

SYPRIS SOLUTIONS INC  
Form DEF 14A  
April 01, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)**  
**of the Securities Exchange Act of 1934**  
**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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| <input type="checkbox"/> Preliminary Proxy Statement                 | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> Definitive Proxy Statement       |  |
| <input type="checkbox"/> Definitive Additional Materials             |  |
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**Sypris Solutions, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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**Notice of 2011 Annual Meeting  
and  
Proxy Statement**

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**SYPRIS SOLUTIONS, INC.**

**101 Bullitt Lane, Suite 450**

**Louisville, Kentucky 40222**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

TIME	10:00 a.m. EDT Tuesday, May 10, 2011
PLACE	Lower Level Seminar Room 101 Bullitt Lane, Louisville, Kentucky 40222
ITEMS OF BUSINESS	(1) To elect three Class III members of the Board of Directors, whose terms are described in the Proxy Statement. (2) To transact such other business as may properly come before the meeting and any postponement or adjournment thereof.
RECORD DATE	Holders of record of Sypris Common Stock at the close of business on March 17, 2011 are entitled to vote at the meeting.
ANNUAL REPORT	The Company's 2010 Annual Report, which is not a part of the proxy soliciting materials, is enclosed.
PROXY VOTING	It is important that your shares be represented and voted at the meeting. You can vote your shares in one of four ways: (1) Visit the Web site noted on your proxy card to vote via the Internet; (2) Use the toll-free telephone number on your proxy card to vote by telephone; (3) Sign, date and return your proxy card in the enclosed envelope to vote by mail; or (4) Attend the meeting in person.

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A Proxy Statement describing matters to be considered at the Annual Meeting is attached to this notice.

**John R. McGeeney**

General Counsel and Secretary

April 1, 2011

**Important Notice Regarding the Availability of Proxy Materials**

**The notice of annual meeting of stockholders to be held on May 10, 2011, this Proxy Statement, form of proxy card and the Sypris Solutions 2010 Annual Report on Form 10-K are available at [www.sypris.com/proxymaterials](http://www.sypris.com/proxymaterials).**

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Sypris Solutions, Inc.

101 Bullitt Lane, Suite 450

Louisville, KY 40222

### **PROXY STATEMENT**

We are providing this Proxy Statement to you in connection with the solicitation by the Board of Directors of Sypris Solutions, Inc. of proxies to be voted at our 2011 Annual Meeting of Stockholders and at any postponement or adjournment thereof. In this Proxy Statement, we refer to Sypris Solutions, Inc. as Sypris, Sypris Solutions, we, our or the Company.

You are cordially invited to attend the Annual Meeting on May 10, 2011, beginning at 10:00 a.m. EDT. The Annual Meeting will be held at 101 Bullitt Lane, Lower Level Seminar Room, Louisville, Kentucky 40222.

We are first mailing this Proxy Statement on or about April 1, 2011, to holders of our Common Stock at the close of business on March 17, 2011 which is the Record Date for the Annual Meeting.

### **Proxies and Voting Procedures**

#### *Stockholder of Record: Shares Registered in Your Name*

Your vote is important. If you are a stockholder of record, you may a) vote in person at the meeting, b) vote by proxy using the enclosed proxy card, c) vote by proxy over the telephone, or d) vote by proxy on the internet, in each case as described below. You may still attend the meeting and vote in person even if you have already voted by proxy. In order to vote over the Internet or via telephone, please call the number or go to the website identified on the enclosed proxy card and follow the instructions. The Internet and telephone voting facilities will close at 12:00 a.m. EDT on May 10, 2011.

You can revoke your proxy at any time before it is exercised by timely delivery of a properly executed, later-dated proxy (including an Internet or telephone vote before the deadline) or by voting by ballot at the Annual Meeting. Simply attending the annual meeting will not, by itself, revoke your proxy.

#### *Beneficial Owner: Shares Registered in the Name of Broker or Bank*

If you are a beneficial owner of shares registered in the name of your broker, bank or other nominee, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from us. Simply complete and mail the proxy card and voting instructions to ensure that your vote is counted. Alternatively, you may vote by telephone or over the Internet as instructed by your broker, bank or other nominee. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank or other nominee. Follow the instructions from your broker, bank or other nominee included with these proxy materials, or contact your broker, bank or other nominee to request a proxy card. Otherwise, your shares may not be voted with respect to certain proposals, including the election of directors.

#### *Voting Procedures*

All shares entitled to vote and represented by proxies received prior to the Annual Meeting, and not revoked, will be voted at the Annual Meeting in accordance with your instructions. **If you do not indicate how your shares should be voted on a matter, the shares represented by your proxy will be voted as the Board of Directors recommends.**

If any other matters are properly presented for consideration at the Annual Meeting, including, among other things, consideration of a motion to adjourn the meeting to another time or place in order to solicit additional proxies in favor of the recommendations of the Board of Directors, the persons named as proxies and acting thereunder will have discretion to vote on those matters according to their best judgment to the same extent as the



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person delivering the proxy would be entitled to vote. As of the date of this Proxy Statement, we did not anticipate that any other matters would be raised at the Annual Meeting.

### **Stockholders Entitled to Vote**

Holders of Sypris Common Stock at the close of business on the Record Date are entitled to receive notice of and to vote at the Annual Meeting. Each share of Common Stock is entitled to one vote on each matter properly brought before the meeting. Stockholders do not have the right to cumulate their votes in the election of directors.

On the Record Date, March 17, 2011, there were 19,574,205 shares of Sypris Common Stock outstanding. A list of stockholders entitled to vote at the Annual Meeting will be available at the Annual Meeting and for 10 days prior to the Annual Meeting at the Company's offices at 101 Bullitt Lane, Suite 450, Louisville, Kentucky 40222, between 8:30 a.m. and 5:30 p.m. local time.

### **Quorum**

The presence, in person or by proxy, of the holders of a majority of the outstanding shares entitled to vote is necessary to constitute a quorum. Abstentions are counted as present and entitled to vote for purposes of determining whether a quorum exists, but shares held by a broker, bank or other nominee and not voted on any matter will not be counted for such purpose. **Therefore, if you hold shares through a broker, bank or other nominee it is important that you contact your broker with your voting instructions.** If there is no quorum, the holders of a majority of shares present at the meeting in person or represented by proxy may adjourn the meeting to another date.

### **Gill Family**

As of the Record Date, the Gill family beneficially owned an aggregate of 8,453,563 shares or 43.0% of the Company's outstanding Common Stock. For further information on ownership of Common Stock by the Gill family, see *Stock Ownership of Certain Beneficial Owners*.

### **Multiple Stockholders Sharing the Same Address**

Multiple stockholders who share a single address will receive only one Annual Report and Proxy Statement at that address. This practice, known as householding, reduces printing and postage costs. However, if you wish to receive a separate copy of the Annual Report or Proxy Statement in the future, you may contact your broker, bank or nominee directly or contact Sypris at 101 Bullitt Lane, Suite 450, Louisville, Kentucky 40222 or at 502-329-2000. If you own your shares through a broker, bank or other nominee, and you are receiving multiple copies of our Annual Report and Proxy Statement, you can request householding by contacting the bank, broker or nominee.

### **Cost of Proxy Solicitation**

Sypris will pay the cost of soliciting proxies. Sypris may reimburse brokerage firms and other persons representing beneficial owners of shares for expenses incurred in forwarding solicitation materials to such beneficial owners. Proxies may be solicited on behalf of the Company by directors, officers or employees of the Company, without additional compensation, in person or by telephone, facsimile or other electronic means.

### **Notice Regarding Availability of Proxy Materials**

In accordance with the rules of the Securities and Exchange Commission (SEC), we are advising our stockholders of the availability on the Internet of our proxy materials related to the Annual Meeting described above. These rules allow companies to provide access to proxy materials in one of two ways. Because we have elected to utilize the full set delivery option, we are delivering to all stockholders paper copies of all the proxy materials, as well as providing access to those proxy materials on a publicly accessible Web site. The notice of annual meeting of stockholders, proxy statement, form of proxy card and annual report on Form 10-K are available at [www.sypris.com/proxymaterials](http://www.sypris.com/proxymaterials).

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### **GOVERNANCE OF THE COMPANY**

#### **Board of Directors**

Our Board of Directors has adopted the Sypris Solutions, Inc. Guidelines on Corporate Governance (the "Guidelines"). The Guidelines provide a framework for the Company's corporate governance initiatives and cover topics including, but not limited to, Board of Director and Committee composition and operation, director compensation and risk management. The Nominating and Governance Committee is responsible for overseeing and reviewing the Guidelines on an annual basis, and reporting any recommended changes to the Board of Directors. A copy of the Guidelines is available on the Company's website at [www.sypris.com](http://www.sypris.com).

During 2010, the Board of Directors held five regular meetings and one special meeting, and the Committees held twelve meetings. All directors attended 100% of the Board meetings and meetings of Committees of which they are members. Although the Company does not have a formal policy regarding attendance by members of the Board of Directors at the Company's Annual Meeting of Stockholders, more than a majority of the directors have attended all Annual Meetings. Seven of the eight directors attended the 2010 Annual Meeting.

#### **Independence**

The Board of Directors has determined that John F. Brinkley, William G. Ferko, William L. Healey, Sidney R. Petersen and Robert Sroka are independent as defined by NASDAQ's listing standards. Each of our Audit and Finance, Compensation, and Nominating and Governance committees is composed only of independent directors as identified below under the heading "Committees of the Board of Directors."

In December 2010, the independent directors selected Robert Sroka to serve a one-year term as Lead Independent Director. Mr. Sroka, as Lead Independent Director, presides over periodic independent sessions of the Board of Directors in which only independent directors participate. Stockholders and other parties interested in communicating directly with the Lead Independent Director or with the independent directors as a group may do so by writing to the Lead Independent Director, c/o Sypris Solutions, Inc., 101 Bullitt Lane, Suite 450, Louisville, Kentucky 40222.

#### **Communications with Stockholders**

Our Board of Directors welcomes communications from our stockholders. Stockholders may send communications to the Board of Directors, or to any director in particular, c/o Sypris Solutions, Inc., 101 Bullitt Lane, Suite 450, Louisville, Kentucky 40222. Any stockholder correspondence addressed to the Board of Directors, or to any director in particular, in care of the Company, is forwarded by us to the addressee.

#### **Committees of the Board of Directors**

During 2010, the Board of Directors had four ongoing Committees: the Audit and Finance Committee, the Compensation Committee, the Nominating and Governance Committee and the Executive Committee, which was dissolved in August of 2010.

#### **Audit and Finance Committee**

The current members of the Audit and Finance Committee are William G. Ferko (Chairman), Sidney R. Petersen and Robert Sroka. Each member of the Audit and Finance Committee satisfies the additional requirements of the SEC and NASDAQ for audit committee membership, including the additional independence requirements and the financial literacy requirements. The Board of Directors has also determined that each of Sidney R. Petersen and William G. Ferko qualify as an "audit committee financial expert" as defined by SEC rules. During 2010, the Audit and Finance Committee met five times. The functions of the Audit and Finance

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Committee are described below under the heading *Audit and Finance Committee Report*. The Audit and Finance Committee operates pursuant to a formal written charter that sets out the functions that this Committee is to perform. The Audit and Finance Committee reviews and reassesses the adequacy of the Audit and Finance Committee Charter on an annual basis. The Audit and Finance Committee Charter is available on the Company's website at [www.sypris.com](http://www.sypris.com).

### **Compensation Committee**

The current members of the Compensation Committee are John F. Brinkley (Chairman), Robert Sroka and William L. Healey. During 2010, the Compensation Committee met five times. The functions of the Compensation Committee include administering management incentive compensation plans, establishing the compensation of executive officers and reviewing the compensation of directors. The Committee generally approves equity awards for the Company's other employees and non-equity compensation for the Company's executive officers. However, the Committee has delegated to the Company's Chief Executive Officer the discretion to award to non-executive employees in any one calendar year up to 100,000 stock options in the aggregate, with a maximum individual award of 10,000. The Company's Chief Executive Officer, with assistance from the Director of Human Resources and their support staff, provides recommendations to the Compensation Committee regarding compensation for those employees reporting directly to the Chief Executive Officer. However, the Committee retains full discretion to modify any compensation recommendations by the Chief Executive Officer or other members of management.

In 2010, the Company engaged the assistance of Pearl Meyer & Partners ( Pearl Meyer ), a compensation consulting firm, to assist the Compensation Committee in reviewing total compensation for the Company's named executive officers and other key employees. Pearl Meyer provided the Compensation Committee with relevant market data and alternatives to consider when making compensation decisions regarding the Chief Executive Officer and the Company's other executives. In 2010, the Compensation Committee has had direct access to Pearl Meyer and the opportunity to review various issues relating to executive compensation in executive session with Pearl Meyer, without management in attendance, on an as needed basis. For compensation decisions affecting 2011, the Company will continue to utilize the assistance of Pearl Meyer.

The Compensation Committee operates pursuant to a formal written charter that sets out the functions that this Committee is to perform. The Compensation Committee reviews and reassesses the adequacy of the Compensation Committee Charter on an annual basis. A copy of the Compensation Committee Charter is available on the Company's website at [www.sypris.com](http://www.sypris.com).

### **Nominating and Governance Committee**

The current members of the Nominating and Governance Committee are William L. Healey (Chairman), John F. Brinkley and William G. Ferko. During 2010, the Nominating and Governance Committee met two times. The functions of the Nominating and Governance Committee include recommending nominees to the Board of Directors for election as directors of the Company, and evaluating the performance and effectiveness of the Board of Directors. The Nominating and Governance Committee also makes recommendations to the Board of Directors from time to time as to matters of corporate governance.

The Nominating and Governance Committee employs an independent director profile to assess candidates for inclusion in the Company's recommended slate of independent director nominees. The Nominating and Governance Committee takes a number of attributes into account during the nomination process, including an individual's demonstrated leadership, maturity and public company experience. The Nominating and Governance Committee also places a value on building a diversity of viewpoints and backgrounds on the Board, including diversity of religions, races, genders, nationalities, educational backgrounds, work experiences and extracurricular interests, which can have a positive impact on the business. A mix of talents, backgrounds, experiences and geographic locations of the individual Board members is also important and is considered in the

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evaluation of potential candidates. In addition, the Nominating and Governance Committee will consider an individual's integrity and commitment, as well as a candidate's experience in our core market industries, certain targeted knowledge areas, complex multi-industry and/or technological areas and manufacturing or service operations.

All nominees for election at this Annual Meeting of Stockholders are currently directors and were previously elected by stockholders. To date, the Nominating and Governance Committee has not engaged third parties to identify or evaluate potential director candidates. Currently, the Company's policy is not to seek or accept director nominations recommended by security holders (other than those directors who are also security holders, acting in their capacity as directors), and has not received any such nominations by any non-director security holders to date. In light of the Company's current size, market position and historically low rates of director turnover, the policy of the Committee has been to develop and maintain contacts with potential candidates for future membership on the Board, primarily through the business relationships of the Company's current and former officers and directors.

The Nominating and Governance Committee operates pursuant to a formal written charter that sets out the functions that this Committee is to perform. The Nominating and Governance Committee reviews and reassesses the adequacy of the Nominating and Governance Committee Charter on an annual basis. A copy of the Nominating and Governance Committee Charter is available on the Company's website at [www.sypris.com](http://www.sypris.com).

## **Executive Committee**

The Board of Directors determined the Executive Committee was no longer necessary and approved the dissolution of the Executive Committee in August of 2010, the members of which were Robert E. Gill (Chairman), Jeffrey T. Gill, R. Scott Gill and Sidney R. Petersen. During 2010, the Executive Committee took no actions at any meetings or by unanimous written consent.

## **Board Leadership and Risk Oversight**

The Company's Board consists of our Chairman of the Board, Robert E. Gill, our President and Chief Executive Officer, Jeffrey T. Gill, R. Scott Gill and five independent directors. Additionally, the independent directors annually select a Lead Independent Director. Our independent directors generally meet in executive session, chaired by our Lead Independent Director, several weeks in advance of each regularly scheduled Board meeting. During 2010, the Lead Independent Director presided over five such meetings. The Board has three standing committees—Audit and Finance, Compensation, and Nominating and Governance, each of the committees is comprised solely of independent directors.

The Board with and through its committees is actively involved in oversight of risks that could affect the Company. While the oversight of certain risks related to compensation, financial or governance matters is conducted primarily through designated committees of the Board, as disclosed more fully in the charters of each of such committees, the full Board has retained responsibility for general oversight of risks. The Board satisfies this responsibility through full reports by each committee chair regarding the committee's considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within the Company.

The Audit and Finance Committee is generally responsible for oversight of the Company's relationship with its public accountants, financial reporting and internal controls, debt and credit agreements, and other financial compliance matters. The Compensation Committee is generally responsible for oversight of the recruitment, retention and motivation of the Company's executive management and other employees, including compensation, performance evaluation processes and succession planning matters for directors, officers and other key personnel. The Nominating and Governance Committee is generally responsible for oversight of the nominating and self-evaluative processes with respect to service on the Company's Board of Directors, and for oversight of other corporate governance matters.

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Pursuant to our bylaws, our Guidelines and general practices, the Board reviews and determines the best board leadership structure for the Company at least annually. As part of our periodic board self-evaluation process, we evaluate our leadership structure to ensure that the Board continues to believe that it provides an effective and efficient structure for the Company and stockholders.

We believe that our current board leadership structure is common among other public companies in the United States, and that this leadership structure has been effective for the Company. We believe that having a separate Chairman of the Board and Chief Executive Officer, independent chairs for each of the Audit, Compensation, Nominating and Governance Committees and a Lead Independent Director provides a focused leadership structure for the Company and the Board. Together with regular executive planning, analysis and reporting, we believe that this structure provides effective oversight of the material risks and opportunities facing the Company on an ongoing basis.

## **Code of Business Conduct**

We have a corporate responsibility and compliance program which includes a written code of business conduct. We require all employees, including all officers and senior level executives, to adhere to our code of business conduct in addressing the legal and ethical issues encountered in conducting their work. The code of business conduct requires each of our employees to avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest, fair and ethical manner and otherwise act with integrity. Employees are required to report any conduct they believe to be an actual or apparent violation of the code of business conduct or other Company policies and procedures. The code of business conduct details the procedures for confidential and anonymous reporting by employees and emphasizes our policy of non-retaliation. Our code of business conduct can be found on our corporate website at [www.sypris.com](http://www.sypris.com).

## **Transactions with Related Persons**

The Company's code of business conduct requires all directors, executive officers and other employees of the Company to disclose and seek prior approval of any related person transaction. The Company's directors, including the Chief Executive Officer and President, must report any potential conflict of interest to the Audit and Finance Committee, in accordance with the Guidelines and the Audit and Finance Committee Charter. The other executive officers must report any potential conflict of interest to the Chief Executive Officer and President. In addition, the Company requires each director and executive officer to disclose any transactions involving related parties, or other potential conflicts of interest, in an annual written questionnaire. For 2010, no related person transactions (as defined in Item 404(a) of Regulation S-K) were reported or otherwise discovered by the Company.

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Ernst & Young LLP has served as the Company's independent public accountants since and including the fiscal year ended December 31, 1989. Although the Audit and Finance Committee has not yet completed its process for selecting the independent public accountant for the Company with respect to its 2011 financial statements, the Audit and Finance Committee has approved the interim engagement of Ernst & Young LLP to perform audit and audit-related services with respect to 2011. The Audit and Finance Committee's selection process includes consideration of the following factors: continuity of experience with the Company's business, internal controls and technical accounting experience; independence; history of and reputation for thoroughness, accuracy, excellence and integrity; and reasonableness of fees. The Audit and Finance Committee has approved the fees described below for 2010. The Audit and Finance Committee believes that the fees paid for non-audit services are compatible with the independence of Ernst & Young LLP.

Representatives of Ernst & Young LLP will be present at the Annual Meeting. They will be given an opportunity to make a statement, if they desire to do so, and they will be available to respond to appropriate questions after the meeting.

**Fees Billed by Ernst & Young LLP***Audit and Non-Audit Fees*

The following table presents fees billed for professional audit services rendered by Ernst & Young LLP for the audit of the Company's annual financial statements for the years ended December 31, 2010 and 2009 and fees billed for other services rendered by Ernst & Young LLP during those periods.

	Years Ended December 31,	
	2010	2009(4)
<b>Audit Fees (1)</b>	\$ 784,325	\$ 893,904
<b>Audit-Related Fees (2)</b>	1,611	
<b>Tax Fees (3)</b>	139,750	258,893
<b>Total</b>	<b>\$ 925,686</b>	<b>\$ 1,152,797</b>

- (1) Audit Fees include fees associated with the annual audit, reviews of the Company's quarterly reports on Form 10-Q, consultation regarding accounting and reporting matters related to the audit, review of documents filed with the SEC and an attestation report on the Company's internal control over financial reporting for 2010 and 2009.
- (2) Audit-Related Fees principally include technical research tools and assistance in assessing the impact of proposed standards, rules or interpretations by the SEC, FASB, or other regulatory or standard-setting bodies.
- (3) Tax Fees consist of tax return preparation fees, tax services other than those directly related to the audit of the income tax provision, review of state and local income tax planning opportunities, foreign tax research and international transfer pricing analysis.
- (4) Fees reported for 2009 include payments made in 2010 for fees incurred for 2009 and may not match those fees reported in the Company's 2010 Proxy Statement.

*Policy on Audit and Finance Committee Pre-Approval of Audit and Non-Audit Services of Independent Public Accountants*

The Audit and Finance Committee's policy is to pre-approve all audit and non-audit services provided by the independent public accountants, either by a quorum of the Committee at any meeting or by the Committee's authorized delegate for approvals between meetings, all of which are reported to the Committee at its next



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meeting. These services may include audit services, audit-related services, tax services and other services. With some exceptions for certain longer-term projects, pre-approval is generally provided for up to one year, is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent public accountants and management are required to periodically report to the full Audit and Finance Committee regarding the extent of services provided by the independent public accountants in accordance with this pre-approval, and the fees for the services performed to date. None of the services provided by the independent public accountants under the categories Audit-Related and Tax described above were approved by the Audit and Finance Committee pursuant to the waiver of pre-approval provisions set forth in Rule 2-01(c) of Regulation S-X.

### **AUDIT AND FINANCE COMMITTEE REPORT**

The Audit and Finance Committee met with management periodically during the year to consider the adequacy of the Company's internal control over financial reporting and the objectivity of its financial reporting. The Audit and Finance Committee discussed these matters with the Company's independent public accountants and with appropriate Company financial personnel. The Audit and Finance Committee also discussed with the Company's senior management and independent public accountants and auditors the processes used to support the certifications by the Company's chief executive officer and chief financial officer, which are required by the Securities and Exchange Commission and the Sarbanes-Oxley Act of 2002 for certain of the Company's filings with the Securities and Exchange Commission.

The Audit and Finance Committee met privately with both the independent public accountants and Company financial personnel, each of whom has unrestricted access to the Audit and Finance Committee. The Audit and Finance Committee appointed Ernst & Young LLP as the independent public accountants for the Company in 2010 after reviewing the firm's performance and independence from management, among other factors.

Management has primary responsibility for the Company's financial statements and the overall reporting process, including the Company's system of internal control over financial reporting. Ernst & Young LLP, the Company's independent public accountants, is responsible for performing an independent audit of the Company's financial statements in accordance with generally accepted auditing standards and expressing an opinion on the conformity of those audited financial statements in accordance with U.S. generally accepted accounting principles. Ernst & Young LLP is also responsible for performing an audit of the Company's internal controls over financial reporting in accordance with the standards of the United States Public Company Accounting Oversight Board and expressing an opinion that the Company maintained effective internal control over financial reporting based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Audit and Finance Committee is responsible for monitoring and overseeing these processes.

The Audit and Finance Committee reviewed with management and Ernst & Young LLP the Company's draft of Form 10-K for 2010, including the Company's audited financial statements and met separately with both management and Ernst & Young LLP to discuss and review those materials prior to issuance and filing with the Securities and Exchange Commission. Management has represented, and Ernst & Young LLP has confirmed, to the Audit and Finance Committee that the financial statements were prepared in accordance with U.S. generally accepted accounting principles.

The Audit and Finance Committee also discussed with Ernst & Young LLP matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. A U Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, relating to communications with auditors.



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In addition, the Audit and Finance Committee has received from the independent public accountants the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit and Finance Committee concerning independence, has discussed with the independent public accountants their independence from the Company and its management, and has considered whether the independent public accountants' provision of non-audit services to the Company is compatible with maintaining the auditor's independence. Ernst & Young LLP has confirmed by letter that, in its professional judgment, it is independent of the Company. The Audit and Finance Committee is not aware of any issues which could impair the independence of Ernst & Young LLP.

The Audit and Finance Committee discussed with management and Ernst & Young LLP the quality and adequacy of the Company's internal control over financial reporting and the overall quality of the Company's financial reporting. The Audit and Finance Committee specifically addressed with management and Ernst & Young LLP, management's annual report regarding the effectiveness of the Company's system of internal controls over financial reporting, management's ongoing responsibilities for establishing and maintaining an adequate system, management's evaluation of any significant deficiencies or material weaknesses in that system, management's process for evaluating the effectiveness of such internal control over financial reporting and the framework that was used to evaluate the effectiveness of the system. Management has represented, and Ernst & Young LLP has confirmed, to the Audit and Finance Committee that based on the COSO criteria, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010.

The Audit and Finance Committee reviewed with Ernst & Young LLP and pre-approved their proposed audit plans, audit scope, identification of audit risks and fees, either by vote of the Committee or by approval of the Committee's authorized delegate acting between meetings. The Audit and Finance Committee also reviewed and pre-approved all non-audit services performed by Ernst & Young LLP and discussed with the independent public accountants their independence.

In reliance on the reviews and discussions referred to above, the Audit and Finance Committee recommended to the Board of Directors (and the Board of Directors has approved) that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

William G. Ferko (Chairman)

Sidney R. Petersen

Robert Sroka

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**PROPOSAL ONE**

**ELECTION OF DIRECTORS**

The Board of Directors is divided into three classes with terms that expire at successive annual meetings. Three Class III directors will be elected at the Annual Meeting to serve for a three-year term expiring at our annual meeting in 2014 or until their successors have been elected and qualified, or until the earliest of their death, resignation or retirement. We expect each nominee for election as a director at the Annual Meeting to be able to serve if elected. If any nominee is unable to serve, proxies will be voted in favor of the remainder of those nominees and for such substitute nominee as may be selected by the Board of Directors.

The Board of Directors has nominated William G. Ferko, Jeffrey T. Gill and Sidney R. Petersen to be elected at the Annual Meeting as Class III directors whose terms will expire in 2014. All nominees are current Directors.

Set forth below are the principal occupation and certain other information ( Biographies ) regarding the nominees and the other directors whose terms of office will continue after the Annual Meeting. The Biographies of each of the nominees and continuing directors that follows contains information regarding the person's service as a director, business experience, director positions held currently or at any time during the last five years, information regarding involvement in certain legal or administrative proceedings, if applicable, and the experiences, qualifications, attributes or skills that caused the Nominating and Governance Committee and the Board to determine that the person should serve as a director for the Company beginning in 2011.

**Vote Required and Recommendation of the Board of Directors**

Nominees receiving the greatest number of votes duly cast for the election of directors will be elected. Abstentions and shares held by a broker, as nominee and not voted, are not counted as votes cast for purposes of, and therefore will have no impact as to, the election of directors. **The Board of Directors recommends a vote FOR the election of the above-named nominees as Class III directors.**

**Table of Contents****CLASS III DIRECTOR NOMINEES FOR TERMS EXPIRING IN 2014****William G. Ferko**

Age 56

William G. Ferko has served as a director of Sypris since January 2005. Mr. Ferko has served as Senior Vice President and Chief Risk Management Officer for Republic Bank & Trust Company since April 2009. From January 2008 through January 2009, Mr. Ferko served as Chief Financial Officer for Philips BU Professional Luminaires North America, a manufacturer of lighting fixtures and controls. From 1998 through January 2008, he served as Vice President and Chief Financial Officer of Genlyte Group Incorporated, the predecessor to Philips BU Professional Luminaires North America. Prior to 1998, he served in several finance positions for Tenneco Inc., including its automotive and packaging divisions and as Chief Financial Officer for Monroe Auto Equipment Company and Goss Graphic Systems. Mr. Ferko is Chairman of the Audit and Finance Committee and a member of the Nominating and Governance Committee. The Nominating and Governance Committee believes that based on his experience and expertise in finance, accounting and audit functions, and public policy, Mr. Ferko's continued service as a director is in the Company's best interest.

**Jeffrey T. Gill**

Age 55

Jeffrey T. Gill has served as President and Chief Executive Officer of Sypris and its predecessor since 1992, and as Executive Vice President of its predecessor from 1983 to 1992. Mr. Gill holds a BS degree in Business Administration from the University of Southern California and an MBA from Dartmouth College. Mr. Gill has served as a director of Sypris and its predecessor since 1983. Jeffrey T. Gill is the son of Robert E. Gill and the brother of R. Scott Gill. The Nominating and Governance Committee believes that based on his experience and expertise in financial matters and management, Mr. Gill's continued service as a director is in the Company's best interest.

**Sidney R. Petersen**

Age 80

Sidney R. Petersen has served as a director of Sypris since 1997 and of Sypris Electronics from 1994 until its merger with Sypris in 1998. Mr. Petersen retired as Chairman of the Board and Chief Executive Officer of Getty Oil in 1984, where he served in a variety of increasingly responsible management positions since 1955. He is a member of the Audit and Finance Committee. The Nominating and Governance Committee believes that based on his experience and expertise in financial matters, accounting and audit, financial markets, capital allocation, strategic planning and as a former public company Chief Executive Officer and Board Chairman, Mr. Petersen's continued service as a director is in the Company's best interest.

**CLASS I DIRECTORS WHOSE TERMS EXPIRE IN 2012****John F. Brinkley**

Age 73

John F. Brinkley has served as a director of Sypris since April 2005. Mr. Brinkley retired as General Manager, North American Automotive Operations Export Sales for Ford Motor Company in 1995 after a 33 year career with Ford. He also served in a variety of responsible management positions with Ford in Europe, including Vice President of Marketing, Director of Southern Europe Sales Operations and Director of Truck Operations. Mr. Brinkley is Chairman of the Compensation Committee and a member of the Nominating and Governance Committee. The Nominating and Governance Committee believes that based on his experience and expertise in the general management, strategic planning and management, marketing, and leadership of a large organization in the automotive sector, Mr. Brinkley's continued service as a director is in the Company's best interest.

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**Robert E. Gill**

Age 85

Robert E. Gill has served as Chairman of the Board of Sypris and its predecessor since 1983, and as President and Chief Executive Officer of its predecessor from 1983 to 1992. Prior to 1983, Mr. Gill served in a number of senior executive positions, including Chairman, President and Chief Executive Officer of Armor Elevator Company, Vice President of A. O. Smith Corporation and President and Chief Executive Officer of Elevator Electric Company. Mr. Gill holds a BS degree in Electrical Engineering from the University of Washington and an MBA from the University of California at Berkeley. Robert E. Gill is the father of Jeffrey T. Gill and R. Scott Gill. The Nominating and Governance Committee believes that based on his experience and expertise in financial matters, strategic planning and executive management, Mr. Gill's continued service as a director is in the Company's best interest.

**William L. Healey**

Age 66

William L. Healey has served as a director of Sypris since 1997. Mr. Healey currently serves as a private investor and business consultant. From 2002 to 2005, he served as President and Chief Executive Officer of Cal Quality Electronics, an electronics manufacturing company. Mr. Healey served as a private investor and consultant from 1999 to 2002. He served as Chairman of the Board of Smartflex Systems, an electronics manufacturing company, from 1996 to 1999 and as its President and Chief Executive Officer from 1989 to 1999. Prior to 1989, Mr. Healey served in a number of senior executive positions with Silicon Systems, including Senior Vice President of Operations. Mr. Healey also serves as a director of Microsemi Corporation and Pro-Dex Inc. Mr. Healey is Chairman of the Nominating and Governance Committee and is a member the Compensation Committee. The Nominating and Governance Committee believes that based on his experience and expertise in strategic planning and as a former public company Chief Executive Officer in the electronics sector, Mr. Healey's continued service as a director is in the Company's best interest.

**CLASS II DIRECTORS WHOSE TERMS EXPIRE IN 2013**

**R. Scott Gill**

Age 52

R. Scott Gill has served as a director of Sypris and its predecessor since 1983. Mr. Gill has served as Managing Broker for Baird & Warner, a residential real estate brokerage firm, since June 2007. From June 2005 to June 2007, he served as a Managing Member of Astor & Longwood, LLC, a real estate development and investment company. Mr. Gill served as a Managing Broker with Coldwell Banker Residential Brokerage from 2003 to 2005 and as a Managing Broker and Associate with Koenig & Strey GMAC Real Estate, a residential real estate firm from 1999 to 2003. Mr. Gill served as Senior Vice President and Secretary of Sypris from 1997 to 1998, and as Vice President and Secretary of its predecessor from 1983 to 1998. R. Scott Gill is the son of Robert E. Gill and the brother of Jeffrey T. Gill. The Nominating and Governance Committee believes that based on his experience, in-depth knowledge of the company and expertise in public policy and business management, Mr. Gill's continued service as a director is in the Company's best interest.

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**Robert Sroka**

Age 61

Robert Sroka has served as a director of Sypris since 1997. Mr. Sroka has served as Principal of Rockland Advisory Group, an investment banking firm since May 2010, and served as Managing Director of Corporate Solutions Group, LLC, an investment banking firm, from December 2003 until May 2010. Mr. Sroka also served as Managing Partner of Lighthouse Partners, a private investment and business consulting company from 1998 to 2005. From June 2007 until his resignation in August 2009, Mr. Sroka was a Director of North Shore Acquisition Corp., a blank check company. From November 2004 until February 2007, Mr. Sroka was a Vice President of Ardent Acquisition Company, a blank check company that merged with Avantair, Inc. Mr. Sroka served as Managing Director of Investment Banking-Mergers and Acquisitions, for J.P. Morgan from 1994 to 1998. Prior to 1994, Mr. Sroka served in a variety of senior executive positions with J.P. Morgan, including Vice President-Investment Banking and Vice President-Corporate Finance. He also serves as a Director of Stampede Meats, Inc. a supplier of processed meat products since 2008. He served as a director of North American Insurance Leaders, Inc., a blank check company that was liquidated in May 2008 and as non-executive chairman of the board of Avado Brands, Inc., an operator of restaurants from November 2003 until May 2005. On February 4, 2004, Avado Brands, Inc. filed a voluntary petition under the federal bankruptcy laws, from which it emerged in May 2005. He is a member of the Audit and Finance Committee, the Compensation Committee and the Lead Independent Director. The Nominating and Governance Committee believes that based on his experience and expertise in finance, investment banking and diverse board service and as a former public company executive officer, Mr. Sroka's continued service as a director is in the Company's best interest.

**Table of Contents****STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

The following table sets forth information concerning the beneficial ownership of our Common Stock as of March 17, 2011 for (a) each director and nominee for director of the Company; (b) each person who is known by us to own 5% or more of our Common Stock; (c) the person who in 2010 served as the President and Chief Executive Officer of the Company; (d) the two other most highly compensated executive officers named in the Summary Compensation Table; and (e) the directors and executive officers as a group. Except as otherwise noted, the persons named in the table have sole voting and investment power with respect to such securities.

	Shares Beneficially Owned Common Stock	
	Number	Percent
Robert E. Gill (1) 253 Canton Avenue East Winter Park, Florida 32789	16,000	*
Jeffrey T. Gill (2) 101 Bullitt Lane, Suite 450 Louisville, Kentucky 40222	6,046,734	30.7%
R. Scott Gill (3) 161 East Chicago Avenue Chicago, Illinois 60611	5,665,495	28.8%
GFP I, LP (4) 1220 North Market Street, Suite 606 Wilmington, Delaware 19801	3,274,666	16.7%
Gill Family Capital Management, Inc. (5) 101 Bullitt Lane, Suite 450 Louisville, KY 40222	3,274,666	16.7%
John F. Brinkley (6)	38,979	*
William G. Ferko (7)	54,709	*
William L. Healey (8)	56,902	*
Sidney R. Petersen (9)	98,537	*
Robert Sroka (10)	135,026	*
John J. Walsh (11)	140,086	*
Brian A. Lutes (12)	95,036	*
Current directors and executive officers as a group (14 persons) (13)		