

SYPRIS SOLUTIONS INC
Form DEFR14A
March 26, 2004
Table of Contents

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:

- | | |
|--|--|
| <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 | |
| <input type="checkbox"/> Soliciting Material Pursuant to §240.14a-12 | |

Sypris Solutions, Inc.

(Name of Registrant as Specified In Its Charter)

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

Edgar Filing: SYPRIS SOLUTIONS INC - Form DEFR14A

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

Notice of 2004 Annual Meeting

and

Proxy Statement

Table of Contents

SYPRIS SOLUTIONS, INC.

101 Bullitt Lane, Suite 450

Louisville, Kentucky 40222

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TIME	10:00 a.m. EDT Tuesday, April 27, 2004
PLACE	Lower Level Seminar Room 101 Bullitt Lane, Louisville, Kentucky 40222
ITEMS OF BUSINESS	(1) To elect three Class II members of the Board of Directors, whose terms are described in the Proxy Statement. (2) To approve the 2004 Sypris Equity Plan. (3) To transact such other business as may properly come before the meeting and any adjournment thereof.
RECORD DATE	Holders of Sypris Common Stock of record at the close of business on March 3, 2004 are entitled to vote at the meeting.
ANNUAL REPORT	The Company's 2003 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 by completing and returning the proxy card sent to you. Most stockholders can also vote their shares over the Internet or by telephone. If Internet or telephone voting is available to you, voting instructions are printed on the proxy card sent to you. You can revoke a proxy at any time prior to its exercise at the meeting by following the instructions in the accompanying Proxy Statement.

John R. McGeeney

General Counsel and Secretary

March 26, 2004

Table of Contents

TABLE OF CONTENTS

	<u>Page</u>
<u>PROXY STATEMENT</u>	1
<u>GOVERNANCE OF THE COMPANY</u>	3
<u>RELATIONSHIP WITH INDEPENDENT PUBLIC ACCOUNTANTS</u>	7
<u>AUDIT AND FINANCE COMMITTEE REPORT</u>	8
<u>PROPOSAL ONE, ELECTION OF DIRECTORS</u>	10
<u>CLASS II DIRECTOR NOMINEES FOR TERMS EXPIRING IN 2007</u>	10
<u>CLASS III DIRECTORS WHOSE TERMS WILL EXPIRE IN 2005</u>	11
<u>CLASS I DIRECTORS WHOSE TERMS WILL EXPIRE IN 2006</u>	12
<u>STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS</u>	13
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	15
<u>PERFORMANCE GRAPH</u>	16
<u>EXECUTIVE OFFICERS</u>	17
<u>SUMMARY COMPENSATION TABLE</u>	20
<u>OPTION GRANTS IN LAST FISCAL YEAR</u>	21
<u>AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND OPTION VALUES ON DECEMBER 31, 2003</u>	21
<u>COMPENSATION COMMITTEE REPORT</u>	22
<u>PROPOSAL TWO, APPROVAL OF 2004 SYPRIS EQUITY PLAN</u>	25
<u>EQUITY COMPENSATION PLAN INFORMATION</u>	29
<u>AVAILABILITY OF REPORT ON FORM 10-K</u>	29
<u>OTHER MATTERS</u>	29
<u>SUBMISSION OF STOCKHOLDER PROPOSALS</u>	30
<u>APPENDIX A</u>	A-1

Table of Contents

Sypris Solutions, Inc.

101 Bullitt Lane, Suite 450

Louisville, KY 40222

PROXY STATEMENT

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Sypris Solutions, Inc. of proxies to be voted at our 2004 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 April 27, 2004, 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 and accompanying forms of proxy and voting instructions on or about March 26, 2004, to holders of our Common Stock at the close of business on March 3, 2004, the Record Date for the Annual Meeting.

Proxies and Voting Procedures

Your vote is important. Because many stockholders cannot attend the Annual Meeting in person, it is necessary that a large number of stockholders be represented by proxy. Most stockholders have a choice of voting over the Internet, using a toll-free telephone number or completing a proxy card and mailing it in the postage-paid envelope provided. Please refer to your proxy card or the information forwarded by your bank, broker or other nominee to see which options are available to you. Please be aware that if you vote over the Internet, you might incur costs such as telephone and Internet access charges for which you will be responsible. The Internet and telephone voting facilities for eligible stockholders of record will close at 11:59 p.m. EDT on April 26, 2004.

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) or by voting by ballot at the Annual Meeting.

In order to vote over the Internet or via telephone, stockholders must have their voting form in hand and call the number or go to the web site identified on the enclosed form and follow the instructions to vote on the Internet or via telephone.

Edgar Filing: SYPRIS SOLUTIONS INC - Form DEFR14A

The method by which you vote will in no way limit your right to vote at the Annual Meeting if you later decide to attend in person. If your shares are held in the name of a bank, broker or other nominee, you must obtain a proxy, executed in your favor, from the holder of record, to be able to vote in person at the Annual Meeting.

All shares entitled to vote and represented by properly completed 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 properly completed proxy will be voted as the Board of Directors recommends.**

Table of Contents

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

Stockholders Entitled to Vote

Stockholders of Sypris Common Stock at the close of business on the Record Date are entitled to 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 3, 2004, there were 14,329,753 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 the hours of 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 shares entitled to vote is necessary to constitute a quorum at the meeting for the election of directors. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining whether a quorum exists. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

Gill Family

As of the Record Date, the Gill family beneficially owned an aggregate of 8,503,611 shares or 58.8% 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

In accordance with a notice sent to eligible stockholders who share a single address by one or more banks, brokers or nominees with account holders who are Sypris stockholders, those stockholders will receive only one Annual Report and Proxy Statement at that address. This practice, known as householding, is designed to reduce printing and postage costs. However, if a stockholder residing at such an address wishes to receive a separate Annual Report or Proxy Statement in the future, he or she may contact the bank, broker 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 bank, broker 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

Table of Contents

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.

A Note About Our Common Stock Offering. In February, we filed a Registration Statement on Form S-3 for the sale of 3,000,000 shares of Common Stock, plus up to an additional 450,000 shares to cover over-allotments (the Offering). As of the Record Date, the Offering had not been completed and the results of the Offering are not reflected in our disclosures in this Proxy Statement. If you purchase shares in the Offering, you will not have owned those shares on the Record Date of the Annual Meeting (March 3, 2004), and you, therefore, do not have the right to vote those shares at the Annual Meeting.

GOVERNANCE OF THE COMPANY

Board of Directors

Our Board of Directors has adopted the Sypris Solutions, Inc. Guidelines on Corporate Governance (the Guidelines) to address significant corporate governance issues. 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 stock ownership requirements, and director tenure. The Nominating and Governance Committee is responsible for overseeing and reviewing the Guidelines on a regular basis, and reporting and recommending to the Board of Directors any changes to the Guidelines. A current copy of the Guidelines is available on the Company's web site at www.sypris.com.

During 2003, the Board of Directors held seven meetings, and the Committees held twelve meetings. All directors attended at least 75% of the Board meetings and Committee meetings of which they are members, except R. Scott Gill, who missed one regular and one special board meeting which were held on consecutive days, and Roger W. Johnson, who experienced a temporary disruption to his personal schedule during 2003. 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. All eight directors attended the 2003 Annual Meeting, while seven of eight directors attended the 2002 Annual Meeting.

Independence

The Board of Directors has determined that Messrs. Frigon, Johnson, Petersen and Sroka are independent directors, as such term is defined in NASD Rule 4200(a)(15). The Company does not currently have a majority of independent directors. However, the Company is subject to the NASD transition rule (for boards with staggered terms of office) which will require that the Company have a majority of independent directors by the Company's 2005 Annual Meeting.

In December 2003, the Board of Directors appointed Robert Sroka to serve a one-year term as Lead Independent Director. In this capacity, Mr. Sroka, who succeeded Sidney R. Petersen in this role, has frequent contact with our management, consulting with our executive officers and others on a broad range of matters. 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 Lead Independent Director, Sypris Solutions, Inc., 101 Bullitt Lane, Suite 450, Louisville, Kentucky 40222.

Table of Contents

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 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, without review by management.

Committees of the Board of Directors

During 2003, the Board of Directors had four ongoing Committees: the Audit and Finance Committee, the Compensation Committee, the Executive Committee and the Nominating and Governance Committee. Roger W. Johnson (Chairman), Sidney R. Petersen and Robert Sroka are the current members of the Audit and Finance Committee. Henry F. Frigon (Chairman), Sidney R. Petersen and Robert Sroka are the current members of the Compensation Committee. In February 2003, Mr. Sroka replaced William L. Healey as a member of the Compensation Committee. Robert E. Gill (Chairman), Henry F. Frigon, Jeffrey T. Gill and R. Scott Gill are the current members of the Executive Committee. William L. Healey (Chairman), Henry F. Frigon and Roger W. Johnson are the current members of the Nominating and Governance Committee. In February 2003, Mr. Frigon replaced Mr. Sroka as a member of the Nominating and Governance Committee. During 2003, the Audit and Finance Committee met six times, the Compensation Committee met four times, the Executive Committee held no meetings, and the Nominating and Governance Committee met two times.

Audit and Finance Committee

The Audit and Finance Committee currently consists of three directors, each of whom satisfies the independence requirements set forth in NASD Rule 4200(a)(15) and Rule 10A-3(b)(1) promulgated under the Securities Exchange Act of 1934, as amended. In addition, the Audit and Finance Committee, composed of the directors named in the preceding paragraph, satisfies the requirements of NASD Rule 4350(d)(2). The Board of Directors has also determined that Sidney R. Petersen qualifies for and currently serves as the Committee's financial expert for purposes of Item 401(h) of Regulation S-K promulgated by the SEC. The functions of the Audit and Finance Committee are described below under the heading *Audit and Finance Committee Report*. The Audit and Finance Committee has long operated 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. A current copy of the Audit and Finance Committee Charter is available on the Company's web site at www.sypris.com.

Compensation Committee

The Compensation Committee currently consists of three directors, each of whom has no financial or personal ties to the Company (other than director compensation and equity ownership as described in this Proxy Statement) and meets the NASD standard for independence set forth in NASD Rule 4200(a)(15). The functions of the Compensation Committee include administering management incentive compensation plans, establishing the compensation of officers and reviewing the compensation of directors. The Compensation Committee has long operated 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 current copy of the Compensation Committee Charter is available on the Company's web site at www.sypris.com.

Table of Contents

Executive Committee

The Executive Committee currently consists of four directors. The functions of the Executive Committee include exercising the duties of the full Board of Directors when and if necessary between regular meetings of the Board of Directors. The Executive Committee possesses all of the power of the full Board of Directors, except for certain powers under Delaware law which can only be exercised by the full Board. The Executive Committee has long operated pursuant to a formal written charter setting out the functions that this Committee is to perform. A current copy of the Executive Committee Charter is available on the Company's web site at www.sypris.com.

Nominating and Governance Committee

The Nominating and Governance Committee currently consists of three directors, two of whom satisfy the independence requirements set forth in NASD Rule 4200(a)(15). 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, including a periodic assessment of the effectiveness of each of the 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 describe the process by which candidates for inclusion in the Company's recommended slate of independent director nominees may be selected. 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 on the Board. In addition, the Nominating and Governance Committee will consider an individual's integrity and commitment, as well as the candidate's experience in our core market industries, certain targeted knowledge areas, complex multi-industry and/or technological areas and growth manufacturing or service operations.

To date, the Nominating and Governance Committee has not engaged third parties to identify or evaluate potential director candidates. Currently, the Company does not 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.

The Nominating and Governance Committee has long operated 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 current copy of the Nominating and Governance Committee Charter is available on the Company's web site at www.sypris.com.

Compensation of Directors

During 2003, each non-employee director (currently, Henry F. Frigon, R. Scott Gill, Roger W. Johnson, William L. Healey, Sidney R. Petersen and Robert Sroka) received an annual retainer of \$18,000, a fee of \$1,200 for attending each meeting of the Board of Directors (\$300 if attendance was by phone), a fee of \$1,400 for acting in the capacity of Chairman for each Committee meeting (\$300 if attendance was by phone) and a fee of \$1,000 for other non-employee directors attending each Committee meeting (\$300 if attendance was by phone). Committee fees were earned regardless of whether Committee meetings were held on the same date as a Board of Directors' meeting date.

Table of Contents

Non-employee directors may elect to receive their annual retainer and meeting fees in the form of stock options. The number of stock options is determined by dividing the annual retainer and fee amount, as applicable, by 33% of the fair market value of Common Stock on the date of grant. During 2003, Roger W. Johnson, Sidney R. Petersen and Robert Sroka elected to receive their annual retainer and meeting fees in the form of stock options, and a total of 23,846 options were granted to these non-employee directors in payment of director fees. Non-employee directors also receive initial and annual grants of stock options for each elected term as a director. Each non-employee director was granted an option to purchase 6,000 shares following last year's annual stockholders' meeting on April 29, 2003. Options are granted to non-employee directors at fair market value on the date of grant, are immediately exercisable and have a 10-year term. During 2003, Sidney R. Petersen exercised 7,939 shares at a weighted average exercise price per share of \$4.01 for the purpose of satisfying director stock ownership requirements in advance of the target date set forth in the Guidelines.

All directors are reimbursed for travel and related expenses for attending Board and Committee meetings. Directors who are employees of Sypris or its affiliates are not eligible to receive compensation for services as a director. We provide non-employee directors with travel accident insurance when on Company business.

Compensation Committee Interlocks And Insider Participation

Our Compensation Committee is composed of Henry F. Frigon (Chairman), Sidney R. Petersen, and Robert Sroka. Except as described below, we are unaware of any relationships during 2003 among our officers and directors which would require disclosure under this caption.

William L. Healey, who was a member of our Compensation Committee until he was replaced on the Compensation Committee by Sidney R. Petersen in February 2003, became employed as President and Chief Executive Officer of Cal Quality Electronics, Inc. in March 2002. We purchase circuit card assemblies from Cal Quality Electronics, Inc. under supply contracts. We paid \$2,679,000 to Cal Quality Electronics, Inc. in 2003 and estimate our payments may exceed \$2,900,000 in 2004.

Certain Relationships and Related Transactions

During 2003, we have had no other disclosable business relationships with any of our directors, officers or 5% stockholders, except as described in *Compensation Committee Interlocks and Insider Participation* above.

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. Our employees are required to certify that they have received a copy of the code of business conduct and have been provided with training on the code of business conduct and their related legal obligations. 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 web site at www.sypris.com. The information on our web site is not part of this Proxy Statement and is not soliciting material.

Table of Contents**RELATIONSHIP WITH INDEPENDENT PUBLIC****ACCOUNTANTS**

The Company has not yet selected an independent public accountant and auditor for the year ending December 31, 2004. The Company's Audit and Finance Committee is currently reviewing whether it is in the best interest of the Company to solicit competitive proposals from a number of accounting firms, including Ernst & Young LLP, for the current year. If a decision is made to solicit competitive proposals, it is anticipated that the Company will select an independent accountant and auditor from those submitting proposals on or before September 30, 2004. Otherwise, the Company anticipates that it will again select Ernst & Young LLP to serve as the Company's independent public accountants and auditors for the year ending December 31, 2004. Ernst & Young LLP has served as the Company's independent public accountants and auditors since and including the Company's year ended December 31, 1989. The Audit and Finance Committee has approved the fees described below for non-audit services for 2003 and believes such fees 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, 2003 and December 31, 2002 and fees billed for other services rendered by Ernst & Young LLP during those periods. Certain amounts for 2002 have been reclassified to conform to the 2003 presentation.

	Years Ended	
	December 31,	
	2003	2002
Audit Fees (1)	\$ 275,000	\$ 350,000
Audit-Related Fees (2)	32,580	20,500
Tax Fees (3)	82,510	131,690
All Other Fees		
Total	\$ 390,090	\$ 502,190

- (1) Audit Fees include fees associated with the annual audit, reviews of the Company's quarterly reports on Form 10-Q, review of a registration statement on Form S-2 in 2002 and issuance of a consent in 2002.

Edgar Filing: SYPRIS SOLUTIONS INC - Form DEFR14A

- (2) Audit-Related Fees principally included employee benefit plan audits, education and assistance in assessing the impact of proposed standards, rules or interpretations by the SEC, FASB, or other regulatory or standard-setting bodies, and agreed upon procedures performed in 2003.
- (3) Tax Fees consist of tax return preparation fees, tax services other than those directly related to the audit of the income tax accrual, and review of state and local income tax planning opportunities.

Table of Contents

Policy on Audit and Finance Committee Pre-Approval of Audit and Non-Audit Services of Independent Auditor

The Audit and Finance Committee's policy is to pre-approve all audit and non-audit services provided by the independent public accountants and auditors. These services may include audit services, audit-related services, tax services and other services. 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 auditors 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 and auditors 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 and auditors under the categories Audit-Related, Tax and All Other Fees 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 controls and the objectivity of its financial reporting. The Audit and Finance Committee discussed these matters with the Company's independent public accountants and auditors 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 process used for certifications by the Company's chief executive officer and chief financial officer which is 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 auditors and Company financial personnel, each of whom has unrestricted access to the Audit and Finance Committee.

The Audit and Finance Committee recommended to the Board of Directors the appointment of Ernst & Young LLP as the independent public accountants and auditors for the Company in 2003 after reviewing the firm's performance and independence from management.

Management has primary responsibility for the Company's financial statements and the overall reporting process, including the Company's system of internal controls. Ernst & Young LLP, the Company's independent public accountants and auditors, are 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 generally accepted accounting principles. The Audit and Finance Committee's responsibility is to monitor and oversee these processes.

The Audit and Finance Committee reviewed with management and Ernst & Young LLP the Company's audited financial statements and met separately with both management and Ernst & Young LLP to discuss and review those financial statements and reports prior to issuance. Management has represented, and Ernst & Young LLP has confirmed, to the Audit and Finance Committee that the financial statements were prepared in accordance with generally accepted accounting principles.

The Audit and Finance Committee received from and discussed with Ernst & Young LLP the written disclosure and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). These items relate to that firm's independence from the Company. Ernst & Young LLP has confirmed by letter that, in its professional judgment, it is independent of the

Company.

Table of Contents

The Audit and Finance Committee also discussed with Ernst & Young LLP matters required to be discussed by the Statement on Auditing Standards No. 61 (Communication with Audit Committees) of the Auditing Standards Board of the American Institute of Certified Public Accountants to the extent applicable. These items relate to the scope and results of their audit of the Company's financial statements.

The Audit and Finance Committee discussed with management and Ernst & Young LLP the quality and adequacy of the Company's internal controls and the overall quality of the Company's financial reporting. The Audit and Finance Committee reviewed with Ernst & Young LLP and pre-approved their audit plans, audit scope, identification of audit risks and fees. The Audit and Finance Committee also reviewed and pre-approved the non-audit services performed by Ernst & Young LLP and discussed with the independent public accountants and auditors 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, 2003.

Roger W. Johnson (Chairman)

Sidney R. Petersen

Robert Sroka

Table of Contents

PROPOSAL ONE

ELECTION OF DIRECTORS

The Board of Directors is divided into three classes with terms that expire at successive annual meetings. Three Class II directors will be elected at the Annual Meeting to serve for a three-year term expiring at our annual meeting in 2007 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 R. Scott Gill, Roger W. Johnson and Robert Sroka to be elected at the Annual Meeting as Class II directors whose terms will expire in 2007.

Set forth below are the principal occupation and certain other information regarding the nominees and the other directors whose terms of office will continue after the Annual Meeting.

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 broker non-votes 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 II directors.**

CLASS II DIRECTOR NOMINEES FOR TERMS EXPIRING IN 2007

R. Scott Gill

Age 45

R. Scott Gill has served as a director of Sypris and its predecessor since 1983. Mr. Gill has served as a Managing Broker with Coldwell Banker Residential Brokerage since 2003. Mr. Gill served 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 Project Manager for IA Chicago, an architectural design firm, from 1998 to 1999, 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. Mr. Gill is a member of the Executive Committee. R. Scott Gill is the son of Robert E. Gill and the brother of Jeffrey T. Gill.

Roger W. Johnson

Age 69

Roger W. Johnson has served as a director of Sypris since 1997 and of Sypris Electronics from 1996 until its merger with Sypris in 1998. Mr. Johnson is currently a private investor, educator and business consultant. Mr. Johnson served as Chairman of the Board and Chief Executive Officer of Collectors Universe, a provider of services to dealers and collectors of high-end collectibles, from 2001 to 2002. Mr. Johnson served as Chief Executive Officer

Table of Contents

Administrator of the General Services Administration from 1993 to 1996. Prior to 1993, Mr. Johnson served in a number of senior executive positions, including Chairman of the Board and Chief Executive Officer of Western Digital Corporation. Mr. Johnson also serves as a director of the Needham Funds, Insulectro, Maxtor Corporation and Computer Access Technology Corporation. He is Chairman of the Audit and Finance Committee and a member of the Nominating and Governance Committee.

Robert Sroka

Age 54

Robert Sroka has served as a director of Sypris since 1997. Mr. Sroka has served as Managing Director of Corporate Solutions Group, an investment banking firm, since December 2003, and as Managing Partner of Lighthouse Partners, a private investment and business consulting company, since 1998. 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. Mr. Sroka also serves as non-executive Chairman of the Board of Avado Brands, Inc. On February 4, 2004, Avado Brands, Inc. filed a voluntary petition under the federal bankruptcy laws. He is a member of the Compensation and Audit and Finance Committees.

CLASS III DIRECTORS WHOSE TERMS WILL EXPIRE IN 2005

Jeffrey T. Gill

Age 48

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. A director of Sypris and its predecessor since 1983, Mr. Gill is a member of the Executive Committee. Jeffrey T. Gill is the son of Robert E. Gill and the brother of R. Scott Gill.

Sidney R. Petersen

Age 73

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 Compensation and Audit and Finance Committees.

Table of Contents

CLASS I DIRECTORS WHOSE TERMS WILL EXPIRE IN 2006

Henry F. Frigon

Age 69

Henry F. Frigon has served as a director of Sypris since 1997 and of Sypris Electronics from 1994 until its merger with Sypris in 1998. Mr. Frigon has served as a private investor and business consultant since 1994. Mr. Frigon served as Chairman of CARSTAR, a national provider of collision repair services, from 2000 to 2001, and as its President and Chief Executive Officer from 1998 to 2000. Prior to 1994, Mr. Frigon served in a number of senior executive positions, including Executive Vice President-Corporate Development and Strategy, and Chief Financial Officer of Hallmark Cards, and President and Chief Executive Officer of BATUS. Mr. Frigon also serves as a director of H&R Block, Buckeye Technologies, Dimon, Tuesday Morning and Packaging Corporation of America. He is Chairman of the Compensation Committee and a member of the Executive and Nominating and Governance Committees.

Robert E. Gill

Age 78

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. He is Chairman of the Executive Committee. Robert E. Gill is the father of Jeffrey T. Gill and R. Scott Gill.

William L. Healey

Age 59

William L. Healey has served as a director of Sypris since 1997. Mr. Healey has served as President and Chief Executive Officer of Cal Quality Electronics, an electronics manufacturing company, since 2002. 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. He is Chairman of the Nominating and Governance Committee.

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 3, 2004 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 2003 was the President and Chief Executive Officer of the Company; (d) the four 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	3,275,666	22.9%
Virginia G. Gill (2) 253 Canton Avenue East Winter Park, Florida 32789	3,275,666	22.9%
Jeffrey T. Gill (3) 101 Bullitt Lane, Suite 450 Louisville, Kentucky 40222	6,097,906	42.3%
R. Scott Gill (4) 1209 North Astor Street Chicago, Illinois 60610	5,679,371	39.5%
GFP I, LP (5) 101 Bullitt Lane, Suite 450 Louisville, Kentucky 40222	3,274,666	22.9%
Gill Family Capital Management, Inc. (6) 101 Bullitt Lane, Suite 450 Louisville, Kentucky 40222	3,274,666	22.9%
Henry F. Frigon (7)	81,615	*

Edgar Filing: SYPRIS SOLUTIONS INC - Form DEFR14A

William L. Healey (8)	52,500	*
Roger W. Johnson (9)	105,480	*
Sidney R. Petersen (10)	129,378	*
Robert Sroka (11)	106,020	*
James G. Cocke (12)	32,520	*
David D. Johnson (13)	99,151	*
Richard L. Davis (14)	76,934	*
<u>Current directors and executive officers as a group (16 persons)</u>	9,434,036	62.2%

* less than 1%.

(1) Includes 500 shares beneficially owned by Virginia G. Gill, his wife. Robert E. Gill shares voting and investment power with his spouse with respect to these shares. Also includes 3,274,666 shares of the

Table of Contents

Common Stock of the Company owned by GFP I, LP, a Delaware limited partnership, of which Robert E. Gill is a limited partner holding a 43.50% ownership interest and of which Virginia G. Gill is a limited partner holding a 44.39% ownership interest. On the basis of certain provisions of the limited partnership agreement of GFP I, LP (the Partnership Agreement), Robert E. Gill and Virginia G. Gill may be deemed to beneficially own shares of Common Stock that are attributable to such limited partnership interests. Mr. Gill is also a director and executive officer of the Company and was a named officer during 2003.

- (2) Includes 500 shares beneficially owned by Robert E. Gill, her husband. Virginia G. Gill shares voting and investment power with her spouse with respect to these shares. Also includes 3,274,666 shares held by GFP I, LP. See footnote (1) above for certain information concerning GFP I, LP.
- (3) Includes 90,000 shares issuable under currently exercisable stock options and 23,975 shares owned by Patricia G. Gill, his wife. Jeffrey T. Gill shares voting and investment power with his spouse with respect to these shares. Also includes 3,274,666 shares held by GFP I, LP, of which Jeffrey T. Gill is a limited partner holding a 0.79% ownership interest, of which Patricia G. Gill is a limited partner holding a 0.79% ownership interest, and of which trusts for the benefit of Jeffrey T. Gill's children, of which Jeffrey T. Gill is trustee, are limited partners holding an aggregate of 6.03% ownership interest. Gill Family Capital Management, Inc., a Kentucky corporation (the General Partner), is the general partner of GFP I, LP, with a 0.96% ownership interest in GFP I, LP. Jeffrey T. Gill is the Co-President and Treasurer of the General Partner, is one of two directors of the General Partner, and is a 50% shareholder of the General Partner. On the basis of Jeffrey T. Gill's positions with the General Partner, and pursuant to certain provisions of the Partnership Agreement, Jeffrey T. Gill may be deemed to beneficially own shares of Common Stock attributable to the General Partner. Mr. Gill is also a director and executive officer of the Company and was a named officer during 2003.
- (4) Includes 52,000 shares issuable under currently exercisable stock options. Includes 3,274,666 shares owned by GFP I, LP, of which R. Scott Gill is a limited partner holding a 3.54% ownership interest. R. Scott Gill is the Co-President and Secretary of the General Partner, is one of two directors of the General Partner, and is a 50% shareholder of the General Partner. On the basis of R. Scott Gill's positions with the General Partner, and pursuant to certain provisions of the Partnership Agreement, R. Scott Gill may be deemed to beneficially own shares of Common Stock attributable to the General Partner. Mr. Gill is also a director of the Company.
- (5) Voting and investment power is exercised through the General Partner. See footnotes (3) and (4).
- (6) In its capacity as General Partner. See footnotes (3) and (4).
- (7) Includes 80,365 shares issuable under currently exercisable stock options, and 1,250 shares held in a 501(c)(3) charitable foundation of which Mr. Frigon has both voting and investment power.
- (8) Includes 52,000 shares issuable under currently exercisable stock options, and 500 shares held by a family trust of which Mr. Healey is a co-trustee. Mr. Healey shares voting and investment power with respect to the shares held by the family trust.
- (9) Includes 95,015 shares issuable under currently exercisable stock options, and 4,868 shares held in a 501(c)(3) charitable foundation of which Mr. Johnson has no pecuniary interest but shares investment control.
- (10) Includes 117,784 shares issuable under currently exercisable stock options, and 11,594 shares held by a family trust of which Mr. Petersen is a trustee. Mr. Petersen shares voting and investment power with respect to the shares held by the family trust.
- (11) Includes 105,020 shares issuable under currently exercisable stock options.
- (12) Includes 32,520 shares issuable under currently exercisable stock options. Mr. Cocke was a named officer during 2003.

Table of Contents

- (13) Includes 78,600 shares issuable under currently exercisable stock options and 3,000 shares held by a family trust of which Mr. Johnson is a co-trustee. Mr. Johnson shares voting and investment power with respect to the shares held by the family trust. Mr. Johnson was a named officer during 2003.

- (14) Includes 34,600 shares issuable under currently exercisable stock options. Mr. Davis was a named officer during 2003.

SECTION 16(a) BENEFICIAL OWNERSHIP

REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and persons who beneficially own more than 10% of Sypris Common Stock to file reports of holdings and transactions in Sypris stock with the Securities and Exchange Commission. Based on our information, we believe that all Section 16(a) Securities and Exchange Commission filing requirements applicable to our directors, officers and other beneficial owners, for 2003 were timely met, except that one late Form 4 filing was made for R. Scott Gill. The late filing reported a stock option grant and was the result of an administrative technical error.

Table of Contents

PERFORMANCE GRAPH

The graph below shows a comparison of cumulative total stockholder returns for Sypris, calculated on a dividend reinvestment basis, from December 31, 1998 through December 31, 2003. The Company's Common Stock is traded on the Nasdaq National Market under the symbol SYPR. In the performance graph, the cumulative total stockholder return of the Company is compared to the Russell 2000 Index and the S&P SmallCap 600 Index. The S&P SmallCap 600 Index has been selected as a basis of comparison since Sypris believes the S&P SmallCap 600 Index appropriately tracks the performance of multi-industry businesses at its level of market capitalization.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*