

SYPRIS SOLUTIONS INC
Form DEF 14A
April 06, 2015
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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)) |
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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 2015 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 5, 2015
PLACE	Lower Level Seminar Room 101 Bullitt Lane, Louisville, Kentucky 40222
ITEMS OF BUSINESS	(1) To elect three Class I members of the Board of Directors, whose terms are described in the Proxy Statement. (2) To approve the 2015 Sypris Omnibus Plan. (3) An advisory approval of the Company's named executive officer compensation. (4) 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 Solutions, Inc. common stock at the close of business on March 10, 2015 are entitled to vote at the meeting.
ANNUAL REPORT	The Company's 2014 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 Website 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.

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

John R. McGeeney

Vice President, General Counsel and Secretary

April 6, 2015

Important Notice Regarding the Availability of Proxy Materials

The notice of annual meeting of stockholders to be held on May 5, 2015, this Proxy Statement, form of proxy card and the Sypris Solutions 2014 Annual Report on Form 10-K are available at 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. (the Board) of proxies to be voted at our 2015 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. We refer to our 2015 annual meeting of stockholders as the Annual Meeting .

You are cordially invited to attend the Annual Meeting on May 5, 2015, 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 6, 2015, to holders of our common stock (Common Stock) at the close of business on March 10, 2015 which is the Record Date for the Annual Meeting.

Proxies, Quorum and Voting Procedures

Proxies

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 5, 2015.

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, Bank or Other Nominee

If you are a beneficial owner of shares registered in the name of your broker, bank or other nominee, you should have received a voting instructions card with these proxy materials from that organization rather than from us. Simply complete and mail the voting instructions card 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.

Quorum

The Amended and Restated Bylaws of the Company provide that the holders of a majority of the issued and outstanding shares of the Company s Common Stock present in person or by proxy and entitled to vote at the Annual Meeting are 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.

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Required Vote

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 the instructions provided. If you hold shares through an account with a broker, bank or other nominee, and you fail to provide voting instructions to your broker, bank or other nominee either using your voting instruction card or by telephone or over the Internet in accordance with the instructions provided, then your shares will not be voted with respect to any of the proposals being considered at the Annual Meeting. **Therefore, if you hold shares through a broker, bank or other nominee it is important that you provide your broker with your voting instructions.**

Election of Directors

Under Delaware law and our Amended and Restated Bylaws, the three nominees who receive the greatest number of votes cast by stockholders, entitled to vote at the meeting, for election as Class I directors will be elected at the conclusion of the tabulation of votes. **A withhold vote with respect to the election of one or more directors will not affect the outcome of the election of directors.**

Approval of 2015 Sypris Omnibus Plan

The affirmative vote by a majority of the shares of the Common Stock voting at the Annual Meeting is required for approval and ratification of the 2015 Sypris Omnibus Plan. Abstentions and broker non-votes will not be counted as votes either for or against any matters coming before the Annual Meeting, but will be counted toward determining a quorum.

Advisory Vote on Executive Compensation

The affirmative vote of a majority of the shares present in person or by proxy and entitled to vote on the matter is required for the advisory approval of the Company's executive compensation. In determining whether the proposal has received the requisite number of affirmative votes, abstentions will not be counted and will have the same effect as a vote against the proposal. This proposal is advisory in nature, which means that it is not binding on the Board or the Compensation Committee. However, the Board and the Compensation Committee will review the voting results and take them into consideration when making future decisions regarding executive compensation.

If you submit a proxy card but do not indicate how your shares should be voted on a matter, the shares represented by your proxy will be voted as the Board 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 person delivering the proxy. 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 Common Stock at the close of business on March 10, 2015, 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.

At the close of business on the Record Date there were 20,456,044 shares of 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.

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Gill Family

As of the Record Date, the Gill family beneficially owned an aggregate of 9,019,848 shares or 43% of the Company's outstanding Common Stock. Additional information on ownership of Common Stock by the Gill family, see the heading *Stock Ownership of Certain Beneficial Owners and Management*.

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 other nominee directly or contact Sypris at 101 Bullitt Lane, Suite 450, Louisville, Kentucky 40222 or at 502-329-2000. If you are receiving multiple copies of our Annual Report and Proxy Statement, you can request householding by contacting your bank, broker or other nominee directly or by contacting Sypris in the same manner described above.

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 by either providing stockholders notice of the availability of the materials via the Internet or by delivering a full set of the materials to stockholders. 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 website. The notice of the Annual Meeting of stockholders, Proxy Statement, form of proxy card and 2014 Annual Report on Form 10-K are available at 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 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. A copy of the Guidelines is available on the Company's website at www.sypris.com.

During 2014, the Board held five regular meetings, and the committees (all together) held fourteen 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 directors at the Company's annual meeting of stockholders, more than a majority of the directors have attended all prior annual meetings. Six of the ten directors attended the 2014 Annual Meeting.

Independence

The Board has determined that John F. Brinkley, Gary L. Convis, William G. Ferko, William L. Healey, Sidney R. Petersen and Robert Sroka are independent as defined by NASDAQ's listing standards. Additionally, the Board anticipates that as of the Annual Meeting Robert F. Lentz will be independent as defined by NASDAQ's listing standards and will review and confirm the status of Mr. Lentz at that time. See Transactions with Related Persons below for information on payments to Mr. Lentz as a consultant, prior to his appointment as a director in July 2012. 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 2014, 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 in which only independent directors participate. Additional information regarding the role of the Lead Independent Director is provided below under the heading Board Leadership and Risk Oversight. 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 welcomes communications from our stockholders. Stockholders may send communications to the Board 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 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 2014, the Board had three standing committees: the Audit and Finance Committee, the Compensation Committee and the Nominating and Governance Committee.

Audit and Finance Committee

The current members of the Audit and Finance Committee are Gary L. Convis, William L. Healey, Sidney R. Petersen and Robert Sroka (Chairman). 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 Robert Sroka qualifies as an audit committee financial expert as defined by SEC rules. During 2014, the

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Audit and Finance Committee met six times. The functions of the Audit and Finance 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 committee's functions. 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.

Compensation Committee

The current members of the Compensation Committee are John F. Brinkley, William G. Ferko and William L. Healey (Chairman). During 2014, the Compensation Committee met four 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 Compensation Committee generally approves equity awards for the Company's other employees and non-equity compensation for the Company's executive officers. However, the Compensation 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 stock options. The Company's Chief Executive Officer, with assistance from the Corporate Director of Human Resources and his support staff, provides recommendations to the Compensation Committee regarding compensation for those employees reporting directly to the Chief Executive Officer. However, the Compensation Committee retains full discretion to modify any compensation recommendations by the Chief Executive Officer or other members of management.

In 2014, the Company's management 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, other key employees and directors. Pearl Meyer provided the Compensation Committee with relevant market data and alternatives to consider when making compensation decisions regarding the Chief Executive Officer, the Company's other executives and the directors. Over the past 7 years direct access to Pearl Meyer has been made available to the Compensation Committee, with or without management in attendance, on an as needed basis to review various issues related to executive compensation. On various occasions, and most recently in October of 2013, the non-employee directors and certain members of the Company's management met with Pearl Meyer for an overview of the services being provided to the Company's management. The Company's management has also engaged Pearl Meyer for assistance with general trends in compensation and requested clarification on the appropriate compensation benchmarks for unique or hybrid job descriptions. Pearl Meyer's work in this area did not raise any conflict of interest concerns for the fiscal year 2014 or prior years, based on a review of fees paid and disclosures provided by Pearl Meyer in an annual written questionnaire delivered to the Company. For compensation decisions affecting 2015, the Company and the Compensation Committee intend to continue to utilize the assistance of Pearl Meyer.

The Compensation Committee operates pursuant to a formal written charter that sets out the functions that it 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.

Nominating and Governance Committee

The current members of the Nominating and Governance Committee are John F. Brinkley (Chairman), William G. Ferko and Robert Sroka. During 2014, the Nominating and Governance Committee met four times. The functions of the Nominating and Governance Committee include reviewing and recommending nominees to the Board for election as directors of the Company and evaluating the performance and effectiveness of the Board. The Nominating and Governance Committee also makes recommendations to the Board 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

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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 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.

Of the three nominees for election at the Annual Meeting: John F. Brinkley, Robert E. Gill and William L. Healey are currently serving as 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, subject to any rights stockholders have to nominate director candidates under our Amended and Restated Bylaws, 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 Nominating and Governance Committee has been to develop and maintain contacts with potential candidates for future membership on the Board of Directors, 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 committee's functions. 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.

Board Leadership and Risk Oversight

The Board consists of our Chairman of the Board, Robert E. Gill, our President and Chief Executive Officer, Jeffrey T. Gill, R. Scott Gill, one other non-independent director, and six 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 2014, the Lead Independent Director presided over five such meetings, reported to the Board on the results of such meetings and periodically inquired of independent directors with any ongoing changes in their respective biographies, any related person transactions and any potential conflicts of interest. The Board has three standing committees—Audit and Finance, Compensation, and Nominating and Governance, each of which 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

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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 Board, and for oversight of other corporate governance matters.

Pursuant to our Amended and Restated 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 has been and will continue to be effective for the Company. We believe that having Mr. Robert E. Gill and Mr. Jeffrey T. Gill serve as Chairman of the Board and Chief Executive Officer, respectively, benefits the Company by enabling each individual to contribute his extensive, in-depth knowledge of Sypris business to both the Board's deliberations and the Company's operations. Further, having independent chairs for each of the Audit and Finance, Compensation, Nominating and Governance Committees and a Lead Independent Director ensures that the Board provides significant independent and objective oversight. Together with regular executive planning, analysis and reporting, we believe that this structure provides the Company both with strong leadership and effective Board oversight of the material risks and opportunities facing the Company on an ongoing basis.

Code of Conduct

We have a corporate responsibility and compliance program which includes a written code of conduct. We require all employees, including all officers and senior level executives, to adhere to our code of conduct in addressing the legal and ethical issues encountered in conducting their work. The code of 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 conduct or other Company policies and procedures. The code of conduct details the procedures for confidential and anonymous reporting by employees and emphasizes our policy of non-retaliation. Our code of conduct can be found on our corporate website at www.sypris.com. We intend to post amendments to or waivers from our code of conduct (to the extent applicable to our principal executive officer, principal financial officer, principal accounting officer or controller) on our website.

Transactions with Related Persons

The Company's code of conduct requires all directors, executive officers and other employees of the Company to disclose and seek prior approval of any transaction with a related person. 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 President and Chief Executive Officer. The Audit and Finance Committee may approve, ratify or reject the transaction or refer the transaction to the full Board or other appropriate committee of the Board, in its discretion. In addition, the Company requires each director, director nominee and executive officer to disclose any transactions involving related parties, or other potential conflicts of interest, in an annual written questionnaire. For 2014, with the exception of the information reported below no related person transactions (as defined in Item 404(a) of Regulation S-K) were reported or otherwise discovered by the Company. This section describes certain transactions that involve directors and executive officers of the Company and their affiliates.

On December 20, 2011, the Board authorized the Company to enter into an Executive Equity Repurchase Agreement (the Repurchase Agreement) in which certain members of the Company's management team and directors, may elect to participate on a voluntary basis. By executing the agreement each participant grants the Company a first right to purchase shares of Common Stock beneficially owned by the individuals at then-current

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market prices, subject to certain exceptions. Participants would be required to offer to sell shares of Common Stock they beneficially held to the Company when either (a) they propose to transfer more than 1,500 shares of Common Stock to a third party or (b) they separate service from the Company. In that second circumstance, the Company has the right to acquire all of the shares of Common Stock beneficially owned by the departing person. In both circumstances, the price per share, if accepted by the Company, would be based on the average of the closing prices of the Common Stock on NASDAQ for a trailing five trading day period. The Repurchase Agreement has a five year term, subject to earlier termination by the Company. On December 20, 2011, the Company's Board authorized a share repurchase program authorizing the Company to repurchase up to \$5,000,000 of the Company's outstanding Common Stock from time to time over the twelve months following the authorization, subject to annual renewal by the Board, and the share repurchase program was renewed by the Board for 2015. The Company's repurchases may be executed through open market purchases, privately negotiated transactions, the Repurchase Agreement described above or other arrangements which comply with the provisions of the Securities Exchange Act of 1934, as amended and the terms of the Company's existing credit facility. The program does not require that the Company purchase any specific number of shares or make purchases by a certain time and date. The program may be suspended or discontinued by the Company at any time without prior notice.

Currently all directors, with the exception of R. Scott Gill, and all executive officers have elected to enter into the Repurchase Agreement.

In addition, Robert F. Lentz was elected as a member of the Board of the Company in July 2012 and previously served as a consultant and member of the Senior Advisory Board for the Company's subsidiary Sypris Electronics, LLC (Sypris Electronics), from approximately June 2009 through March 2012. In light of his role as a director for the Company, Mr. Lentz agreed to terminate any future consulting services for the Company or its subsidiaries. From January 1, 2011 through May 2012, Mr. Lentz received approximately \$176,250 for Senior Advisory Board membership and consulting services and \$6,722 for reimbursement of expenses including meals, airfare and transportation from Sypris Electronics. Upon additional review by the Board of Directors, it is anticipated that Mr. Lentz will achieve independent status as of May 5, 2015 barring any unforeseen conflicts that would impact his independence as defined by NASDAQ's listing standards.

The Company is a member of Columbus Insurance Ltd. (Columbus), a captive insurance entity that reinsures general liability, automobile liability, auto physical damage, and workers compensation insurance. Mr. Anthony C. Allen, is an executive officer of the Company, and as the Company's representative is a Director of Columbus and has been appointed as the Chairman of the Columbus Finance Committee and named to the executive director position of Treasurer effective as of January 23, 2015. Mr. Allen receives no compensation for his services to Columbus. Each member of Columbus is a shareholder with one vote under a simple majority governing structure.

The Company's subsidiary Sypris Electronics entered into a consulting agreement with Dean Carpenter for services relating to the sales and marketing of cyber operations and analytics. Mr. Carpenter is the brother-in-law of John J. Walsh, an executive officer of the Company. The initial term of the consulting agreement was February 24, 2014 through February 23, 2015, with the option for renewal by the Company. During 2014 Mr. Carpenter received approximately \$114,158 for consulting services and approximately \$42,787 for reimbursement of expenses including meals, airfare, per diem allowance and transportation from Sypris Electronics. On March 2, 2015, Sypris Electronics hired Mr. Carpenter as a full-time employee in the role of business development manager relating to sales and marketing of cyber operations and analytics.

In connection with the Company's March 12, 2015 amendment to its Revolving Credit and Security Agreement with PNC Bank, N.A., a Promissory Note was entered into between the Company and Gill Family Capital Management, Inc. (Gill Family Capital) through which the Company received \$4,000,000 in proceeds of subordinated debt. Mr. Jeffrey T. Gill and Mr. R. Scott Gill are Co-President and Treasurer and Secretary,

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respectively, of Gill Family Capital, and Mr. Jeffrey T. Gill, Mr. R. Scott Gill and Mr. Robert E. Gill each contributed a portion of the proceeds to Gill Family Capital Management. The Promissory Note matures on April 12, 2016 and is secured by certain assets of the Company including patents, trademarks, and real property located in the U.S. and bearing an interest rate of 8.00% per year, and the principal and interest are due and payable on the maturity date, for the benefit of Gill Family Capital. There is no prepayment penalty fee. The amount outstanding as of March 12, 2015 is \$4,000,000 and the approximate value of the Promissory Note s principal and interest upon maturity is \$4,353,000.

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RELATIONSHIP WITH INDEPENDENT PUBLIC ACCOUNTANTS

Changes in Independent Registered Public Accounting Firm

On June 11, 2014, the Audit and Finance Committee engaged Crowe Horwath LLP as its independent registered public accounting firm for the Company's fiscal year ending December 31, 2014. Concurrent with its appointment of Crowe Horwath LLP the Audit and Finance Committee dismissed Ernst & Young LLP which served as the Company's independent public accountants since and including the fiscal year ended December 31, 1989 through June 11, 2014.

The report provided by Ernst & Young LLP in connection with the Company's financial statements for the fiscal years ended December 31, 2013 and December 31, 2012, did not contain any adverse opinion or disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope, or accounting principles. In addition, at no point during the two fiscal years ended December 31, 2013 and the subsequent interim period through June 11, 2014 were there any disagreements between the Company and Ernst & Young LLP as that term is defined in Item 304(a)(1)(iv) of Regulation S-K on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Ernst & Young LLP, would have caused Ernst & Young LLP to make reference to the subject matter of such disagreements in connection with its reports on the financial statements for such years. None of the reportable events described in Item 304(a)(1)(v) of Regulation S-K occurred within the two fiscal years ended December 31, 2013 and the subsequent interim period through June 11, 2014.

We provided Ernst & Young LLP with a copy of the disclosures set forth in Item 4.01 of the current report on Form 8-K that was filed with the SEC on June 12, 2014 and requested that Ernst & Young LLP furnish us with a letter addressed to the SEC stating whether or not it agreed with the statements made therein, each as required by the applicable SEC rules. A copy of the letter, expressing the agreement of Ernst & Young LLP with our relevant disclosures, was filed as Exhibit 16.1 to the current report on Form 8-K that was filed with the SEC on June 12, 2014.

As reported above, on June 11, 2014, our Audit and Finance Committee engaged Crowe Horwath LLP as our new independent registered public accounting firm to perform independent audit services for the fiscal year ended December 31, 2014. During the two most recent completed fiscal years and through June 11, 2014, neither the Company nor anyone on its behalf consulted with Crowe Horwath LLP regarding any of the following: (i) the application of accounting principles to a specific transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company's financial statements, and no written report or oral advice was provided that Crowe Horwath LLP concluded was an important factor considered by the Company in reaching a decision as to an accounting, auditing or financial reporting issue; or (ii) any matter that was subject of a disagreement, as the term is defined in Item 304(a)(1)(iv) of Regulation S-K, or a reportable event, as described in Item 304(a)(1)(v) of Regulation S-K.

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 2015 financial statements, the Audit and Finance Committee has approved the interim engagement of Crowe Horwath LLP to perform audit and audit-related services with respect to 2015. 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 2014. The Audit and Finance Committee believes that the fees paid for non-audit services are compatible with the independence of Ernst & Young LLP and of Crowe Horwath LLP.

Representatives of Crowe Horwath 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.

Table of Contents**Fees Billed by Independent Registered Public Accounting Firm for Fiscal Years 2014 and 2013***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 year ended December 31, 2013, review of the consolidated quarterly financial statement for the first quarter of 2014, certain transition support services and the preparation of certain required consents and fees billed for other services rendered by Ernst & Young LLP with respect to those periods.

	Years Ended December 31,	
	2014	2013
Audit Fees (1)	\$ 35,000	\$ 848,500
Audit-Related Fees (2)	11,990	22,865
Tax Fees (3)	97,585	141,863
All Other Fees (4)		
Total	\$ 144,575	\$ 1,013,228

- (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 for 2013 and the first quarter of 2014, and transition support services and required consents.
- (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 and other agreed upon procedures performed in 2014.
- (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) All Other Fees consist of fees other than Audit Fees, Audit-Related Fees and Tax Fees.

Crowe Horwath LLP Audit and Non-Audit Fees

The following table presents fees billed for professional audit services rendered by Crowe Horwath LLP for the audit of the Company's annual financial statements for the year ended December 31, 2014 and reviews of the consolidated quarterly financial statements included in the quarterly reports on Form 10-Q and fees billed for other services rendered by Crowe Horwath LLP for the year ended December 31, 2014.

	Years Ended December 31,	
	2014	2013
Audit Fees (1)	\$ 309,500	
Audit-Related Fees (2)		
Tax Fees (3)		
All Other Fees (4)		
Total	\$ 309,500	\$

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- (1) Audit Fees include fees associated with 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 for 2014.
- (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 and other agreed upon procedures performed in 2014.

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(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) All Other Fees consist of fees other than Audit Fees, Audit-Related Fees and Tax Fees.

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 majority vote at any meeting of the committee at which a quorum is present or by the committee's authorized delegate for approvals between meetings, all of which are reported to the committee at its next 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.

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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 SEC and the Sarbanes-Oxley Act of 2002 for certain of the Company's filings with the SEC.

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.

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. The Company's independent public accounting firm is responsible for performing an independent audit of the Company's financial statements in accordance with U. S. generally accepted auditing standards and expressing an opinion on the conformity of those audited financial statements to U.S. generally accepted accounting principles. The Audit and Finance Committee is responsible for monitoring and overseeing these processes.

The Audit and Finance Committee reviewed with management and Crowe Horwath LLP the Company's draft of Annual Report on Form 10-K for the year ended December 31, 2014, including the Company's audited financial statements, and met separately with both management and Crowe Horwath LLP to discuss and review those materials prior to issuance and filing with the SEC. Management has represented, and Crowe Horwath 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 Crowe Horwath LLP matters required to be discussed by the United States Public Company Accounting Oversight Board (PCAOB) (Communications with Audit Committees).

In addition, the Audit and Finance Committee has received from the independent public accountants the written disclosures and the letters required by applicable requirements of the PCAOB regarding the independent public accountant 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. Crowe Horwath LLP and Ernst & Young LLP have both confirmed by letter that, in their professional judgment, they are independent of the Company. The Audit and Finance Committee is not aware of any issues which could impair the independence of Crowe Horwath LLP or Ernst & Young LLP.

The Audit and Finance Committee reviewed and pre-approved Crowe Horwath LLP's and Ernst & Young LLP's 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 Crowe Horwath LLP and Ernst & Young LLP.

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, 2014.

Robert Sroka (Chairman)

Gary L. Convis

William L. Healey

Sidney R. Petersen

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PROPOSAL ONE

ELECTION OF DIRECTORS

The Board is divided into three classes with terms that expire at successive annual meetings. Three Class I directors will be elected at the Annual Meeting to serve for a three-year term expiring at our annual meeting in 2018 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.

The Board has nominated John F. Brinkley, Robert E. Gill, and William L. Healey to be elected at the Annual Meeting as Class I directors whose terms will expire in 2018. All nominees are currently serving as directors.

Set forth below are the principal occupations of and certain other information 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 follow contain 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.

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 recommends a vote FOR the election of the above-named nominees as Class I directors.**

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CLASS I DIRECTOR NOMINEES FOR TERMS EXPIRING IN 2018

John F. Brinkley

Age 77

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 Nominating and Governance and a member of the Compensation 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.

Robert E. Gill

Age 89

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 70

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. Mr. Healey is Chairman of the Compensation Committee and is a member of the Audit and Finance Committee. The Nominating and Governance Committee believes that based on his