Credit and Letter of Credit**

Amendments. The Agent Bank shall, promptly after the issuance of each Letter of

Credit, or any amendment or cancellation thereto, furnish to the Banks a copy of such Letter of Credit or of such amendment or cancellation, as the case may be, together with,

in the case of the issuance of any Letter of Credit, the amount of its risk participation therein, which shall be such Bank's Revolving Credit Facility Pro Rata Share of the stated amount of such Letter of Credit.

D. Payment of Amounts Drawn Under Letters of Credit. In the event of

any drawing under any Letter of Credit by the beneficiary thereof, the Agent Bank shall promptly notify the Borrower and the Banks of such drawing, and the Borrower shall reimburse the Agent Bank on the date on which such drawing is honored in an amount in same day funds equal to the amount of such drawing. The Borrower shall have the right to obtain a Revolving Credit Loan (subject to the limitations set forth in Section 2.1A hereof and in the absence of any Event of Default hereunder) in an amount sufficient to repay in full any such drawing honored by the Agent Bank under a Letter of Credit.

E. Payment by Banks with Respect to Letters of Credit. In the event

that the Borrower shall fail to reimburse the Agent Bank as provided in Section 2.7D hereof in an amount equal to the amount of any drawing honored by the Agent Bank under a Letter of Credit issued by the Agent Bank, the Agent Bank shall promptly notify each of the other Banks of the unreimbursed amount of such drawing and of each Bank's participation therein, which participation shall be equal to such Bank's Revolving Credit Facility Pro Rata Share of the unreimbursed amount of such drawing. Each Bank shall make available to the Agent Bank an amount equal to its participation in same day funds, at the offices of the Agent Bank located at 416 West Jefferson Street, Louisville, Kentucky not later than 1:00 P.M. (Louisville, Kentucky time) on the Business Day (under the laws of Commonwealth of Kentucky) after the date notified by the Agent Bank, and each such amount so made available by each Bank will be deemed a Revolving Credit Loan made by such Bank to the Borrower under this Loan Agreement as of the date such amount is so made available to the Agent Bank. In the event that any Bank fails to make available to the Agent Bank the amount of such Bank's participation in such Letter of Credit as provided in this Section 2.7E, the Agent Bank shall be entitled to recover such amount on demand from such Bank together with interest at the customary rate set by the Agent Bank for the correction of errors among banks for three (3) Business Days and thereafter at the Federal Funds Effective Rate. Nothing in this Section 2.7 shall be deemed to prejudice the right of any Bank to recover from the Agent Bank any amounts made available by such Bank to the Agent Bank pursuant to this Section 2.7E in the event that it is determined by a court of competent jurisdiction that the payment made by the Agent Bank with respect to a Letter of Credit in respect of which reimbursement was made by such Bank constituted gross negligence or willful misconduct on the part of the Agent Bank. The Agent Bank shall distribute to each other Bank, to the extent that it has paid all amounts payable by it under this Section 2.7E with respect to any Letter of Credit issued by the Agent Bank, such Bank's Revolving Credit Facility Pro Rata Share of all payments received by the Agent Bank from the Borrower in reimbursement of drawings honored by the Agent Bank under such Letter of Credit, as the case may be, when such payments are received. Notwithstanding anything to the contrary herein, each Bank shall have a direct right to reimbursement of such amounts from the Borrower, subject to the procedures for reimbursing such Bank set forth in this Section 2.7.

F. Compensation. The Borrower agrees to pay, without duplication,

the following amounts to the Agent Bank with respect to each such Letter of Credit issued by the Agent Bank for the account of the Borrower:

(i) with respect to each Letter of Credit, a letter of credit fee (the "Letter of Credit Fee") payable to the Agent Bank for the account of the Banks (and to be shared by the Banks pro rata in accordance with their respective Revolving Credit Facility Pro Rata Shares) equal to the Applicable Letter of Credit Percentage multiplied by the maximum amount available from time to time to be drawn under such Letter of Credit; provided that, on each Date of

Determination, commencing with the first Date of Determination to occur after the Closing Date, the applicable Letter of Credit Percentage in effect for the Pricing Period commencing on such Date of Determination and continuing for the term of the Pricing Period that begins on such Date of Determination shall be the Applicable Letter of Credit Percentage corresponding to the Pricing Level in effect for such Pricing Period, as follows:

Pricing Level -----	Adjusted Funded Debt to EBITDA -----	Applicable Letter of Credit Percentage -----
Pricing Level I	more than or equal to 0.00, but less than or equal to 1.24	1.00%
Pricing Level II	more than or equal to 1.25, but less than or equal to 1.74	1.25
Pricing Level III	more than or equal to 1.75, but less than or equal to 2.24	1.50
Pricing Level IV	more than or equal to 2.25, but less than or equal to 2.50	1.75
Pricing Level V	more than or equal to 2.51, but less than or equal to 3.00	2.00

The Letter of Credit Fee, as based on the Applicable Letter of Credit Percentage, shall be payable quarterly in advance beginning on the date of issuance of such Letter of Credit and quarterly in advance beginning on the date, if such should occur, of each renewal or extension of such Letter of Credit;

(ii) with respect to drawings made under any Letter of Credit, interest, payable in immediately available funds to the Agent Bank on demand, on the amount paid by the Agent Bank in respect of each such drawing from the date of the drawing through the date such amount is reimbursed by the Borrower at a variable rate equal to the Base Rate;

(iii) with respect to the issuance, amendment or transfer of each Letter of Credit and each drawing made thereunder, documentary and processing charges payable to the Agent Bank in accordance with the Agent Bank's standard schedule for such charges in effect at the time of such issuance, amendment, transfer or drawing, as the case may be;

(iv) promptly upon receipt by the Agent Bank of the amount described in subdivisions (ii) and (iii) of this Section 2.7F, the Agent Bank shall distribute to each Bank its Revolving Credit Facility Pro Rata Share of such amount; and

(v) with respect to each Letter of Credit, a letter of credit fronting fee (the "Letter of Credit Fronting Fee") payable to the Agent Bank for its own account, in the amount of one eighth of one percent (0.125%) per annum multiplied by the aggregate face amount of Letters of Credit outstanding during a Fiscal Quarter, plus other customary charges, if any, payable quarterly in advance.

G. Obligations Absolute; Indemnification, Nature of the Agent Bank's

Duties. Subject to the right of the Borrower and the Banks to seek damages in

the event that a court of competent jurisdiction determines that the Agent Bank acted in bad faith and/or committed gross negligence or willful misconduct in honoring any draft presented under any Letter of Credit issued by the Agent Bank, the obligation of the Borrower to reimburse the Agent Bank for drawings made under such Letter of Credit and the obligation of the Banks under Section 2.7E hereof to reimburse the Agent Bank in accordance with their Revolving Credit Facility Pro Rata Shares for drawings made under such Letter of Credit shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Loan Agreement under all circumstances including, without limitation, the following circumstances:

(i) any lack of validity or enforceability of such Letter of Credit;

(ii) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against a beneficiary or any transferee of such Letter of Credit (or any Persons for whom any such transferee may be acting), the Agent Bank, any Bank or any other Person, whether in connection with this Loan Agreement, the transactions contemplated herein or any unrelated transaction (including any underlying transaction between the Borrower and the beneficiary for which such Letter of Credit was procured); or

(iii) any draft, demand, certificate or any other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or

(iv) payment by the Agent Bank under such Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit; or

(v) any other circumstance or happening whatsoever, which is similar to any of the foregoing; or

(vi) the fact that an Event of Default or a Potential Event of Default under this Loan Agreement shall have occurred and be continuing.

In addition to amounts payable as elsewhere provided in this Section 2, the Borrower hereby agrees to protect, indemnify, pay and save the Agent Bank harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees), which the Agent Bank may incur or be subject to as a consequence, direct or indirect, of (i) the issuance of the Letters of Credit, other than as a result of bad faith, gross negligence or willful misconduct of the Agent Bank as determined by a court of competent jurisdiction, or (ii) the failure of the Agent Bank to honor a drawing under any Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority.

As between the Borrower and the Agent Bank, the Borrower assumes all risks of the acts and omissions of, or misuse of the Letters of Credit issued by the Agent Bank for the account of the Borrower by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, the Agent Bank shall not be responsible: (i) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of the Letters of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (ii) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) for failure of the beneficiary of any such Letter of Credit to comply fully with conditions required in order to draw upon such Letter of Credit; (iv) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (v) for errors in interpretation of technical terms; (vi) for any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such Letter of Credit or of the proceeds thereof; (vii) for the misapplication by the beneficiary of any such Letter of Credit of the proceeds of any drawing under such Letter of Credit; and (viii) for any consequences arising from causes beyond the control of the Agent Bank, including, without limitation, any act or omission, whether rightful or wrongful, of any present or future government agency or authority. None of the above shall affect, impair, or prevent the vesting of any of the Agent Bank's rights or powers hereunder; provided however, that the Agent Bank

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shall be responsible for any payment the Agent Bank makes under any Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit in the event such payment constitutes bad faith, gross negligence or willful misconduct of the Agent Bank as determined by a court of competent jurisdiction.

In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by the Agent Bank under or in connection with the Letters of Credit issued by it or the related certificates, if taken or omitted in good faith and without bad faith, gross negligence or willful misconduct, shall not put the Agent Bank under any resulting liability to the Borrower or the Banks.

Notwithstanding anything to the contrary contained in this Section 2.7, the Borrower shall have no obligation to indemnify the Agent Bank in respect of any liability incurred by the Agent Bank arising out of the bad faith, gross negligence or willful misconduct of the Agent Bank, as determined by a court of competent jurisdiction, or out of the wrongful dishonor by the Agent Bank of proper demand for payment made under the Letters of Credit issued by it.

H. Computation of Interest. Interest payable pursuant to this

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Section 2.7 shall be computed on the basis of a 360-day year and the actual number of days elapsed in the period during which it accrues.

I. Amendments. The Borrower may request that the Agent Bank enter

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into one or more amendments of any Letter of Credit issued by the Agent Bank for the account of the Borrower by delivering to the Agent Bank an Application and Agreement For Letter of Credit specifying (i) the proposed date of the amendment, and (ii) the requested amendment. The Agent Bank shall be entitled to enter into amendments with respect to the Letters of Credit issued by it; provided however that any such amendment extending the expiry date, changing the

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Letter of Credit Fee, or increasing the stated amount of any Letter of Credit shall only be permitted if the Agent

Bank would be permitted to issue a new Letter of Credit having such an expiry date, different Letter of Credit Fee, or stated amount under this Section 2.7 on the date of the amendment.

J. Additional Payments. If by reason of (i) any change in applicable

law, regulation, rule, decree or regulatory requirement or any change in the interpretation or application by any judicial or regulatory authority of any law, regulation, rule, decree or regulatory requirement or (ii) compliance by the Agent Bank with any direction, request or requirement (whether or not having the force of law) of any governmental or monetary authority including, without limitation, Regulation D:

(a) any reserve, deposit or similar requirement is or shall be applicable, imposed or modified in respect of any Letter of Credit issued by the Agent Bank; or

(b) there shall be imposed on the Agent Bank any other condition regarding this Section 2.7 or any Letter of Credit;

and the result of the foregoing is to directly or indirectly increase the cost to the Agent Bank of issuing, making or maintaining any Letter of Credit, or to reduce the amount receivable in respect thereof by the Agent Bank (other than an increase in cost or reduction in amounts receivable as a consequence of any Tax, which shall be governed by the provisions of Section 3 hereof), then and in any such case the Agent Bank may, at any time within a reasonable period after the additional cost is incurred or the amount received is reduced, notify the Borrower, and the Borrower shall pay on demand such amounts as the Agent Bank may specify to be necessary to compensate the Agent Bank for such additional cost or reduced receipt, together with interest on such amount from ten (10) days after the date of such demand until payment in full thereof at a rate equal at all times to the Base Rate. The determination by the Agent Bank of any amount due pursuant to this Section 2.7J as set forth in a certificate setting forth the calculation thereof in reasonable detail, shall, in the absence of manifest or demonstrable error, be final and conclusive and binding on the Borrower.

SECTION 3  
SPECIAL PROVISIONS GOVERNING LIBOR LOANS

Notwithstanding any other provision of this Loan Agreement to the contrary, the following provisions shall govern with respect to LIBOR Loans as to the matters covered:

3.1 Determination of LIBOR. As soon as practicable after 12:00 noon

Louisville, Kentucky time on each Interest Rate Determination Date applicable to the particular LIBOR Loan, the Agent Bank shall furnish to the Borrower a quote of the LIBOR to apply to the particular LIBOR Loan. The Agent Bank will in addition confirm to the Borrower in writing the actual LIBOR prior to the funding of the particular LIBOR Loan, and the determination of each LIBOR by the Agent Bank, provided that the Agent Bank shall have determined the LIBOR in good faith, shall be final, conclusive and binding upon both the Borrower and the Banks in the absence of manifest or demonstrable error and shall apply to the particular LIBOR Loan for the applicable Interest Period.

3.2 Inability to Determine LIBOR. In the event that the Agent Bank shall

have determined in good faith (which determination shall be final and conclusive and binding upon the Borrower), on any Interest Rate Determination Date or Funding Date with respect to any LIBOR Loans, that by reason of circumstances occurring after the date of this Loan Agreement affecting the London interbank market, adequate and fair means do not exist for ascertaining the interest rate applicable to such LIBOR Loans on the basis provided for in the definition of LIBOR, the Agent Bank shall on such date give notice (by telecopy or by telephone confirmed in writing) to the Borrower and the Banks of such determination, whereupon (i) no Revolving Credit Loans may be made as, or converted to, LIBOR Loans until such time as the Agent Bank notifies the Borrower and the Banks that the circumstances giving rise to such notice no longer exist; and (ii) any Request for Revolving Credit Loan or Notice of Conversion/Continuation given by the Borrower with respect to the Revolving Credit Loans in respect of which such determination was made shall be deemed to be rescinded by the Borrower, and any Request for Revolving Credit Loan or Notice of Conversion/Continuation given by the Borrower with respect to the Revolving Credit Loans in respect of which such determination was made shall be deemed to be a request to make Base Rate Loans.

3.3 Illegality or Impracticability of LIBOR Loans. In the event that on

any date any Bank shall have determined in good faith (which determination shall be final and conclusive and binding upon the parties hereto but

shall be made only after consultation with the Borrower) that the making, maintaining or continuation of its LIBOR Loans (i) has become unlawful as a result of compliance by such Bank in good faith with any law, treaty, governmental rule, regulation, guideline or order (or would conflict with any such treaty, governmental rule, regulation, guideline or order not having the force of law even though the failure to comply therewith would not be unlawful) or (ii) has become impracticable, or would cause such Bank material hardship, as a result of contingencies occurring after the date of this Loan Agreement which materially and adversely affect the London interbank market or the position of such Bank in that market, then such Bank shall on that day give notice (by telecopy or by telephone confirmed in writing) to the Borrower and the other Banks of such determination. Thereafter, (a) the obligation of the Banks to make Revolving Credit Loans as, or to convert Revolving Credit Loans to, LIBOR Loans shall be suspended until such notice shall be withdrawn by the particular Bank, (b) to the extent such determination by the particular Bank relates to a LIBOR Loan then being requested by the Borrower pursuant to a Request for Revolving Credit Loan or Notice of Conversion/Continuation, the Banks shall make such LIBOR Loan as (or convert such LIBOR Loan to, as the case may be) a Base Rate Loan, and (c) the Banks' obligation to maintain their outstanding LIBOR Loans, as the case may be (the "Affected Loans"), shall be terminated at the earlier to occur of the expiration of the Interest Periods then in effect with respect to the Affected Loans or when required by law, and the Affected Loans shall automatically convert into Base Rate Loans on the date of such termination.

#### 3.4 Compensation For Breakage or Non-Commencement of Interest Periods.

The Borrower shall compensate the Banks, upon written request by the Banks (which request shall set forth the basis for requesting such amounts), for all reasonable losses, expenses and liabilities (including, without limitation, any interest paid by the Banks to lenders of funds borrowed by them to make or carry the LIBOR Loans and any reasonable loss, expense or liability sustained by the Banks in connection with the liquidation or re-employment of such funds) which the Banks may sustain: (i) if for any reason (other than a default by the Banks or the conversion of the Borrower's Request for Revolving Credit Loan or Notice of Conversion/Continuation with respect to Revolving Credit Loans from a request to make LIBOR Loans into a request to make Base Rate Loans pursuant to Sections 3.2 and 3.3 hereof) a borrowing of any LIBOR Loan does not occur on a date specified therefor in a Request for Revolving Credit Loan or Notice of Conversion/Continuation with respect to Revolving Credit Loans or a telephonic request for borrowing, or a conversion to or continuation of any LIBOR Loan does not occur on a date specified therefor in a Request for Revolving Credit Loan or Notice of Conversion/Continuation or a telephonic request for conversion or continuation, (ii) if any prepayment or conversion of any of the LIBOR Loans occurs on a date that is not the last day of the Interest Period applicable to that LIBOR Loan, (iii) if any prepayment of any of the LIBOR Loans is not made on any date specified in a notice of prepayment given by the Borrower, or (iv) as a consequence of any other default by the Borrower to repay the LIBOR Loans when required by the terms of this Loan Agreement. The Banks shall deliver to the Borrower a certificate setting forth the calculation of the compensation claimed to be due to the Banks within thirty (30) days after the occurrence of the event giving rise to such claim for compensation, which calculations shall be binding upon the Borrower in the absence of manifest or demonstrable error.

#### 3.5 Booking of LIBOR Loans. Each Bank may make, carry or transfer its

Revolving Credit Facility Pro Rata Share of LIBOR Loans at, to, or for the account of any of its branch offices or the office of an Affiliate of such Bank; provided however that if any transfer of a Bank's Revolving Credit Pro Rata Share of LIBOR Loans from the office where such Bank's Revolving Credit Facility Pro Rata Share of LIBOR Loans originated shall increase the cost to the Borrower of such LIBOR Loans, such transfer may occur only if required (i) by the introduction of or any change (including, without limitation, any change by way of imposition or increase of reserve requirements) in or in the interpretation of any law or regulation, or (ii) to comply with any guideline or request from any central bank or other governmental authority or quasi-governmental authority exercising control over banks or financial institutions generally (whether or not such guideline or request shall have the force of law).

#### 3.6 Assumptions Concerning Funding of LIBOR Loans. The calculation of all

amounts payable to the Banks under this Section 3 and under Section 13.1 hereof shall be made as though each Bank had actually funded each LIBOR Loan through the purchase of a deposit bearing interest at the rate obtained pursuant to the definition of LIBOR in an amount equal to such Bank's Revolving Credit Facility Pro Rata Share of the amount of such LIBOR Loan and having a maturity comparable to the relevant Interest Period and through the transfer of such deposit from an offshore office of such Bank to a domestic office of such Bank in the United States of America; provided however that each Bank may fund its Revolving Credit Facility Pro Rata Share of the LIBOR Loans in any manner it sees fit and the foregoing assumptions shall be utilized only for the purposes of calculating amounts payable under this Section 3 and under Section 13.1 hereof.

#### 3.7 LIBOR Loans After Event of Default. After the occurrence and during

the continuation of an Event of Default, (i) the Borrower may not elect to have Revolving Credit Loans made or maintained as, or

converted to, LIBOR Loans after the expiration of any Interest Period then in effect for such Loans, (ii) any Request for Revolving Credit Loan or Notice of Conversion/Continuation given by the Borrower with respect to a requested borrowing or conversion/continuation, as applicable, that has not yet occurred shall be deemed to be rescinded by the Borrower, and (iii) all LIBOR Loans shall thereupon bear interest at the Default Rate until the Event of Default is cured or the Revolving Credit Loans are paid in full to the Banks and the Revolving Loan Commitments have expired or have been terminated by the Borrower or the Banks.

SECTION 4  
CLOSING CONDITIONS  
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The establishment of the Revolving Credit Facility by the Banks in favor of the Borrower, the obtaining of Revolving Credit Loans, Swing Line Loans and/or Letters of Credit by the Borrower thereunder are subject to the satisfaction of all of the following conditions:

4.1 Initial Closing Conditions. The obligation of the Banks to make the -----  
initial Revolving Credit Loans and the Swing Line Loans to the Borrower is subject to the condition that, in addition to the satisfaction of the conditions precedent specified in Section 4.2 hereof and, with respect to the Swing Line Loans, the conditions precedent specified in Section 2.6A(iii) hereof, as of the Closing Date, the Banks shall have received the following from the Borrower, dated the Closing Date or such other date as shall be acceptable to the Banks:

A. Loan Agreement. This Loan Agreement, duly executed and delivered -----  
by the Borrower and the Guarantors.

B. Revolving Credit Notes. The Revolving Credit Notes, duly executed -----  
and delivered by the Borrower.

C. Negative Pledge Agreement. The Negative Pledge Agreement, duly -----  
executed and delivered by the Borrower and the Guarantors.

D. Guaranty Agreements. The Guaranty Agreements, duly executed and -----  
delivered by each of the Guarantors, guarantying the Borrower's payment of the Loans.

E. Opinion of Counsel. A written opinion of counsel on behalf of the -----  
Borrower and the Guarantors, in form and substance satisfactory to the Banks.

F. Certificate of Secretary of the Borrower. A Certificate of the -----  
Secretary or Assistant Secretary of the Borrower (i) certifying as to the authenticity, completeness and accuracy of, and attaching copies of, (a) the Certificate of Incorporation and By-Laws of the Borrower, and (b) Resolutions of the Board of Directors of the Borrower authorizing the Borrower's execution, delivery and performance of the Loan Documents to which the Borrower is a party, and (ii) certifying the names and true signatures of the officers of the Borrower authorized to execute and deliver the Loan Documents to which the Borrower is party, on behalf of the Borrower.

G. Certificate of Secretary of Each Guarantor. A Certificate of the -----  
Secretary or Assistant Secretary of each Guarantor (i) certifying as to the authenticity, completeness and accuracy of, and attaching copies of, (a) the Certificate or Articles of Incorporation and By-Laws of the Guarantor, and (b) Resolutions of the Board of Directors of the Guarantor authorizing the execution, delivery and performance of the Loan Documents to which the Guarantor is a party by the Guarantor, and (ii) certifying the names and true signatures of the officers of the Guarantor authorized to execute and deliver the Loan Documents to which the Guarantor is a party on behalf of such Guarantor.

H. Compliance Certificate. A Compliance Certificate in the form of -----  
Exhibit G hereto, completed by the Borrower, and executed by an Authorized -----  
Officer of the Borrower, certifying as to the accuracy of the representations and warranties of the Borrower and the Guarantors set forth in this Loan Agreement as of September 26, 1999.

I. Other Documents. Such other documents as the Banks may reasonably -----  
request.



Immediately following the Closing, the Borrower may deliver to the Agent Bank such UCC-3 releases and mortgage satisfactions as the Borrower deems reasonably necessary to terminate UCC-1s and mortgages previously delivered to the Agent Bank by the Borrower and/or the Guarantors, and the Agent Bank shall expeditiously execute such UCC-3 releases and mortgage satisfactions and return them to the Borrower for recordation.

#### 4.2 Conditions to All Revolving Credit Loans, Letters of Credit and Swing

Line Loans. The obligation of the Banks to make each Revolving Credit Loan on each Funding Date and to issue, through the Agent Bank, each Letter of Credit, and the obligation of the Agent Bank to make each Swing Line Loan pursuant to the Swing Line Credit Subfacility, is in each case subject to the following additional conditions precedent:

##### A. Request for Revolving Credit Loan. The Agent Bank shall have

received with respect to each Revolving Credit Loan, in accordance with the provisions of Section 2.1C of this Loan Agreement, an originally executed Request For Revolving Credit Loan, in the form of Exhibit E hereto, in each case signed by an Authorized Officer of the Borrower, as agent for the Borrower.

##### B. Letters of Credit. The Agent Bank shall have received with

respect to each Letter of Credit, in accordance with the provisions of Section 2.7B of this Loan Agreement, an originally executed Application and Agreement For Letter of Credit relating to such Letter of Credit, in each case signed by an Authorized Officer of the Borrower, as agent for the Borrower.

##### C. Request for Swing Line Loan. The Agent Bank shall have received

with respect to each Swing Line Loan, in accordance with the provisions of Section 2.6A(iii) of this Loan Agreement, an originally executed Request For Swing Line Loan, in each case signed by an Authorized Officer of the Borrower, as agent for the Borrower.

##### D. General Conditions. As of the Funding Date of any Revolving

Credit Loan, the date of issuance or extension of the stated expiration date of any Letter of Credit, or the date of any Swing Line Loan:

(i) The representations and warranties contained herein shall be true and correct in all material respects on and as of that date to the same extent as though made on and as of that date;

(ii) No event shall have occurred and be continuing or would result from the funding of the Revolving Credit Loan contemplated by such Request For Revolving Credit Loan, the issuance or extension of the stated expiration date of such Letter of Credit contemplated by such Application and Agreement For Letter of Credit, or the funding of the Swing Line Loan contemplated by such Request for Swing Line Loan which would constitute an Event of Default;

(iii) The Borrower and Guarantors shall have performed in all material respects all agreements and satisfied all conditions which this Loan Agreement and the other Loan Documents provide shall be performed by them on or before such date;

(iv) No order, judgment or decree of any court, arbitrator or governmental authority shall purport to enjoin or restrain the Banks from making that Revolving Credit Loan or issuing, through the Agent Bank, that Letter of Credit or the Agent Bank from making such Swing Line Loan;

(v) There shall not be pending or, to the knowledge of the Borrower threatened, any action, suit, proceeding or arbitration or, to the knowledge of the Borrower, any governmental investigation pending or threatened, against or affecting the Borrower or any Guarantors or any property of the Borrower or any Guarantors seeking damages in excess of \$5,000,000, which is not fully covered by insurance other than any applicable deductible and which has not been disclosed by the Borrower pursuant to Section 5.9 hereof or which prior to (a) the making of the last preceding Revolving Credit Loan (or, in the case of the initial Revolving Credit Loan made hereunder, prior to the execution of this Loan Agreement), (b) the issuing of the most recent Letter of Credit (or in the case of the initial Letter of Credit issued hereunder, prior to the execution of this Loan Agreement) or the most recent extension of the stated maturity date of any Letter of Credit, or (c) the making of the last Swing Line Loan (or in the case of the initial Swing Line Loan hereunder, prior to the execution of this Loan Agreement) if determined adversely, would have a material adverse effect. Further, there shall have occurred no development not so disclosed in any such action, suit, proceeding, governmental investigation or arbitration so disclosed, which, in either event, in the opinion of the Banks, could reasonably be expected to have a material adverse effect on the financial condition of the Borrower and the Guarantors taken as a whole. No injunction or other restraining order

shall have been issued and no hearing to cause an injunction or other restraining order to be issued shall be pending or noticed with respect to any action, suit or proceeding seeking to enjoin or otherwise prevent the consummation of this Loan Agreement or the making of the Revolving Credit Loans, the issuing or extension of the respective stated expiration dates of the Letters of Credit, and/or the making of the Swing Line Loans hereunder; and

(vi) As of the Funding Date of any Revolving Credit Loan, the date of issuance or extension of the stated expiration date of any Letter of Credit, or the date of any Swing Line Loan, the Agent Bank shall have received such other documentation as it may reasonably request.

SECTION 5  
REPRESENTATIONS AND WARRANTIES  
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The Borrower and the Guarantors represent and warrant to the Banks as follows, which representations and warranties shall be deemed to be continuing representations and warranties until the Revolving Credit Notes and the other obligations have been respectively paid in full to the Banks, and which representations and warranties shall survive the execution and delivery of this Loan Agreement:

5.1 Organization, Standing, etc, of the Borrower and the Guarantors. The  
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Borrower is a corporation duly organized and validly existing under the laws of the State of Delaware. Bell Technologies, Inc. is a corporation duly organized and validly existing under the laws of the State of Florida. Tube Turns Technologies, Inc. is a corporation duly organized and validly existing under the laws of the Commonwealth of Kentucky. Group Technologies Corporation is a corporation duly organized and validly existing under the laws of the State of Florida. Metrum-DATATAPE, Inc. is a corporation duly organized and validly existing under the laws of the State of Delaware. The Borrower and each of the Guarantors has all requisite power and authority to own and operate its properties, to carry on its businesses as now conducted and proposed to be conducted, and to execute and deliver this Loan Agreement and the other Loan Documents to which it is a party and to carry out the terms hereof and thereof. The Borrower has delivered to the Agent Bank a true and complete copy of its Certificate of Incorporation and By-Laws as in effect on the date hereof.

5.2 Qualification. Schedule 5.2 hereto sets forth a list of the Borrower  
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and the Guarantors and the locations in which they are qualified to do business. Neither the Borrower nor any Guarantor is presently required to be qualified to transact business as a foreign corporation in any jurisdiction other than the states identified in Schedule 5.2 hereto, and except where failure to so qualify  
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would not have a material adverse effect upon the business or operations of the Borrower or the Guarantors.

5.3 Use of Proceeds. The uses of the proceeds of the Revolving Credit  
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Loans and the Swing Line Loans and the uses of the Letters of Credit by the Borrower and the Guarantors are and will continue to be legal and proper corporate uses duly authorized by the Board of Directors of each of the Borrower and the Guarantors, and such uses are consistent with all applicable laws and statutes as in effect as of the date hereof.

5.4 Intellectual Property. To the best of the Borrower's knowledge, the  
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Borrower and the Guarantors own or possess adequate assets, licenses, patents, patent applications, copyrights, trademarks, trademark applications, trade names, franchises, consents, authorizations and service marks and rights with respect to the foregoing necessary for the conduct of their businesses as presently conducted and as proposed to be conducted, without any known conflict with the rights of others.

5.5 Disclosure; Solvency. Neither this Loan Agreement nor any other  
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document furnished to the Banks by or on behalf of the Borrower and the Guarantors in connection with the Revolving Credit Facility and/or the Swing Line Loans and/or the other Obligations taken as a whole contains any statement of any material fact which is untrue or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading. There is no fact known to the Borrower and the Guarantors which materially adversely affects or in the future will (so far as the Borrower and the Guarantors can now foresee) materially adversely affect the business, operations, affairs or condition of the Borrower and the Guarantors or any of their properties which has not been set forth in this Loan Agreement or in the other documents furnished to the Banks by or on behalf of the Borrower and the Guarantors in connection with the Revolving Credit Facility, the Swing Line Loans and the other Obligations. The Borrower, on a consolidated basis in accordance with GAAP, is currently solvent; and neither the issuance and delivery of the Revolving Credit Notes and the Guaranty Agreements to the Banks, nor the obtaining of the Letters

of Credit, nor the performance of the transactions contemplated hereunder or thereunder, will render the Borrower, on a consolidated basis in accordance with GAAP, insolvent, inadequately capitalized to undertake the transactions contemplated hereunder or to undertake the businesses in which they are presently engaged or about to engage or render the Borrower, on a consolidated basis, unable to pay its debts as they become due; neither the Borrower nor any Guarantor is contemplating either the filing of a petition by them or the commencement of a case by them under any state or federal bankruptcy or insolvency laws or the liquidation of all or a major portion of their property; and the Borrower has no knowledge of any Person contemplating the filing of any such petition or commencement of any such case against the Borrower or the Guarantors.

5.6 Tax Returns and Payments. To the best of the Borrower's knowledge

after due inquiry, the Borrower and the Guarantors have filed all tax returns required by law to be filed by them and have paid all taxes, assessments and other governmental charges levied upon their properties, assets, income and franchises, other than those not yet delinquent and those, not substantial in aggregate amount, being or about to be contested as provided in Section 5.6 hereof. The charges, accruals and reserves on the books of the Borrower, on a consolidated basis, in respect of its taxes are adequate in the opinion of the Borrower. The Borrower and the Guarantors know of no material unpaid assessment for additional taxes or of any basis therefor.

5.7 Funded Debt; Financial Information. As of the date of this Loan

Agreement, and without regard to the transactions contemplated hereunder, there is no outstanding Funded Debt of the Borrower and the Guarantors in respect of borrowed money, capital leases or the deferred purchase price of property, existing guaranties issued by the Borrower and the Guarantors, in each case in an amount in excess of \$100,000, or existing liens and security interests encumbering the assets of the Borrower and the Guarantors other than as disclosed in the most recent annual and quarterly financial statements of the Borrower delivered to the Banks or on Schedule 5.7 attached hereto and made a

part hereof. The financial information contained in such financial statements is true and complete in all material respects. There has been no material adverse change in the financial condition of the Borrower and the Guarantors since the date of such financial statements.

5.8 Title to Properties; Liens; Leases. The Borrower and the Guarantor

have good and marketable title to all of their properties and assets and none of such properties or assets is subject to any mortgage, pledge, or security interest, or any material lien, charge or encumbrance other than as described in Section 7.4 hereof and other than statutory landlord liens. The Borrower and the Guarantors enjoy quiet possession under all leases to which they are party as lessee, and all of such leases are to the best knowledge of the Borrower and the Guarantors, after due inquiry, validly existing and in full force and effect, and, to the best knowledge of the Borrower and the Guarantors, after due inquiry, neither the lessor nor the Borrower or the Guarantors as lessee is in default under any of such leases.

5.9 Litigation, etc. Except as previously disclosed to the Agent Bank,

there is no action, proceeding or investigation pending or, to the best knowledge of the Borrower and the Guarantors, threatened (or any basis therefor known to the Borrower and the Guarantors) (i) which questions the validity of this Loan Agreement, the Revolving Credit Notes, the Guaranty Agreements, the Negative Pledge Agreement or the other Loan Documents or any action taken or to be taken pursuant hereto or thereto, (ii) which is not fully covered by insurance other than any applicable deductible, or (iii) which might result, either in any case or in the aggregate, in any material adverse change in the businesses, operations, affairs or condition of the Borrower and the Guarantors or in any of their material properties or assets or in any material liability on the part of the Borrower and the Guarantors. The Borrower has provided the Agent Bank with a list of all pending actions, proceedings and investigations involving (y) claims against the Borrower and the Guarantors seeking damages in excess of \$5,000,000 in any individual case or in excess of \$25,000,000 in the aggregate which is not fully covered by insurance other than any applicable deductible, and (z) claims of the Borrower and the Guarantors for payment, reimbursement or under contracts in excess of \$5,000,000 or in excess of \$25,000,000 in the aggregate.

5.10 Authorization; Compliance With Other Instruments, etc. The

execution, delivery and performance of this Loan Agreement, the Revolving Credit Notes, the Guaranty Agreements and the other Loan Documents to which the Borrower or the Guarantors are a party have been duly authorized by all necessary corporate action on the part of the Borrower and the Guarantors, will not result in any violation of or be in conflict with or constitute a default under any term of the Articles of Incorporation or Certificate of Incorporation, as applicable, or By-Laws of the Borrower and the Guarantors or of any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to the Borrower and the Guarantors, or result in the creation of any mortgage, lien, charge or encumbrance upon any of the properties or assets of the Borrower and the Guarantors pursuant to any such term, except as provided in the Loan Documents. The Borrower and the Guarantors are not in violation of any

term of their Articles of Incorporation or Certificate of Incorporation, as applicable, or By-Laws, or of any material term of any agreement or instrument to which they are party, or, to the Borrower's best knowledge, of any judgment, decree, order, statute, rule or governmental regulation applicable to the Borrower and the Guarantors. Without limiting the generality of the foregoing, to the best knowledge of the Borrower and the Guarantors, the Borrower and the Guarantors are in compliance in all material respects with all federal and state laws and all rules, regulations and administrative orders of all state and local commissions or authorities which are applicable to the Borrower and the Guarantors or to the operation of their businesses.

5.11 Enforceability. This Loan Agreement, the Revolving Credit Notes, the

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Guaranty Agreements, and the other Loan Documents to which the Borrower and the Guarantors are party constitute legal, valid and binding obligations of the Borrower and the Guarantors, enforceable against the Borrower and the Guarantors in accordance with their respective terms, except to the extent the enforceability hereof and thereof may be limited by applicable laws affecting creditors, rights generally and by equitable principles.

5.12 Governmental Consent. To the best knowledge of the Borrower and the

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Guarantors, the Borrower and the Guarantors are not required to obtain any order, consent, approval or authorization of, and are not required to make any declaration or filing with, any governmental authority in connection with the execution and delivery of this Loan Agreement, the Revolving Credit Notes, the Guaranty Agreements, and the other Loan Documents to which the Borrower and the Guarantors are party.

5.13 Environmental Matters. Except as disclosed in the Existing Studies

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(as defined in the 1997A Loan Agreement) delivered to the Agent Bank:

A. The Borrower and the Guarantors have duly complied in all material respects with, and their businesses, operations, assets, equipment, leaseholds and facilities, including, without limitation, the Real Property, are in material compliance with, the provisions of all federal, state and local environmental, health and safety laws, codes and ordinances, and all rules and regulations promulgated thereunder, including, without limitation, all the Relevant Environmental Laws and all other laws and regulations with respect to reporting releases of Hazardous Materials and the registration and maintenance of underground storage tanks.

B. The Borrower and the Guarantors have been issued, and will maintain, all required federal, state and local permits, licenses, certificates and approvals relating to (i) air emissions; (ii) discharges to surface water or ground water; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation or disposal of Hazardous Materials; and (vi) other environmental, health or safety matters.

C. The Borrower has not received notice of violations of any federal, state or local environmental, health or safety laws, codes or ordinances, or any rules or regulations promulgated thereunder, including, without limitation, any of the Relevant Environmental Laws, which relate to the use, ownership or occupancy of any of the Real Property and the Borrower and the Guarantors are not in violation in any material respect of any covenants, conditions, easements, rights of way or restrictions affecting any of the Real Property or any rights appurtenant thereto.

D. Except in accordance with a valid governmental permit, license, certificate or approval, to the Borrower's knowledge there has been no emission, spill, release, discharge or threatened release into or upon (i) the air; (ii) the soils or any improvements located thereon; (iii) the surface water or ground water; or (iv) the sewer, septic system or waste treatment, storage or disposal system servicing any of the Real Property, of any Hazardous Material at, upon, under, in or from any of the Real Property (any of which is hereafter referred to as a "Hazardous Discharge").

E. There has been no complaint, order, directive, claim, citation or notice by any governmental authority or any other Person concerning any violation of Relevant Environmental Laws with respect to (i) air emissions; (ii) spills, releases or discharges to soils or any improvements located thereon, surface water, ground water or the sewer, septic system or waste treatment, storage or disposal systems servicing the Real Property; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation or disposal of Hazardous Materials; or (vi) other environmental, health or safety matters, affecting any of the Borrower and the Guarantors, any of the Real Property, any improvements located thereon or the business conducted thereon (any of which is hereafter referred to as an "Environmental Complaint").

F. Hazardous Materials disposed of, treated or stored on or off-site of any Real Property owned, leased or operated at any time by the Borrower or the Guarantors has been disposed of, treated and stored in compliance in all material respects with all applicable laws, codes and ordinances and all rules and regulations promulgated thereunder, including, without limitation, all Relevant Environmental Laws.

G. Except as set forth in the Existing Studies and for supplies that are to be used or sold in the ordinary course of the respective businesses of the Borrower and the Guarantors and in full compliance with all applicable laws, codes and ordinances, to our knowledge all of the Real Property are free of all (i) Hazardous Materials; (ii) underground storage tanks; and (iii) underground pipelines. Except for materials used in the ordinary course of business, neither the Borrower nor any Guarantor has stored, treated or disposed of any Hazardous Materials on, in or under any of the Real Property, or any part thereof, nor permitted the Real Property, or any part thereof, to be used for the storage, treatment or disposal of Hazardous Materials. Except for the material used in the ordinary course of business, to the Borrower's knowledge there has been no storage, treatment, disposal or release of Hazardous Materials on, in or under the Real Property at any time by any Person.

H. Except in accordance with a valid required governmental permit, license, certificate or approval, neither the Borrower nor any Guarantor has transported or accepted for transport any Hazardous Materials.

I. To their knowledge, the Borrower and the Guarantors have provided the Agent Bank with true, accurate and complete information pertaining to the environmental history of all of the Real Property. The Borrower and the Guarantors shall furnish promptly to the Agent Bank true, accurate and complete copies of all sampling and test results obtained from all environmental and/or health samples and tests taken at and around any of the Real Property.

J. The Borrower and the Guarantors are not aware of any claims or litigation, and none of them have received any communication from any Person (including, without limitation, any governmental authority), concerning the presence of Hazardous Materials or concerning any violation or alleged violation of the Relevant Environmental Laws. The Borrower agrees promptly to notify the Agent Bank of any such claims and to furnish the Agent Bank of any such claims and to furnish the Agent Bank with a copy of any such communications received after the date hereof.

#### 5.14 Year 2000 Representations.

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A. All devices, systems, machinery, information technology, computer software and hardware, and other date sensitive technology (jointly and severally the "Systems") owned and necessary for the Borrower and the Guarantors to carry on their businesses as presently conducted and as contemplated to be conducted in the future are Year 2000 Compliant or will be Year 2000 Compliant within a period of time calculated to result in no material disruption of any of the Borrower's or the Guarantors' business operations taken as a whole. For purposes of these provisions, "Year 2000 Compliant" means that such Systems are designed to be used prior to, during and after the Gregorian calendar year 2000 A.D. and will operate during each such time period without material error relating to date data, specifically including any error relating to, or the product of, date data which represents or references different centuries or more than one century.

B. The Borrower and the Guarantors have: (i) undertaken a detailed inventory, review, and assessment of all areas within their businesses and operations that could be adversely affected by the failure of the Borrower or the Guarantors to be Year 2000 Compliant on a timely basis; (ii) developed a detailed plan and time line for becoming Year 2000 Compliant on a timely basis; and (iii) to date, implemented that plan in accordance with that timetable in all material respects.

C. The Borrower and the Guarantors have made written inquiry of each of its key suppliers, vendors, and customers, and has obtained in writing confirmations from all such persons, as to whether such persons have initiated programs to become Year 2000 Compliant and on the basis of such confirmations, the Borrower and the Guarantors reasonably believe that all such persons will be or become so compliant. For purposes hereof, "key suppliers, vendors, and customers" refers to those suppliers, vendors, and customers of the Borrower and the Guarantors whose business failure would, with reasonable probability, result in a material adverse change in the business, properties, condition (financial or otherwise), or prospects of the Borrower or the Guarantors, taken as a whole. For purposes of this paragraph, Agent Bank and each Bank, as a lender of funds under the terms of the Credit Facility, confirms to the Borrower and the Guarantors that Agent Bank has initiated its own corporate-wide Year 2000 program with respect to its lending activities.

SECTION 6  
AFFIRMATIVE COVENANTS  
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The Borrower and the Guarantors hereby covenant and agree that until the Revolving Credit Notes and the other Obligations have been respectively paid in full to the Banks, and the Swing Line Credit Subfacility and the Letter of Credit Subfacility have been terminated, the Borrower and the Guarantors will perform and observe all of the following provisions:

6.1 Corporate Existence and Good Standing. Each of the Borrower and the

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Guarantors shall preserve its corporate existence in good standing and shall be and remain qualified to do business and in good standing in all states and countries in which it is required to be so qualified and where the failure to be so qualified would have a material adverse effect upon the business of such entity.

6.2 Money Obligations, Payment of Taxes, ERISA, etc.

A. Governmental Obligations. The Borrower and the Guarantors will

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pay promptly as they become due and payable all taxes, assessments and other governmental charges levied upon them or their income or upon any of their properties or assets or in respect of their franchises, businesses, income or profits, or upon any part thereof, as well as all lawful claims of any kind (including claims for labor, materials and supplies) which, if unpaid, might by law become a lien or a charge upon their property before any of the same become delinquent; provided that no such tax, assessment or charge need be paid if being contested in good faith and by appropriate proceedings promptly initiated and diligently conducted by the Borrower and the Guarantors and if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor. The Borrower and the Guarantors will satisfy or cause to be satisfied the minimum annual funding standard within the meaning of ERISA for any employee benefit plan established or maintained by the Borrower and the Guarantors which is subject to ERISA, and the Borrower and the Guarantors will not permit any tax or penalty to be incurred by it as a result of any failure to satisfy any such minimum funding requirement or as a result of any violation of the provisions of Section 4975 of the Code, or of any regulation issued thereunder.

B. Other Obligations. The Borrower and the Guarantors will pay in

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full all their other debts, obligations and liabilities allowed hereunder before the same become delinquent, unless the same are being contested in good faith by the Borrower and the Guarantors, the Borrower and the Guarantors have established adequate reserves for the payment of the same in accordance with GAAP, and the contesting thereof does not involve the risk of forfeiture or loss of any of the assets of the Borrower or the Guarantors.

6.3 Financial Statements and Reports. The Borrower will furnish to the

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Agent Bank the information required below at the times set forth below:

A. Quarterly Statements. The Borrower, for itself and for the

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Guarantors, shall furnish to the Agent Bank, as soon as available, and in any event within forty-five (45) days after the end of each Fiscal Quarter of the Borrower, a copy of the Borrower's Form 10-Q.

B. Annual Statements. The Borrower, for itself and for the

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Guarantors, shall furnish to the Agent Bank, as soon as available, and in any event within ninety (90) days after the end of the Fiscal Year of the Borrower, a copy of the Borrower's Form 10-K accompanied with the auditor's management letter in addition to any other financial statements and reports that the Banks may, in their sole discretion, reasonably request from time to time.

C. Compliance Certificate. Together with the delivery to the Agent

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Bank of the financial statements referred to in subparts (A) and (B) above, the Borrower, for itself and the Guarantors, shall deliver to the Agent Bank a Compliance Certificate in substantially the form of Exhibit G hereto with all

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blanks completed and (x) stating that the Authorized Officer of the Borrower, for itself and the Guarantors, signing the Compliance Certificate has reviewed the relevant terms of this Loan Agreement, the Revolving Credit Notes, the Negative Pledge Agreement and the other Loan Documents to which the Borrower and the Guarantors are party, and such Authorized Officer has no actual knowledge (after making such inquiry as is consistent with the scope of his or her duties) of any event or condition which constitutes an Event of Default hereunder, or, if any such condition or event existed or

exists, specifying the nature and period of existence thereof and what action the Borrower has taken or is taking or proposes to take with respect thereto, and (y) demonstrating in reasonable detail compliance at the end of such accounting period with Sections 7.6 through 7.8 of this Loan Agreement to the extent applicable to such period.

D. Events of Default. Forthwith upon any Authorized Officer of the

Borrower obtaining knowledge of, or receiving notice of any claim of or action taken with respect to, any condition or event which constitutes a Potential Default or an Event of Default hereunder, the Borrower, for itself and the Guarantors, shall furnish to the Agent Bank a certificate specifying the nature and period of existence thereof and what action the Borrower has taken or is taking or proposes to take with respect thereto.

E. Reports from CPAs. Promptly upon receipt thereof, the Borrower,

for itself and the Guarantors, shall furnish to the Agent Bank copies of any reports (including management letters, if any) submitted to the Borrower and the Guarantors by independent certified public accountants in connection with the examination of the financial statements of the Borrower and the Guarantors made by such accountants.

F. Other Information. With reasonable promptness, the Borrower

shall furnish to the Agent Bank such other information and data with respect to the Borrower and the Guarantors as from time to time may be reasonably requested by the Banks.

The Banks shall keep confidential all of the financial statements and other information, unless otherwise publicly available furnished to the Banks pursuant to this Loan Agreement, except that each Bank shall have the right to furnish copies of such financial statements and other information furnished to such Bank to financial institutions which purchase interests in the Revolving Credit Facility pursuant to Section 11 hereof and governmental agencies having jurisdiction over such Bank and which request copies of such financial statements and/or other information. Such Bank will promptly inform the Borrower each time such Bank is obligated or required to deliver any such financial statements and other information to any such governmental agency having jurisdiction over such Bank.

6.4 Financial Records; Inspection.

A. System of Accounting. The Borrower and the Guarantors will

maintain a standard, modern system of accounting established and administered in accordance with GAAP consistently applied, in which full, true and correct entries shall be made of all dealings and transactions in relation to the Borrower's and the Guarantors' businesses and affairs, and will set aside on their books all such proper reserves as shall be required by GAAP.

B. Access to Books and Records. The Borrower and the Guarantors

will permit any authorized representative designated by any Bank to inspect any of the properties of the Borrower and the Guarantors, including their books of account (and to make copies thereof and to take extracts therefrom), and to discuss their affairs, finances and accounts with their officers and with their independent accountants, all at such reasonable times and as often as may be reasonably requested. Discussions with independent accountants shall be requested in writing. Such inspection shall be for the information and benefit of the Banks and, unless otherwise publicly available, any information obtained thereby or otherwise pursuant thereto shall not be divulged to others except in connection with the enforcement of the rights of the Banks upon the occurrence of an Event of Default hereunder or to financial institutions which purchase interests in the Revolving Credit Facility pursuant to Section 11 hereof and except as may be required by law or by any governmental agency having jurisdiction over any Bank. Each Bank will promptly inform the Borrower each time such Bank is obligated or required to deliver any such information to any governmental agency having jurisdiction over such Bank.

6.5 Maintenance of Properties, etc. The Borrower and the Guarantors will,

insofar as they are not prevented by causes beyond their control, maintain or cause to be maintained in good repair, working order and condition, ordinary wear and tear excepted, all properties used or useful in the businesses of the Borrower and the Guarantors. The Borrower and the Guarantors will maintain or cause to be maintained, with financially sound and reputable insurers, insurance with respect to their properties and businesses against loss or damage of the kinds customarily insured against by corporations of established reputation engaged in the same or a similar business and similarly situated, in such types and amounts as are customarily carried under similar circumstances by such other corporations. The Banks have no basis to conclude that the current insurance of the Borrower and the Guarantors, including their current worker's compensation insurance, is deficient in any material respect.

6.6 Permits, Certificates, Leases, Licenses. The Borrower and the

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Guarantors will obtain, maintain and comply at all times, in all material respects, with all permits, certificates, licenses, approvals, authorizations, leases and other instruments necessary or appropriate for the conduct of their businesses as presently conducted or as contemplated to be conducted in the future.

6.7 Notice. The Borrower will notify the Agent Bank in writing, within no

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more than ten (10) calendar days (and without the benefit of any grace period afforded in any provision of this Loan Agreement or the other Loan Documents) after any Authorized Officer of the Borrower learns of any of the following: (i) the existence or occurrence of any Event of Default under this Loan Agreement, (ii) that any representation or warranty made herein or in any other Loan Document shall, for any reason, not be or shall cease in any material respect to be true and complete and not misleading, (iii) the institution of, or adverse determination in, any material arbitration proceeding, including, without limitation, an audit or examination by the Internal Revenue Service, involving the Borrower and the Guarantors and describing the nature and result thereof, and what steps are being taken by the Borrower and the Guarantors with respect thereto, or (iv) the institution of, or adverse determination in, any litigation involving a claim against the Borrower and the Guarantors in excess of the sum of Five Million Dollars (\$5,000,000) not covered by applicable insurance, describing the nature and result thereof, and what steps are being taken by the Borrower and the Guarantors with respect thereto.

6.8 Payment of Obligations. The Borrower will pay the Revolving Credit

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Notes and the other Obligations timely in accordance with their respective terms in legal tender of the United States of America. All payments on the Revolving Credit Notes and the other Obligations shall be made to the Banks, respectively, in "good and collected funds," at the principal office of the Agent Bank not later than 12:00 noon (Louisville, Kentucky time) on the date due; funds received by the Agent Bank after that hour shall be deemed to have been received on the next following Business Day.

6.9 Environmental Matters. The Borrower and the Guarantors hereby warrant

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that, to the best of their knowledge, the Borrower's assets are now, and so long as the Revolving Credit Facility, the Swing Line Loans and the Letters of Credit continue in effect, will remain materially free of contamination by hazardous, dangerous, contaminating, noxious or unsafe materials except as such materials are stored, handled, used and disposed of in the ordinary course and in compliance with the Relevant Environmental Laws. Subject to the right of the Borrower and the Guarantors to contest any alleged violation of any environmental law, regulation and requirement in good faith and with due diligence, and provided that no such contesting will result in the loss or forfeiture of any assets of the Borrower and the Guarantors or otherwise have a material adverse effect on the financial condition of the Borrower and the Guarantors taken as a whole, the Borrower and the Guarantors further covenant to comply in all material respects with all applicable environmental laws, regulations and requirements, and the Borrower and the Guarantors covenant and agree to remedy any violation of any environmental law, regulation and requirement, promptly upon the Borrower's learning of such violation. The Borrower and the Guarantors further hereby agree to indemnify and hold the Banks harmless from any expense, loss, claim, suit or fee arising out of any such contamination or noncompliance or the Borrower's breach of the provisions of this Section 6.9.

6.10 Insurance. The Borrower and the Guarantors shall maintain insurance

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as follows:

A. Liability Insurance. The Borrower and the Guarantors at their

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own cost and expense, shall procure, maintain and carry in full force and effect general liability, public liability, workers' compensation liability and property damage insurance with respect to the actions and operations of the Borrower and the Guarantors to such extent, in such amounts and with such deductibles as are carried by prudent businesses similarly situated. Without limiting the foregoing, such insurance shall insure against any liability for loss, injury, damage or claims caused by or arising out of or in connection with the operation of the Borrower's and the Guarantors' respective businesses including injury to or death of any of the Borrower's and the Guarantors' employees, agents or any other persons and damage to or destruction of public or private property.

B. Physical Damage Insurance. The Borrower and the Guarantors at

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their own cost and expense, shall insure all of their insurable properties to such extent, against such hazards (excluding, without limitation, environmental hazards), in the amount of coverage and with such deductibles as are carried by prudent businesses similarly situated, but in any event in amounts of coverage not less than the insurable value of the property insured.



C. General Insurance Requirements.

(i) All insurance which the Borrower and the Guarantors are required to maintain shall be satisfactory to the Agent Bank in form, amount and insurer. Such insurance shall provide that any loss thereunder shall be payable notwithstanding any action, inaction, breach of warranty or condition, breach of declarations, misrepresentation or negligence of the Borrower and the Guarantors.

(ii) If the Borrower and the Guarantors fail to acquire any policy of insurance required to be maintained pursuant to this Section, or fail to renew or replace any such policy at least ten (10) days prior to the expiration thereof, or fail to keep any such policy in full force and effect, the Agent Bank shall have the option (but not the obligation) to pay the premiums on any such policy of insurance or to take out new insurance in amount, type, coverage and terms satisfactory to the Agent Bank, after first notifying the Borrower of the Agent Bank's intent to pay it. Any amounts paid therefor by the Agent Bank shall be immediately due and payable to the Agent Bank by the Borrower upon demand. No exercise by the Agent Bank of such option shall in any way affect the provisions of this Agreement, including the provision that failure by the Borrower and the Guarantors to maintain the prescribed insurance shall constitute an Event of Default.

6.11 Environmental Compliance.

A. The Borrower shall notify the Agent Bank promptly and in reasonable detail in the event that the Borrower becomes aware of the presence of Hazardous Materials (other than as used in ordinary course of business) or a violation of the Relevant Environmental Laws resulting from or in connection, directly or indirectly, with the business or operations of the Borrower or the Guarantors.

B. The Borrower shall ensure that its business and operations and those of the Guarantors comply and continue to comply in all material respects with the Relevant Environmental Laws.

C. Should the Borrower or the Guarantors conduct any business or operations in such a way as to subject any of the Borrower or the Guarantors or the Agent Bank to a claim or violation of the Relevant Environmental Laws (unless contested in good faith), the Borrower or the Guarantors shall prudently and appropriately remedy and fully cure any conditions arising therefrom, at their own cost and expense.

D. At their sole cost and expense, the Borrower and the Guarantors shall:

(i) Pay or cause to be paid immediately when due the cost of compliance with the Relevant Environmental Laws; and

(ii) Keep the Borrower's business, assets and operations and those of the Guarantors free of any lien imposed pursuant to the Relevant Environmental Laws.

E. The Agent Bank shall not be liable for, and the Borrower and the Guarantors shall immediately pay to the Agent Bank when incurred and shall indemnify, defend and hold the Agent Bank harmless from and against, all loss, cost, liability, damage and expense (including, without limitation, reasonable attorneys' fees and costs incurred in the investigation, defense and settlement of claims) that the Agent Bank may suffer or incur as mortgagee (as holder of or assignee in possession or as successor in interest to the Borrower and the Guarantors as owner of a lease, by virtue of exercising the Agent Bank's right pursuant to a security interest thereof) as a result of or in connection in any way with any of the Relevant Environmental Laws (including, without limitation, the assertion that any lien existing pursuant to the Relevant Environmental Laws takes priority over the lien or security interest of the Agent Bank's), or any environmental assessment or study from time to time reasonably undertaken or requested by Agent Bank or breach of any covenant or undertaking by the Borrower and the Guarantors concerning Relevant Environmental Laws.

F. There shall not occur any unpermitted Hazardous Discharge or material Environmental Complaint.

6.12 Material Change in Management. The Borrower shall notify the Agent

Bank of any material change in its management from that existing on the date of this Agreement.

6.13 Year 2000 Compliance. For the period through June 30, 2000, the

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Borrower and Guarantors will:

A. Furnish such additional information, statements and other reports with respect to Borrower's and Guarantors' activities, course of action and progress towards becoming Year 2000 Compliant as Agent Bank may request from time to time.

B. In the event of any change in circumstances that causes or will likely cause any of Borrower's or any Guarantor's representations and warranties with respect to its being or becoming Year 2000 Compliant to no longer be true in any material respect (hereinafter, referred to as a "Change in Circumstances"), promptly, and in any event within ten (10) days of receipt of information regarding a Change in Circumstances, provide Agent Bank with written notice (the "Notice") that describes in reasonable detail the Change in Circumstances and how such Change in Circumstances caused or will likely cause its representations and warranties with respect to being or becoming Year 2000 Compliant to no longer be true in any material respect. Borrower shall, within ten (10) days of a request, also provide Agent Bank with any additional information Agent Bank requests of Borrower in connection with the Notice and/or a Change in Circumstances.

C. Give any representative of Agent Bank access during all business hours to, and permit such representative to examine, copy or make excerpts from, any and all books, records and documents in the possession of Borrower or Guarantors and relating to their affairs, and to inspect any of the properties and Systems of Borrower and Guarantors, and to project test the Systems to determine if they are Year 2000 Compliant in an integrated environment, all at the sole cost and expense of Agent Bank.

SECTION 7  
NEGATIVE COVENANTS  
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The Borrower and the Guarantors hereby covenant and agree that until the Revolving Credit Notes, and the other Obligations have been respectively paid in full to the Banks, and the Swing Line Credit Subfacility and Letter of Credit Subfacility have been terminated, the Borrower and the Guarantors will perform and observe all of the following provisions:

7.1 Mergers, Acquisitions and Other Extraordinary Events. Without the  
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prior written consent of the Agent Bank which shall not be unreasonably withheld or delayed, the Borrower and the Guarantors shall not:

A. Be a party to any consolidation, reorganization (including without limitation those types referred to in Section 368 of the United States Internal Revenue Code of 1986, as amended), recapitalization, "stock-swap" or merger; or

B. Sell or otherwise transfer any material part (10% or more) of their assets; or

C. Allow a Change in Control to occur with respect to the Borrower;  
or

D. Liquidate or dissolve or take any action with a view toward liquidation or dissolution; or

E. Purchase all or a substantial part of the capital stock or assets of any corporation or other business enterprise if (i) such purchase involves consideration, including assumption of Funded Debt, in excess of Ten Million Dollars (\$10,000,000) for any single transaction or (ii) such purchase, when combined with other such transactions occurring in the same Fiscal Year, involves consideration, including assumption of liabilities, in excess of Twenty Million Dollars (\$20,000,000) in the aggregate.

An acquisition that can be accomplished without violating Section 7.1E or that has been consented to in writing by the Majority Banks as defined in Section 15.10 pursuant to this Section 7.1 shall be known as a "Permitted Acquisition."

7.2 Indebtedness, Guaranties, etc. The Borrower and the Guarantors will

not, without the prior written consent of the Agent Bank, directly or indirectly, create, incur, assume, guarantee, agree to purchase or repurchase or provide funds in respect of, or otherwise become liable with respect to any Funded Debt other than:

A. The Revolving Credit Facility;

B. The Swing Line Credit Subfacility;

C. The Letter of Credit Subfacility;

D. Funded Debt, other than under Sections 7.2A., 7.2B., and 7.2C., that is unsecured debt is an aggregate amount not exceeding five million dollars (\$5,000,000);

E. Funded Debt, other than under Sections 7.2A., 7.2B., and 7.2C., that is secured by a purchase money lien on tangible or intangible personal property, which lien is permitted under Section 7.4 hereof.

F. Any guaranty by the Borrower or a Guarantor of Funded Debt incurred by the Borrower or the Guarantor that is allowable under and included within Sections 7.2D., and 7.2E.; and

G. Inter-Borrower Notes.

7.3 Use of Assets. The Borrower and the Guarantors will not use, or cause

or permit the use of, any of their assets in any manner prohibited by law, governmental regulations or applicable insurance policies.

7.4 Mortgages, Liens, Encumbrances, Security Interests, Assignments, etc.

The Borrower and the Guarantors will not, without the prior written consent of the Agent Bank, directly or indirectly create, incur, assume or permit to continue in existence any mortgage, lien, charge or encumbrance on, or security interest in, or pledge or deposit of, or conditional sale or other title retention agreement (including any lease which would constitute Funded Debt), or assignment of, with respect to, any property or asset now owned or hereafter acquired by the Borrower and the Guarantors; provided, however, that the restrictions in this Section 7.4 shall not prohibit:

A. Liens on assets as of the Closing Date and which have been disclosed to Agent Bank in Schedule 7.4 hereto or secure a debt in an amount less than \$100,000;

B. Liens on assets acquired by the Borrower or any Guarantor in a Permitted Acquisition (as defined in Section 7.1 hereof);

C. Liens on assets that are owned by the Borrower or any Guarantor, other than under 7.4A, 7.4B, and 7.4D., so long as the aggregate value of such assets does not exceed 20% of the Borrower's Net Worth at the time such liens are granted;

D. Liens on assets that are acquired or constructed by Borrower or any Guarantor, other than under 7.4A., 7.4B., and 7.4C., under a capital leasing or purchase money borrowing arrangement, so long as the aggregate value of such assets does not exceed 20% of the Borrower's Net Worth at the time such liens are granted;

E. Liens for taxes, assessments or governmental charges not yet due and payable or the payment of which is not at the time required for the reasons set forth by the proviso to the first sentence of Section 6.2A; and

F. Liens incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance and other types of social security or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, performance and return of money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money) for sums not yet due or being contested in good faith and by appropriate proceedings promptly initiated and diligently conducted, if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor.

7.5 Nature of Businesses. The Borrower and the Guarantors will not,

without the prior written consent of the Agent Bank in every specified instance, engage in any businesses other than the businesses conducted as of the Closing Date and all businesses incidental thereto.

7.6 Fixed Charge Coverage Ratio. The Borrower shall not permit the Fixed Charge Coverage Ratio for any period of four consecutive Fiscal Quarters, to fall below 2.25 to 1.0 as of the end of each Fiscal Quarter.

7.7 Ratio of Adjusted Funded Debt to EBITDA. The Borrower shall not permit the ratio of Adjusted Funded Debt to EBITDA for any period of four consecutive Fiscal Quarters, to exceed 3.00 to 1.00, calculated as of the end of each Fiscal Quarter.

7.8 Minimum Net Worth. The Borrower shall not permit its Net Worth for any period of four consecutive Fiscal Quarters, calculated as of the end of each Fiscal Quarter during the term of this Agreement, to be less than the sum of (i) 85% of the minimum Net Worth amount on the consolidated financial statements of the Borrower as of September 26, 1999, plus (ii) 50% of Net Income earned in each Fiscal Quarter ended subsequent to the Closing Date, plus (iii) 100% of equity raised or contributed. For purposes of calculating Net Worth under this Section 7.8, any net losses hereafter incurred by the Borrower as of the end of a Fiscal Quarter will be treated as \$0 earnings for purposes of calculating the Minimum Net Worth requirement.

7.9 Interest Rate Agreements. The Borrower and the Guarantors will not enter into any Interest Rate Agreement unless (i) such Interest Rate Agreement is intended to fix or establish a maximum interest rate in respect of Indebtedness with a notional amount not in excess of the Revolving Loan Commitments and is embodied in a standard ISDA form of agreement which is acceptable to the Banks with respect to any intercreditor issues, (ii) the Borrower and the Guarantors promptly provide a true and complete copy of such Interest Rate Agreement to the Agent Bank, on behalf of itself and the Banks. At or following the effective date of any such Interest Rate Agreement, the Agent Bank may, upon written notification to the Borrower and the Guarantors and the Banks and such counterparty, designate (which designations shall be made only upon the instructions or with the consent of the Majority Banks) the credit exposure of such counterparty under such Interest Rate Agreement as an obligation entitled to share, pari passu with the Obligations, in respect to the benefits provided by the collateral under the Loan Documents, in accordance with the applicable provisions of the Loan Documents, and if the Agent Bank so designates such credit exposure, the applicable Interest Rate Agreement of such counterparty shall be considered a "Designated Interest Rate Agreement."

SECTION 8  
EVENTS OF DEFAULT; ACCELERATION

8.1 Events of Default. The following events shall constitute Events of Default under this Loan Agreement:

A. The failure by the Borrower to pay any principal of any Revolving Credit Note when the same becomes due and payable or the failure of the Borrower to pay any interest thereon within five (5) days of the date when the same becomes due and payable; or

B. The failure by the Borrower to reimburse the Agent Bank upon demand for any draft honored by the Agent Bank under any Letter of Credit now or hereafter issued by the Agent Bank for the account of the Borrower; or

C. The failure by the Borrower or a Guarantor to perform or observe any of the provisions of Sections 7.1, 7.6, 7.7 or 7.8; or

D. The failure by the Borrower or a Guarantor to perform or observe any of the provisions of Sections 6.10, 7.2, 7.3, 7.4, 7.5 or 7.9 hereof, and such default continues for twenty (20) days after a Financial Officer or the chief executive officer of the Borrower has knowledge of such failure or for twenty (20) days after written notice of such failure shall have been delivered to Borrower by any Bank; or

E. The Borrower or a Guarantor shall default in the performance of or compliance with any covenant, obligation or provision contained in this Loan Agreement (other than those referred to above in this Section 8.1A., and any such default shall not have been remedied within thirty (30) days after written notice of such default shall have been delivered to the Borrower; or

F. If any material representation or warranty made in writing by or on behalf of the Borrower or a Guarantor herein or pursuant hereto or otherwise in connection with the Revolving Credit Facility, the Swing Line Credit Subfacility and/or the Letter of Credit Subfacility shall have been materially false or misleading or incorrect when made and the Authorized Officer on behalf of the Borrower knew or should have known of the falsity, misleading nature of or incorrectness of such representation or warranty when it was made; or

G. The failure of the Borrower or a Guarantor to pay any of its Funded Debt (other than Funded Debt with respect to the Revolving Credit Facility) which in the aggregate exceeds Ten Million Dollars (\$10,000,000), when due or within any grace period afforded the Borrower or a Guarantor for paying the same, or the acceleration of the maturity of any such Funded Debt by the holder thereof, other than any such Funded Debt with respect to which the Borrower or a Guarantor is contesting in good faith the validity, amount and/or the Borrower or a Guarantor's liability therefor and for which adequate reserves have been established on the books of the Borrower or a Guarantor in accordance with GAAP; or

H. If any of the Borrower or a Guarantor shall (i) file a petition for an order of relief under the federal bankruptcy laws (as in effect on the date of this Agreement or as they may be amended from time to time); (ii) admit its inability to pay its debts generally as they become due; (iii) become insolvent in that its total assets are in the aggregate worth less than all of its liabilities or it is unable to pay its debts generally as they become due; (iv) make a general assignment for the benefit of creditors; (v) file a petition, or admit (by answer, default or otherwise) the material allegations of any petition filed against it, in bankruptcy under the federal bankruptcy laws (as in effect on the date of this Agreement or as they may be amended from time to time), or under any other law for the relief of debtors, or for the discharge, arrangement or compromise of its debts; or (vi) consent to the appointment of a receiver, conservator, trustee or liquidator of all or part of its assets; or

I. If a petition shall have been filed against the Borrower or a Guarantor in proceedings under the federal bankruptcy laws (as in effect on the date of this Agreement, or as they may be amended from time to time), or under any other laws for the relief of debtors, or for the discharge, arrangement or compromise of its debts, or an order shall be entered by any court of competent jurisdiction appointing a receiver, conservator, trustee or liquidator of all or part of the assets of the Borrower or a Guarantor, and such petition or order is not dismissed or stayed within sixty (60) consecutive days after entry thereof; or

J. If a final uninsured judgment or judgments shall be rendered against any of the Borrower or a Guarantor in an aggregate amount exceeding Five Million Dollars (\$5,000,000) and (i) if, prior to the availability of any execution thereon, such judgment(s) shall not have been discharged or execution thereof shall not have been stayed pending appeal, or if, after the expiration of any such stay, such judgment(s) shall not have been discharged, or (ii) the Borrower shall not have established adequate reserves on its books in respect of such final uninsurable judgment or judgments; or

K. In the event the Borrower experiences a Change in Control without the prior written consent of the Banks; or

L. The occurrence of any event of default or default under any of the Loan Documents; or

M. The occurrence of any event of default or default under any note, loan agreement, security agreement, mortgage or instrument (other than the Loan Documents) evidencing or securing indebtedness of the Borrower which in the aggregate exceeds Ten Million Dollars (\$10,000,000).

Upon the occurrence of any Event of Default described in clauses H or I of this Section 8 with respect to the Borrower, the unpaid principal balance of each of the Revolving Credit Notes, and the other Obligations, together with all accrued interest thereon, shall automatically become immediately due and payable, without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by the Borrower. Upon the occurrence of any other Event of Default referred to in this Section 8, the Agent Bank, on behalf of the Banks, subject to the provisions of Section 10.4 hereof, may at any time at its option, by written notice to the Borrower, declare the unpaid principal balance of and all accrued and unpaid interest on each of the Revolving Credit Notes and the other Obligations to be immediately due and payable in full to the Banks, as applicable, without presentment, demand, protest or other requirements of any kind, all of which are hereby waived by the Borrower.

SECTION 9  
REMEDIES UPON DEFAULT, ETC.  
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9.1 Defaults. Upon the occurrence and during the continuation of any  
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Event of Default, the Banks may proceed to protect and enforce their rights by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in the Revolving Credit Notes or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any right, power or remedy granted hereby or thereby or by law or pursuant to the other Loan Documents.

9.2 Offset. If any Event of Default shall occur and be continuing and  
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regardless of whether or not the Banks have accelerated the maturity date of the Revolving Credit Notes, and/or the other Obligations, each Bank shall have the right then, or at any time thereafter, to set off against any and all deposit balances and other sums and Funded Debt and other property then held or owned by such Bank to or for the credit or account of the Borrower, all without notice to or demand upon the Borrower or any other Person, all such notices and demands being hereby expressly waived by the Borrower.

9.3 Rights Cumulative. All of the rights and remedies of the Banks upon  
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the occurrence of an Event of Default hereunder shall be cumulative to the greatest extent permitted by law, and shall be in addition to all those rights and remedies afforded the Banks at law or in equity.

9.4 Payment of Costs and Expenses. All of the reasonable costs,  
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expenses, damages and liabilities, including, without limitation, all reasonable attorneys' fees, incurred by and imposed upon any Bank with respect to, in connection with the enforcement of this Loan Agreement or any other Loan Document or collection of amounts due hereunder or thereunder or the proof and allowability of any claim arising under this Loan Agreement or any other Loan Document, whether in bankruptcy or receivership proceedings or otherwise, and in any workout or restructuring or in connection with the protection, preservation, exercise or enforcement of any of the terms hereof or of any rights hereunder or under any other Loan Document or in connection with any foreclosure, collection or bankruptcy proceedings, in connection with or as a result of any action taken or omitted to be taken pursuant to this Loan Agreement, the Revolving Credit Notes, or the other Loan Documents shall be paid by, and shall be the sole responsibility of, the Borrower.

SECTION 10  
THE AGENT BANK  
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10.1 Appointment. Each Bank hereby irrevocably designates, appoints and  
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authorizes the Agent Bank to act as the agent bank under this Loan Agreement and to execute and deliver or accept on behalf of each of the Banks the other Loan Documents. Each Bank hereby irrevocably authorizes, and each holder of any Revolving Credit Note by the acceptance of such Revolving Credit Note shall be deemed irrevocably to authorize, the Agent Bank to take such action on behalf of such Bank and such holder under the provisions of this Loan Agreement and the other Loan Documents and any other instruments and agreements referred to herein, and to exercise such powers and to perform such duties hereunder as are specifically delegated to or required of the Agent Bank by the terms hereof, together with such powers as are reasonably incidental thereto. The Agent Bank agrees to act as the agent bank to the extent provided in this Loan Agreement.

10.2 Delegation of Duties. The Agent Bank may perform any of its duties  
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hereunder by or through agents or employees (provided such delegation is exercised with reasonable care and does not constitute a relinquishment of its duties as Agent Bank) and, subject to Sections 10.5, 10.6 and 10.7 hereof, shall be entitled to engage and pay for the advice or services of any attorneys, accountants or other experts concerning all matters pertaining to its duties hereunder and to rely upon any advice so obtained, provided reasonable care is used in the selection of the foregoing experts.

10.3 Nature of Duties; Independent Credit Investigation. The Agent Bank  
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shall have no duties or responsibilities except those expressly set forth in this Loan Agreement and the other Loan Documents and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Loan Agreement or shall otherwise exist. The duties of the Agent Bank shall be mechanical and administrative in nature and shall include the duty to provide to each Bank an executed original of such Bank's Revolving Credit Note and an executed

original of this Loan Agreement and a copy of the other Loan Documents; the Agent Bank shall not have by reason of this Loan Agreement a fiduciary or trust relationship in respect of any Bank; and nothing in this Loan Agreement, expressed or implied, is intended to or shall be so construed as to impose upon the Agent Bank any obligations in respect of this Loan Agreement except as expressly set forth herein. Each Bank expressly acknowledges (i) that the Agent Bank has not made any representations or warranties to it and that no act which the Agent Bank hereafter takes, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by the Agent Bank to any Bank; (ii) that it has made and will continue to make, without reliance upon the Agent Bank, its own independent investigation of the financial condition and affairs and its own appraisal of the creditworthiness of the Borrower in connection with this Loan Agreement and the making and continuance of the Loans hereunder; and (iii) except as expressly provided herein, that the Agent Bank shall have no duty or responsibility, either initially or on a continuing basis, to provide any Bank with any credit or other information with respect thereto, whether coming into its possession before the making of any Loan or at any time or times thereafter.

#### 10.4 Actions in Discretion of the Agent Bank; Instructions from the Banks.

The Agent Bank agrees, upon the written request of the Majority Banks, to take or refrain from taking any action of the type specified as being within the Agent Bank's rights, powers or discretion herein; provided that the Agent Bank

shall not be required to take any action which exposes the Agent Bank to legal liability or which is contrary to this Loan Agreement or any other Loan Document or applicable law. In the absence of a request by the Majority Banks, the Agent Bank shall have authority, in its sole discretion, to take or not to take any such action, unless this Loan Agreement specifically requires the consent of the Majority Banks. Any action taken or failure to act pursuant to such instructions or discretion shall be binding on the Banks, subject to the provisions of Section 10.6 hereof. Subject to the provisions of Section 10.6 hereof, no Bank shall have any right of action whatsoever against the Agent Bank as a result of the Agent Bank acting or refraining from acting hereunder in accordance with the instructions of the Banks or, in the absence of such instructions, in the absolute discretion of the Agent Bank.

The consent of the Majority Banks is specifically required before the Agent Bank declares the unpaid principal balance and all accrued and unpaid interest on the Revolving Credit Notes to be immediately due and payable upon the occurrence of an Event of Default described in Section 8.1 hereof, other than in sections H or I thereof. The Banks shall have 48 hours, from the Agent Bank's giving of telephonic or written notice of a request for such consent, to notify the Agent Bank as to whether such consent is granted or withheld, and any Bank that fails to so notify the Agent Bank within such 48 hour period shall be deemed to have consented to the action proposed by the Agent Bank.

#### 10.5 Reimbursement and Indemnification of the Agent Bank and the Banks by

the Borrower. The Borrower unconditionally agrees to pay or reimburse the Agent

Bank and hold the Agent Bank harmless against liability for the payment of all reasonable and necessary out-of-pocket costs, expenses and disbursements for which reimbursement is customarily obtained, including reasonable fees and expenses of counsel and consultants incurred by the Agent Bank (i) in connection with the preparation, negotiation, printing, execution, administration, interpretation and performance of this Loan Agreement and the other Loan Documents and (ii) relating to any requested amendments, waivers or consents pursuant to the provisions hereof. The Borrower unconditionally agrees to pay or reimburse the Agent Bank and each Bank against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Agent Bank and/or any Bank, in its capacity as such, in any way relating to or arising out of this Loan Agreement or any other Loan Document or any action taken or omitted by the Agent Bank and/or any Bank hereunder or thereunder; provided that the Borrower shall not be liable for any

portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (a) if the same results from the bad faith, gross negligence or willful misconduct of the Agent Bank or any Bank, or (b) if the Borrower was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense, or (c) if the same results from a compromise or settlement agreement entered into without the consent of the Borrower, which consent shall not be unreasonably withheld.

#### 10.6 Exculpatory Provisions. Neither the Agent Bank nor any of its

directors, officers, employees, agents or affiliates shall (i) be liable to any Bank for any action taken or omitted to be taken by it or them hereunder, or in connection herewith including pursuant to any other Loan Documents, unless caused by its or their own gross negligence or willful misconduct, (ii) be responsible in any manner to any of the Banks for the effectiveness, enforceability, genuineness, validity or the due execution of this Loan Agreement or any other Loan Document or for any recital, representation, warranty, document, certificate, report or statement herein or made or furnished under or in connection with this Loan Agreement or any other Loan Document, or (iii) be under any obligation to any of the Banks to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions

hereof or thereof on the part of the Borrower, or the financial condition of the Borrower, or the existence or possible existence of any Event of Default or Potential Default under the Loan Documents. Neither the Agent Bank nor any Bank nor any of their respective directors, officers, employees, agents, attorneys or affiliates shall be liable to the Borrower or any other Person for consequential damages resulting from any breach of contract, tort or other wrong in connection with the negotiation, documentation or administration of the Loan Documents or the collection of the Obligations.

10.7 Reimbursement and Indemnification of the Agent Bank by the Banks.  
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Each Bank agrees to reimburse and indemnify the Agent Bank (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so) in proportion to its Revolving Credit Facility Pro Rata Share from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Agent Bank, in its capacity as such, in any way relating to or arising out of this Loan Agreement or any other Loan Document or any action taken or omitted by the Agent Bank hereunder or thereunder, provided that no such reimbursement shall be

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required with respect to expenses incurred by the Agent Bank during the time period through the Closing Date and no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (i) if the same relates to or arises out of the Agent Bank's gross negligence or willful misconduct, or (ii) if such Bank was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense, or (iii) if the same results from a compromise and settlement agreement entered into without the consent of the Bank, which consent shall not be unreasonably withheld.

10.8 Reliance by the Agent Bank. The Agent Bank shall be entitled to rely  
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upon any writing, telegram, telex or teletype message, facsimile, resolution, notice, consent, certificate, letter, cablegram, statement, order or other document or conversation by telephone or otherwise believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon the advice and opinions of counsel and other professional advisers selected by the Agent Bank. The Agent Bank shall be fully justified in failing or refusing to take any action hereunder unless it shall first be indemnified to its satisfaction by the Banks in accordance with their respective Revolving Credit Facility Pro Rata Shares against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

10.9 Notice of Default. The Agent Bank shall not be deemed to have  
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knowledge or notice of the occurrence of any Potential Default or Event of Default unless the loan officer of the Agent Bank, responsible for the Revolving Credit Facility has actual knowledge of such Potential Default or Event of Default or the Agent Bank has received written notice from a Bank or the Borrower referring to this Loan Agreement, specifically describing such Potential Default or Event of Default.

10.10 The Banks in Their Individual Capacities. With respect to its  
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Revolving Loan Commitment, the Agent Bank shall have the same rights and powers hereunder as any other Bank and may exercise the same as though it were not the Agent Bank, and the term "Banks" shall, unless the context otherwise indicates, include the Agent Bank in its individual capacity. Each Bank and its Affiliates may, without liability to account, except as prohibited herein, make loans to, accept deposits from, discount drafts for, act as trustee under indentures of, and generally engage in any kind of banking or trust business with, the Borrower and its Affiliates, in the case of the Agent Bank, as though it were not acting as Agent Bank hereunder and in the case of each Bank, as though such Bank were not a Bank hereunder.

10.11 Holders of Revolving Credit Notes. The Agent Bank may deem and  
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treat any payee of any Revolving Credit Note as the owner thereof for all purposes hereof unless and until written notice of the assignment or transfer thereof shall have been filed with the Agent Bank. Any request, authority or consent of any Person who at the time of making such request or giving such authority or consent is the holder of any Revolving Credit Note shall be conclusive and binding on any subsequent holder, transferee or assignee of such Revolving Credit Note or Term Note or of any Revolving Credit Note issued in exchange therefor.

10.12 Equalization of the Banks. The Banks and the holders of any  
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participations in any Revolving Credit Notes agree among themselves that, with respect to all amounts received by any Bank or any such holder for application to any Revolving Credit Note or under any such participation, whether received by voluntary payment, by the exercise of the right of setoff or banker's lien, by counterclaim or by any other non-pro rata source, equitable adjustment will be made in the manner stated in the following sentence so that, in effect, all such excess amounts will be shared ratably among the Banks and such holders in proportion to their interests in payments under the Revolving Credit Notes. The Banks or any such holder receiving any such amount shall purchase for cash from



each of the other Banks an interest in such Bank's Revolving Credit Loans in such amount as shall result in a ratable participation by the Banks and each holder in the aggregate unpaid amount under the Revolving Credit Notes, provided

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that if all or any portion of such excess amount is thereafter recovered from the Bank or the holder making such purchase, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, together with interest or other amounts, if any, required by law (including court order) to be paid by the Bank or the holder making such purchase.

10.13 Successor Agent Bank. The Agent Bank, with the consent of the

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Borrower which shall not be unreasonably withheld, may resign as Agent Bank upon not less than thirty (30) days prior written notice given to the Borrower and the other Bank(s). If the Agent Bank shall resign under this Loan Agreement, then either (i) the Banks shall appoint a successor Agent Bank, subject to the consent to such successor Agent Bank by the Borrower, such consent not to be unreasonably withheld, or (ii) if a successor Agent Bank shall not be so appointed and approved within the thirty (30) day period following the Agent Bank's notice to the Banks of its resignation, then the Agent Bank shall appoint, with the consent of the Borrower, such consent not to be unreasonably withheld, a successor Agent Bank who shall serve as Agent Bank until such time as the Banks appoint, and the Borrower consents, which consent shall not be unreasonably withheld, to the appointment of a successor Agent Bank. Upon its appointment pursuant to either clause (i) or (ii) above, such successor Agent Bank shall succeed to the rights, powers and duties of the Agent Bank and the term "Agent Bank" shall mean such successor Agent Bank, effective upon its appointment, and the former Agent Bank's rights, powers and duties as Agent Bank shall be terminated without any other or further act or deed on the part of such former Agent Bank or any of the other parties to this Loan Agreement. After the resignation of any Agent Bank hereunder, the provisions of this Section 10 shall not by reason of such resignation be deemed to release the Agent Bank from liability for any actions taken or not taken by it while it was the Agent Bank under this Loan Agreement.

10.14 Calculations. In the event an error in computing any amount payable

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to any Bank is made, the Agent Bank, the Borrower and each affected Bank shall, forthwith upon discovery of such error, make such adjustments as shall be required to correct such error, and any compensation therefor will be calculated at the Federal Funds Effective Rate.

10.15 Withholding Tax. A. If any Bank is a "foreign corporation,

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partnership or trust" within the meaning of the Internal Revenue Code and such Bank claims exemption from, or a reduction of, U.S. withholding tax under Sections 1441 or 1442 of the Internal Revenue Code, such Bank agrees with and in favor of the Agent Bank, to deliver to the Agent Bank:

(i) if such Bank claims an exemption from, or a reduction of, withholding tax under a United States tax treaty, two properly completed and executed copies of IRS Form 1001 before the payment of any interest in the first calendar year and before the payment of any interest in each third succeeding calendar year during which interest may be paid under this Agreement;

(ii) if such Bank claims that interest paid under this Agreement is exempt from United States withholding tax because it is effectively connected with a United States trade or business of such Bank, two properly completed and executed copies of IRS Form 4224 before the payment of any interest is due in the first taxable year of such Bank and in each succeeding taxable year of such Bank during which interest may be paid under this Agreement; and

(iii) such other form or forms as may be required under the Internal Revenue Code or other laws of the United States as a condition to exemption from, or reduction of, United States withholding tax.

Such Bank agrees to promptly notify the Agent Bank of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

B. If any Bank claims exemption from, or reduction of, withholding tax under a United States tax treaty by providing IRS Form 1001 and such Bank sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Borrower to such Bank, such Bank agrees to notify the Agent Bank of the percentage amount in which it is no longer the beneficial owner of Obligations of the Borrower to such Bank. To the extent of such percentage amount, the Agent Bank will treat such Bank's IRS Form 1001 as no longer valid.

C. If any Bank claiming exemption from United States withholding tax by filing IRS Form 4224 with the Agent Bank sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the

Borrower to such Bank, such Bank agrees to undertake sole responsibility for complying with the withholding tax requirements imposed by Section 1341 and 1442 of the Internal Revenue Code.

D. If any Bank is entitled to a reduction in the applicable withholding tax, the Agent Bank may withhold from any interest payment to such Bank an amount equivalent to the applicable withholding tax after taking into account such reduction. However, if the forms or other documentation required by subsection A of this Section are not delivered to the Agent Bank, then the Agent Bank may withhold from any interest payment to such Bank not providing such forms or other documentation an amount equivalent to the applicable withholding tax imposed by Sections 1441 and 1442 of the Internal Revenue Code, without reduction.

E. If the IRS or any other Governmental Authority of the United States or other jurisdiction asserts a claim that the Agent Bank did not properly withhold tax from amounts paid to or for the account of any Bank (because the appropriate form was not delivered or was not properly executed, or because such Bank failed to notify the Agent Bank of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Bank shall indemnify the Agent Bank fully for all amounts paid, directly or indirectly, by the Agent Bank as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to the Agent Bank under this Section 10, together with all costs and expenses (including attorney costs). The obligation of the Banks under this subsection shall survive the payment of all Obligations and the resignation or replacement of the Agent Bank.

10.16 Beneficiaries. Except as set forth in Sections 10.5 and 10.13

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hereof, the provisions of this Section 10 are solely for the benefit of the Agent Bank and the Banks, and the Borrower shall not have any right to rely on or enforce any of the provisions hereof. In performing its functions and duties under this Loan Agreement, the Agent Bank shall act solely as agent of the Banks and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for the Borrower or any other Person.

SECTION 11  
ASSIGNMENTS AND PARTICIPATIONS  
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A. Assignments to Eligible Assignees. Each Bank shall have the right

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at any time, with the prior consent of the Borrower and the Agent Bank, which shall not be unreasonably withheld, to sell, assign, transfer or negotiate all or any part of its Revolving Loan Commitment and Revolving Credit Loans in a minimum amount of Five Million Dollars (\$5,000,000) to one or more commercial banks, insurance companies, savings and loan associations, savings banks or other financial institutions, pension funds or mutual funds or other accredited investors ("Eligible Assignees"). In the case of any sale, assignment, transfer or negotiation of all or part of the Revolving Loan Commitment or Revolving Credit Loans authorized under this Section 11, the assignee, transferee or recipient shall have, to the extent of such sale, assignment, transfer or negotiation, the same rights, benefits and obligations as it would if it were a Bank hereunder, including, without limitation (x) the right to approve or disapprove actions which, in accordance with the terms hereof, require the approval of the Banks, and (y) the obligation to fund Revolving Credit Loans pursuant to Section 2 hereof. The Bank assigning a portion or all of its Revolving Loan Commitment and Revolving Credit Loans pursuant to this Section 11, or the bank purchasing the interest of the Assigning Bank, shall pay a fee to the Agent Bank in the amount of Three Thousand Dollars (\$3,000).

B. Participations. Notwithstanding Section 11A hereof, each Bank may

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grant participations in all or any part of its Revolving Loan Commitment and Revolving Credit Loans to one or more Eligible Assignees; provided that (i) any  
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such disposition shall not, without the consent of the Borrower, require the Borrower to file a registration statement with the Securities and Exchange Commission or apply to qualify the Revolving Credit Loans or the Revolving Credit Notes under the blue sky law of any state; and (ii) the holder of any such participation, other than an Affiliate of such Bank, shall not be entitled to require the Banks to take or omit to take any action hereunder except action directly extending the final maturity of any portion of the principal amount of or interest on a Revolving Credit Loan allocated to such participation or a reduction of the principal amount of or the rate of interest payable on the Revolving Credit Loans allocated to such participation.

C. Assignments to Affiliates. Notwithstanding the foregoing

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provisions of this Section 11, each Bank may at any time sell, assign, transfer, or negotiate all or any part of its Revolving Loan Commitment and Revolving Credit Loans to any Affiliate of such Bank; provided that an Affiliate to whom  
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such disposition has been made shall not be considered a "Bank" for purposes of this Loan Agreement other than for purposes of Section 9.2

hereof; provided further that the Borrower shall not incur any additional  
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expenses solely as a result of such sale, assignment, transfer or negotiation.

D. No Release of Obligations. No Bank shall, as between the Borrower  
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and such Bank, be relieved of any of its obligations hereunder as a result of  
any granting of participations in all or any part of its Revolving Loan  
Commitment or Revolving Credit Loans. Each Bank shall, as between the Borrower  
and such Bank, be relieved of its obligations hereunder as a result of any sale,  
assignment, transfer or negotiation of all or any part of its Revolving Loan  
Commitment and Revolving Credit Loans made in accordance with Section 11.A  
hereof.

SECTION 12  
INDEMNITY  
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The Borrower shall indemnify and hold harmless each Bank and its  
successors, assigns, agents and employees from and against any and all claims,  
actions, suits, proceedings, costs, expenses, damages, fines, penalties and  
liabilities, including, without limitation, reasonable attorneys' fees and  
costs, arising out of, connected with or resulting from the operation of the  
business of the Borrower.

SECTION 13  
INCREASED COSTS; TAXES; CAPITAL ADEQUACY  
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13.1 Compensation for Increased Costs and Taxes. In the event that the  
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Banks shall determine in good faith (which determination shall, absent manifest  
or demonstrable error, be final and conclusive and binding upon both the  
Borrower and the Banks) that any law, treaty or governmental rule, regulation or  
order, or any change therein or in the interpretation, administration or  
application thereof (including the introduction of any new law, treaty or  
governmental rule, regulation or order), or any determination of a court or  
governmental authority, in each case that becomes effective after the Closing  
Date, or compliance by the Banks with any guideline, request or directive issued  
or made after the date hereof by any central bank or other governmental or  
quasi-governmental authority, and which has the force of law and first becomes  
effective after the Closing Date in all cases of general applicability to the  
banking industry:

(i) subjects any Bank (or its applicable lending office) to any  
additional Covered Tax with respect to this Loan Agreement or any of the  
Revolving Credit Loans or the Swing Line Loans or any of its other obligations  
hereunder, or changes the basis of taxation of payments to such Bank (or its  
applicable lending office) of principal, interest, fees or any other amount  
payable hereunder (but not changes in Excluded Taxes);

(ii) imposes, modifies or holds applicable any additional reserve  
(including without limitation any marginal, emergency, supplemental, special or  
other reserve), special deposit, compulsory loan, FDIC insurance or similar  
requirement against assets held by, or deposits or other liabilities in or for  
the account of, or advances or loans by, or other credit extended by, or any  
other acquisition of funds by, any Bank (or its applicable lending office)  
(other than any such reserve or other requirements with respect to LIBOR Loans  
that are reflected in the definition of LIBOR); or

(iii) imposes any other condition on or affecting any Bank (or its  
applicable lending office) or its obligations hereunder or the London interbank  
market, other than with respect to Taxes;

and the result of any of the foregoing is to increase the cost to any Bank of  
agreeing to make, making or maintaining Revolving Credit Loans and Swing Line  
Loans hereunder or to reduce any amount received or receivable by any Bank (or  
its applicable lending office) with respect thereto, then, in any such case, the  
Borrower shall promptly pay to such Bank, upon demand, such additional amount or  
amounts (in the form of an increased rate of, or a different method of  
calculating, interest as such Bank in its reasonable discretion shall determine)  
as may be necessary to compensate such Bank on an after-tax basis for any such  
increased cost or reduction in amounts received or receivable hereunder;  
provided that any increased cost arising as a result of any of the foregoing  
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other than in respect of Taxes shall apply only to LIBOR Loans to the extent the  
same bear interest by reference to the LIBOR. The Bank seeking reimbursement for  
such amounts from the Borrower shall deliver to the Borrower a written statement  
setting forth in reasonable detail the basis for calculating the additional  
amounts owed to such Bank under

this Section 13.1, which statement shall be conclusive and binding upon both parties hereto absent manifest or demonstrable error.

13.2 Withholding of Taxes.

A. Payments to Be Free and Clear. All sums payable by the Borrower

under this Loan Agreement and the other Loan Documents to or for the benefit of any Bank or any Person who acquires any interest in the Revolving Credit Loans pursuant to the provisions hereof shall be paid free and clear of and (except to the extent required by law) without any deduction or withholding on account of any Covered Tax imposed, levied, collected, withheld or assessed by or within the United States of America or any political subdivision in or of the United States of America or any other jurisdiction from or to which a payment is made by or on behalf of the Borrower or by any federation or organization of which the United States of America or any such jurisdiction is a member at the time of payment.

B. Grossing-up of Payments. If the Borrower or any other Person is

required by law to make any deduction or withholding on account of any Covered Tax from any sum paid or payable by the Borrower to any Bank under any of the Loan Documents:

(i) The Borrower shall notify such Bank of any such requirement or any change in any such requirement as soon as the Borrower becomes aware of it;

(ii) The Borrower shall pay any such Tax before the date on which penalties attach thereto, such payment to be made (if the liability to pay is imposed on the Borrower) for their own account or (if that liability is imposed on such Bank) on behalf of and in the name of such Bank;

(iii) The sum payable by the Borrower in respect of which the relevant deduction, withholding or payment is required shall be increased to the extent necessary to ensure that, after the making of that deduction, withholding or payment, such Bank receives on the due date and retains (free from any liability in respect of any such deduction, withholding or payment) a net sum equal to what it would have received and so retained had no such deduction, withholding or payment in respect of Covered Taxes been required or made; and

(iv) Within thirty (30) days after paying any sum from which it is required by law to make any deduction or withholding, and within thirty (30) days after the due date of payment of any Tax which it is required to pay by clause (ii) above, the Borrower shall deliver to such Bank evidence satisfactory to such Bank of such deduction, withholding or payment and of the remit thereof to the relevant taxing or other authority; provided that no such

additional amount shall be required to be paid to any Bank under clause (iii) above except to the extent that any change after the date hereof in any such requirement for a deduction, withholding or payment as is mentioned therein shall result in an increase in the rate of such deduction, withholding or payment from that in effect at the date of this Loan Agreement in respect of payments to such Bank.

C. Tax Refund. If the Borrower determines in good faith that a

reasonable basis exists for contesting a Covered Tax, the relevant Bank or Tax Transferee, as applicable, shall cooperate with the Borrower in challenging such Tax at the Borrower's expense if requested by the Borrower (it being understood and agreed that no Bank shall have any obligation to contest, or any responsibility for contesting, any Tax). If any Tax Transferee or any Bank, as applicable, receives a refund (whether by way of a direct payment or by offset of any Covered Tax for which a payment has been made pursuant to this Section 13) the amount of such refund (together with any interest received thereon) shall be paid to the Borrower to the extent payment has been made in full pursuant to this Section 13.

13.3 Capital Adequacy Adjustment. If any Bank shall have determined in

good faith that the adoption, effectiveness, phase-in or applicability of any law, rule or regulation (or any provision thereof) regarding capital adequacy, or any change therein or in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its applicable lending office) with any guideline, request or directive regarding capital adequacy of any such governmental authority, central bank or comparable agency in all cases of general applicability to the banking industry, and which has the force of law and first becomes effective after the Closing Date, has or will have the effect of reducing the rate of return on the capital of such Bank or any corporation controlling such Bank as a consequence of, or with reference to, such Bank's Revolving Credit Loans or other obligations hereunder to a level below that which such Bank or such controlling corporation would have achieved but for such adoption,

effectiveness, phase-in, applicability, change or compliance (taking into consideration the policies of such Bank or such controlling corporation with regard to capital adequacy), then from time to time, within ten (10) Business Days after demand by such Bank, the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank or such controlling corporation on an after-tax basis for such reduction as and when incurred. Each Bank, upon determining in good faith that any additional amounts will be payable pursuant to this Section 13.3, will give prompt written notice thereof to the Borrower, which notice shall set forth the basis of the calculation of such additional amounts, although the failure to give any such notice shall not release or diminish any of the Borrower's obligations to pay additional amounts under this Section 13.3.

13.4 Banks' Obligation to Mitigate. Each Bank agrees that, as promptly as practicable after the officer of such Bank responsible for administering the Revolving Credit Loans under this Loan Agreement becomes aware of the occurrence of an event or the existence of a condition that would entitle such Bank to receive payments under Section 13 hereof, it will, to the extent not inconsistent with its internal policies, use reasonable efforts (i) to make, fund or maintain its Revolving Credit Loans through another lending office of such Bank, or (ii) take such other reasonable measures, if as a result thereof, the additional amounts which would otherwise be required to be paid to such Bank pursuant to Section 13 hereof would be materially reduced and if, as determined by such Bank in its sole discretion, the making, funding or maintaining of such Revolving Credit Loans through such other lending office or in accordance with such other measures, as the case may be, would not otherwise materially adversely affect such Revolving Credit Loans or the interests of such Bank; provided that such Bank will not be obligated to utilize such other lending office pursuant to this Section 13.3 unless the Borrower agrees to pay all expenses incurred by such Bank in utilizing such other lending office. A certificate as to the amount of any such expenses payable by the Borrower pursuant to this Section 13.4 (setting forth in reasonable detail the basis for requesting such amount) submitted by any Bank to the Borrower shall be conclusive absent manifest or demonstrable error.

SECTION 14  
NOTICES  
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All notices required or permitted to be given hereunder shall be given in writing and shall be personally delivered or sent by facsimile transmission or by registered or certified United States mail, return receipt requested, postage prepaid, addressed as follows (or to such other address as to which any party hereto shall have given the other parties written notice):

- If to the Borrower: Sypris Solutions, Inc.  
455 South Fourth Street, Suite 350  
Louisville, KY 40202  
Attn: Mr. David D. Johnson
  
- If to Guarantors: c/o Sypris Solutions, Inc.  
455 South Fourth Street, Suite 350  
Louisville, KY 40202  
Attn: Mr. David D. Johnson
  
- If to the Agent Bank: BANK ONE, KENTUCKY, NA  
416 West Jefferson Street  
Louisville, KY 40202  
Attn: Mr. Todd D. Munson
  
- If to the Banks: To the Banks at the respective  
address of each Bank  
Set forth in Schedule 1.1 hereof  
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All notices hereunder shall be deemed given upon the earlier of (i) actual delivery in person or by facsimile transmission, or (ii) two (2) Business Days after having been deposited in the United States mails, in accordance with the foregoing. Except where the Borrower is expressly required by the provisions of this Loan Agreement to give notice to all of the Banks, it shall be sufficient whenever the Guarantors or the Borrower are required to give notice hereunder for the Guarantors or the Borrower to give such notice solely to the Agent Bank.

SECTION 15  
MISCELLANEOUS  
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15.1 Ratable Sharing. Each Bank agrees with the other Bank that (i) with  
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respect to all amounts received by it which are applicable to the payment of principal of or interest on the Revolving Credit Loans and the Revolving Credit Facility Commitment Fees, including, without limitation, all amounts received by such Bank pursuant to the exercise of the right of setoff pursuant to Section 9.2 hereof, equitable adjustment will be made so that, in effect, all such amounts will be shared among the Banks proportionately in accordance with their respective Revolving Credit Facility Pro Rata Shares, whether received by voluntary payment, by the exercise of the right of set-off or banker's lien, by counterclaim or cross action or by the enforcement of any or all of the Obligations, and (ii) if any of them shall exercise any right of counterclaim, set-off, banker's lien or similar right with respect to amounts owed by the Borrower hereunder, that Bank shall apportion the amount recovered as a result of the exercise of such right pro rata in accordance with (a) all amounts outstanding at such time owed by the Borrower to it hereunder with respect to the Revolving Credit Loans, and (b) all amounts otherwise owed by the Borrower to it, and (iii) if any of them shall thereby through the exercise of any right of counterclaim, set-off, banker's lien or otherwise, or as adequate protection of a deposit treated as cash collateral under the Bankruptcy Code, receive payment or reduction of a proportion of the aggregate amount of principal and interest due with respect to the Revolving Credit Loans made by that Bank or any participation therein, or any other amount payable hereunder (collectively, the "Aggregate Amount Due" to such Bank), which is greater than the proportion received by any other Bank in respect of the Aggregate Amount Due to such other Bank, then the Bank receiving such proportionately greater payment shall (y) notify each other Bank and the Agent Bank of such receipt and (z) purchase participations (which it shall be deemed to have done simultaneously upon the receipt of such payment) in the Aggregate Amounts Due to the other Banks so that all recoveries of Aggregate Amounts Due shall be shared by the Banks in proportion to their respective Revolving Credit Facility Pro Rata Shares; provided that if all or part of such proportionately greater payment received by  
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such purchasing Bank is thereafter recovered from such Bank, those purchases shall be rescinded and the purchase prices paid for such participations shall be returned to that Bank to the extent of such recovery, but without interest. The Borrower expressly consents to the foregoing arrangements and agrees that any participant in respect of any Revolving Credit Loan may exercise any and all rights of banker's lien, set-off or counterclaim with respect to any and all monies owing by the Borrower to that participant as fully as if that participant were a Bank in the amount of such participation held by that participant.

15.2 Waiver. No course of dealing in respect of, nor any omission or  
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delay in the exercise of, any right, power, remedy or privilege by the Banks shall operate as a waiver thereof, nor shall any right, power, remedy or privilege of the Banks be exclusive of any other right, power, remedy or privilege referred to herein or in any related document or now or hereafter available at law, in equity, in bankruptcy, by statute or otherwise. Each such right, power, remedy or privilege may be exercised by the Banks, either independently or concurrently with others, and as often and in such order as the Banks may deem expedient. No waiver or consent granted by the Banks in respect of this Loan Agreement or the other Loan Documents shall be binding upon the Banks unless specifically granted in writing by a duly authorized officer of the Agent Bank, which writing shall be strictly construed.

15.3 Survival of Representations and Warranties. All representations,  
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warranties and covenants of the Borrower and each Bank contained herein or made pursuant hereto shall survive the execution and delivery of this Loan Agreement and shall continue throughout the term hereof. Further, the indemnities set forth in Section 12 hereof shall survive the payment of the Revolving Credit Notes and the other Obligations to the Banks, as applicable.

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

15.5 Assignment. This Loan Agreement may not be assigned by the Borrower  
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without the prior written consent of the Banks. This Loan Agreement may be assigned by the Banks as provided in Section 11 hereof. All rights of the Banks hereunder shall inure to the benefit of their respective successors and assigns, and all obligations, covenants and agreements of the Borrower shall bind its permitted successors and assigns, if any.

15.6 Governing Law. This Loan Agreement and the rights and obligations of  
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the parties hereunder shall, in all respects, be governed by and construed in  
accordance with the laws of the Commonwealth of Kentucky.

15.7 Section Headings. The section headings of this Loan Agreement are  
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inserted herein solely for convenience of reference and shall not affect the  
construction or interpretation of the provisions hereof.

15.8 Entire Agreement. This Loan Agreement and the other Loan Documents  
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constitute the entire agreement between the Borrower and the Banks with respect  
to the subject matter hereof.

15.9 Time of the Essence. Time shall be of the essence in the payment and  
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performance of all of the Borrower's obligations under this Loan Agreement, the  
Revolving Credit Note and the other Loan Documents to which the Borrower are  
party.

15.10 Modifications. This Loan Agreement may be modified only in writing  
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executed by the Borrower and the Banks. Neither this Loan Agreement nor the  
other Loan Documents nor any terms hereof or thereof may be changed, waived,  
discharged or terminated unless such change, waiver, discharge or termination is  
in writing signed by Banks holding at least fifty one percent (51%) of the  
aggregate of the Revolving Credit Facility Pro Rata Shares (the "Majority  
Banks"); provided, however, that no such change, waiver, discharge or  
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termination, shall, without the consent of each Bank, (i) extend the Revolving  
Loan Commitment Termination Date or the final maturity of the Revolving Credit  
Note of such Bank, or change the rate or extend the time of payment of interest,  
principal or fees, or reduce the principal amount thereof, or increase the  
aggregate amount of the Revolving Loan Commitments above the maximum amount  
provided for in Section 2.1 hereof, or increase any Bank's commitment to  
disburse its Revolving Loan Pro Rata Share of Revolving Credit Loans requested  
by the Borrower as set forth in Section 2.1 hereof, or (ii) amend, modify or  
waive any provisions of this Section 15.10 (Modifications), Section 2 (Revolving  
Credit Facility), Section 2.6 (Swing Line Credit Subfacility), Section 2.7  
(Letter of Credit Subfacility), Section 8 (Events of Default; Acceleration),  
Section 9 (Remedies Upon Default, Etc.), Section 10 (The Agent Bank), Section  
15.1 (Ratable Sharing), or (iii) amend, modify or waive any provision requiring  
consent of all Banks, or (iv) reduce the percentages specified in this Section  
15.10 or (v) consent to the assignment or transfer by the Borrower of any of its  
rights and obligations under this Agreement.

15.11 Submission to Jurisdiction, Etc. The Borrower hereby irrevocably  
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agrees that any legal action, suit or proceeding against the Borrower with  
respect to the obligations and liabilities of the Borrower hereunder or any  
other matter under or arising out of or in connection with this Loan Agreement,  
the Revolving Credit Notes, or any other Loan Document or for recognition or  
enforcement of any judgment rendered in any such action, suit or proceeding may  
be brought in the United States District Court of the Western District of  
Kentucky at Louisville, Kentucky or in the Jefferson County, Kentucky Circuit  
Court, as the Banks may elect, and, by execution and delivery of this Loan  
Agreement, the Borrower hereby irrevocably accepts and submits to the non-  
exclusive jurisdiction of each of the aforesaid courts in personam generally and

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unconditionally with respect to any such action, suit or proceeding involving  
the Borrower and in respect of the Borrower's property. The Borrower further  
agrees that final judgment against the Borrower in any action, suit or  
proceeding referred to herein shall be conclusive after all appeals have been  
exhausted or waived by the Borrower, and may thereafter be enforced in any other  
jurisdiction, within or outside the United States of America, by suit on the  
judgment, a certified or exemplified copy of which shall be conclusive evidence  
of the fact and of the amount of the Borrower's obligations and liabilities. The  
Borrower further irrevocably consents and agrees to the service of any and all  
legal process, summons, notices and documents out of any of the aforesaid courts  
in any such action, suit or proceeding by mailing copies thereof by serving  
copies thereof upon any statutory agent for service of process of the Borrower.  
The Borrower agrees that service upon the Borrower as provided for herein shall  
constitute valid and effective personal service upon the Borrower and that the  
failure of any statutory agent to give any notice of such service to the  
Borrower shall not impair or affect in any way the validity of such service or  
any judgment rendered in any action or proceeding based thereon. Nothing herein  
shall, or shall be construed so as to, limit the right of the Banks to bring  
actions, suits or proceedings with respect to the obligations and liabilities of  
the Borrower under, or any other matter arising out of or in connection with,  
this Loan Agreement, the Revolving Credit Notes, the Negative Pledge Agreement  
and/or the other Loan Documents, or for recognition or enforcement of any  
judgment rendered in any such action, suit or proceeding, in the courts of  
whatever jurisdiction in which property of the Borrower may be found or as  
otherwise shall to the Banks seem appropriate, or to affect the right to service  
of process in any jurisdiction in any manner permitted by law. In addition, the  
Borrower hereby irrevocably and unconditionally waives any objection which the  
Borrower may now or hereafter have to the laying of venue of any of the  
aforesaid actions, suits or proceedings arising out of or in connection with  
this Loan Agreement, the Revolving Credit Notes, the Negative Pledge Agreement  
and/or the other Loan Documents brought in the Circuit Court of Jefferson  
County,

Kentucky or in the United States District Court for the Western District of Kentucky at Louisville, Kentucky, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim that any such action, suit or proceeding brought in either such court has been brought in an inconvenient forum.

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

BANK ONE, KENTUCKY, NA, as Agent Bank ("the Agent Bank")

/s/ Todd D. Munson  
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By: Todd D. Munson, Senior Vice President

BANK ONE, KENTUCKY, NA  
as a Bank

/s/ Todd D. Munson  
-----

By: Todd D. Munson, Senior Vice President

BANK OF AMERICA, N.A.  
as a Bank

/s/ Bryan Hulker  
-----

By: Bryan Hulker, Vice President

LASALLE BANK NATIONAL ASSOCIATION  
as a Bank

/s/ Susan M. Kaminski  
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By: Susan M. Kaminski, Vice President

SUNTRUST BANK, NASHVILLE, N.A.  
as a Bank

/s/ Scott Corley  
-----

By: Scott Corley, Vice President



SYPRIS SOLUTIONS, INC. (the "Borrower")

/s/ David D. Johnson  
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By: David D. Johnson, Vice President

BELL TECHNOLOGIES, Inc.  
("Bell")(as a "Guarantor" and solely with  
respect to Sections 6 and 7 of the Loan  
Agreement)

/s/ David D. Johnson  
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By: David D. Johnson, Treasurer

TUBE TURNS TECHNOLOGIES, INC.  
("TT")(as a "Guarantor" and solely with  
respect to Sections 6 and 7 of the Loan  
Agreement)

/s/ David D. Johnson  
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By: David D. Johnson, Treasurer

GROUP TECHNOLOGIES  
CORPORATION  
("Group")(as a "Guarantor" and solely with  
respect to Sections 6 and 7 of the Loan  
Agreement)

/s/ David D. Johnson  
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By: David D. Johnson, Treasurer

METRUM-DATATAPE, INC.  
("MD")(as a "Guarantor" and solely with  
respect to Sections 6 and 7 of the Loan  
Agreement)

/s/ David D. Johnson  
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By: David D. Johnson, Treasurer

## CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in (i) Form, S-8 Registration Statements Nos. 33-94546, 333-07195, 33-94544, 333-07199, 333-07111, 333-52589, 333-62781, 333-52593 and 333-77883, pertaining to the Sypris Solutions, Inc. 1994 Stock Option Plan for Key Employees (Formerly Group Technologies Corporation 1994 Stock Option Plan for Key Employees), to the Sypris Solutions, Inc. Independent Directors' Stock Option Plan (Formerly Group Technologies Corporation Independent Directors' Stock Option Plan), to the Sypris Solutions, Inc. Stock Option Plan Dated January 22, 1990 (Formerly Group Technologies Corporation Stock Option Plan Dated January 22, 1990) and (ii) Form S-8 Registration Statement No. 333-70319 pertaining to the Sypris Solutions, Inc. Employee Stock Purchase Plan, of our report dated February 4, 2000 with respect to the consolidated financial statements and schedule of Sypris Solutions, Inc. included in the Annual Report (Form 10-K) for the year ended December 31, 1999.

/s/ Ernst & Young LLP

Louisville, Kentucky  
February 24, 2000



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

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12-MOS		
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	JAN-01-1999	
	DEC-31-1999	10,406
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148,564		
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