United Health Products, Inc.
Form 10-Q
November 21, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **September 30, 2016**

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____________ to ____________

Commission file number: 814-00717

UNITED HEALTH PRODUCTS, INC.

(Exact name of Company as specified in its charter)

Nevada	**84-1517723**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10624 S. Eastern Ave., Suite A209	**89052**

Henderson, NV	
(Address of Company's principal executive offices)	(Zip Code)

(877) 358-3444

(Company's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the 12 preceding months (or such shorter period that the registrant was required to submit and post such file). Yes ¨ No ¨

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	¨	Accelerated Filer	¨
Accelerated Filer	¨	Smaller Reporting Company	x

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

The number of shares outstanding of the Registrant's Common Stock, as of November 7, 2016 was 152,875,394.

UNITED HEALTH PRODUCTS, INC.

FORM 10-Q QUARTERLY REPORT

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PART I – FINANCIAL INFORMATION

UNITED HEALTH PRODUCTS, INC
Condensed Balance Sheets
(Unaudited)

	September 30, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ -	$ 1,481
Accounts receivable	-	8,854
Inventory	284,852	41,918
Prepaid expenses	-	216
Total current assets	284,852	52,469
TOTAL ASSETS	$ 284,852	$ 52,469
Current Liabilities		
Accounts payable and accrued expenses	$ 679,509	$ 417,431
Bank overdraft	760	-
Liability for unissued shares	145,543	145,543
Notes payable - related parties	147,691	112,190
Other current liabilities	189,568	177,370
Total current liabilities	1,163,071	852,534
Commitments and Contingencies	-	-
Stockholders' Deficiency		
Common Stock - $.001 par value, 300,000,000 Shares Authorized, 152,875,394 and 148,003,140 Shares Issued and Outstanding at September 30, 2016 and December 31, 2015, respectively	152,875	148,003
Additional Paid-In Capital	11,509,133	11,172,455
Stock subscriptions	73,175	139,625
Accumulated deficit	(12,613,402)	(12,260,148)
Total Stockholders' Deficiency	(878,219)	(800,065)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$ 284,852	$ 52,469

See notes to financial statements.

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UNITED HEALTH PRODUCTS, INC
Statements of Operations
(Unaudited)

	For the Three Months Ended September 30, 2016	2015	For the Nine Months Ended September 30, 2016	2015
Revenues	$ 20,845	$ 20,123	83,525	$ 51,981
Cost of goods sold	14,000	10,022	49,324	27,511
Gross profit	6,845	10,101	34,201	24,470
Operating Costs				
Stock Based Compensation	-	180,000	-	1,527,224
Selling, general and administrative expenses	177,630	224,708	375,257	611,297
Total Operating Expenses	177,630	404,708	375,257	2,138,521
Loss from Operations	(170,785)	(394,607)	(341,056)	(2,114,051)
Other expenses				
Interest Expense, Net	(3,049)	(9,147)	(12,198)	(12,626)
Total other expenses	(3,049)	(9,147)	(12,198)	(12,626)
Net Loss	$ (173,834)	$ (403,754)	$ (353,254)	$ (2,126,677)
Net Loss per common share:				
Basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.02)
Weighted average number of shares outstanding	152,605,423	144,199,613	151,501,149	135,744,567

See notes to financial statements.

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UNITED HEALTH PRODUCTS, INC
Statements of Cash Flows
For the Nine Months Ended September 30, 2016
(Unaudited)

	2016	2015
Cash Flows from Operating Activities:		
Net Loss	$ (353,254)	$ (2,126,677)
Adjustments to Reconcile Net loss to Net Cash provided by Operations:		
Stock Based Compensation	-	1,527,224
Changes in assets and liabilities:		
Accounts Receivable	8,854	11,206
Prepaid Expenses	216	654
Inventory	(242,934)	(438,183)
Accounts Payable and Accrued Expenses	262,078	247,047
Other current liabilities	12,198	191,628
Net Cash Used In Operating Activities	(312,842)	(609,513)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of intangible property	-	(2,300)
Net Cash (Used in) Investing Activities	-	(2,300)
Cash Flows from Financing Activities:		
Proceeds from Related Party Loans	35,501	17,610
Bank overdraft	760	
Proceeds from sale of common stock	275,100	590,131
Net Cash Provided By Financing Activities	311,361	607,741
(Decrease) Increase in Cash and Cash Equivalents	(1,481)	(4,072)
Cash and Cash Equivalents - Beginning of period	1,481	8,272
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ -	$ 4,200
Schedule of Non-Cash Financing Activities:		
Issuance of Common Stock in connection with settlement of note payable	$ -	$ 542,776
Reduction in liability for unissued shares	$ -	$ 421,500

See notes to consolidated financial statements.

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UNITED HEALTH PRODUCTS, INC. AND SUBSIDIARY COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 1. Organization and Basis of Preparation

United Health Products, Inc. (formerly United EcoEnergy Corp.) ("United" or the "Company") is a product development and solutions company focusing its growth initiatives on the expanding wound-care industry and disposable medical supplies markets. The Company produces an innovative gauze product that absorbs exudate (fluids which have been discharged from blood vessels) by forming a gel-like substance upon contact. Epic Wound Care, Inc. ("Epic"), the Company's principal operating subsidiary, was dissolved by the State of Florida on September 23, 2011 and, accordingly, all operations are now directly in the Company.

While the Company has funded its initial operations with private placements and loans from a related party, there can be no assurance that adequate financing will continue to be available to the Company and, if available, on terms that are favorable to the Company. The Company's ability to continue as a going concern is dependent on achieving sales and also dependent on many events outside of its direct control, including, among other things, improvement in the economic climate. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Interim financial statements are prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 8 of Regulation S-X, as appropriate. In the opinion of management, all adjustments, which are of a normal recurring nature, considered necessary for the fair presentation of financial statements for the interim period, have been included.

Operating results for the interim periods presented are not necessarily indicative of the results to be expected for a full year.

These interim condensed financial statements should be read in conjunction with the Company's audited financial statements and notes for the period ended December 31, 2015 filed with the Securities and Exchange Commission on Form 10-K in May 2016. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted, as permitted by the SEC, although we believe the disclosures which are made are adequate to make the information presented not misleading.

Note 2. Significant Accounting Policies

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred net losses of $173,834 and $403,754 for the three month periods ended September 30, 2016 and 2015, respectively. The Company has incurred net losses of $353,254 and $2,126,677 for the nine month periods ended September 30, 2016 and 2015, respectively. The Company's history of recurring losses has resulted in an accumulated deficit of $12,613,402. The Company has negative working capital and operations have not provided cash flows. Additionally, the Company does not currently have sufficient revenue to cover its operating expenses and meet its current obligations. In view of these matters, the Company's ability to continue as a going concern is dependent upon the Company's ability to expand operations and to achieve a level of profitability. The Company intends on financing its future development activities and its working capital needs largely from the sale of public equity securities with some additional funding from other traditional financing sources, including term notes until such time that funds provided by operations are sufficient to fund working capital requirements. The financial statements of the Company do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Chief Executive Officer has agreed to advance funds or make payments of the Company's obligations at his discretion. There is no written agreement to continue this support.

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Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period. Changes in the economic environment, financial markets, as well as in the healthcare industry, and any other parameters used in determining these estimates, could cause actual results to differ.

Revenue Recognition

The Company recognizes revenues when persuasive evidence of an arrangement exists, product has been delivered or services have been rendered, the price is fixed or determinable and collectability is reasonably assured. Revenue is recognized net of estimated sales returns and allowances.

Revenues are attributable to the sale of medical products through distributor agreements. The principal terms of the distributor agreements provide that the distributor orders be accompanied by partial payment in advance, which at least equals 50% of total manufactured cost, as defined, for orders for distributor inventory and, in addition, an agreed portion of the distributor's gross profit on special orders. The balance of the manufactured cost is due from the distributor at the time of shipment. The Company is also entitled to an agreed percentage of the distributor's profit on receipt by the distributor. The Company defers all amounts received in advance of shipment and recognizes as revenue the aggregate of amounts invoiced in advance and an estimate of the Company's portion of distributor's profit at the time of shipment.

Trade Accounts Receivable

We record accounts receivable at the invoiced amount and we do not charge interest. We review the accounts receivable by amounts due from customers which are past due, to identify specific customers with known disputes or collectability issues. In determining the amount of the reserve, we make judgments about the creditworthiness of significant customers based on ongoing credit evaluations. We will also maintain a sales allowance to reserve for potential credits issued to customers. We will determine the amount of the reserve based on historical credits issued.

There was no provision for doubtful accounts recorded at September 30, 2016 and December 31, 2015, as we have not experienced any bad debts from any of our customers.

Inventory

Inventory is valued at the lower of cost or market using the first-in, first-out (FIFO) method. Inventory on the balance sheet consists of raw materials purchased by the Company. Per the Company's operating agreement with Hemo Manufacturing LLC, the lowest price to produce and distribute a four square inch of inventory is $0.86, which will be recorded upon completion of the manufacturing process.

Stock Based Compensation

The Company issues restricted stock to consultants and employees for various services. Cost for these transactions are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The value of the common stock for non-employees is measured at the date at which a firm commitment for performance by the counterparty to earn the equity instruments is reached and expense is recognized during the term at which the counterparty's performance is earned or at the date the shares are considered non-forfeitable. The Company recognized consulting expenses and a corresponding increase to additional paid-in-capital related to stock issued for services. Compensation for employee stock grants are recognized at the fair market value of the shares at the date of grant and recognized at the grant date, as it is considered that the shares issued are considered non-forfeitable at the date of grant. Stock compensation for the periods presented were issued for past services provided, accordingly, all shares issued are fully vested, and there is no unrecognized compensation associated with these transactions.

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Per Share Information

Basic earnings per share are calculated using the weighted average number of common shares outstanding for the period presented. Diluted loss per share is the same as basic loss per share, as the effect of potentially dilutive securities (-0- options and -0- warrants at September 30, 2016 and September 30, 2015) is anti-dilutive.

New Accounting Pronouncements; Recently Adopted Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) No. ASU 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments (Topic 230).* This update is intended to address eight specific cash flow issues with the objective of reducing the existing diversity in practice. This update is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. We are currently evaluating the impact of the adoption of ASU 2016-15 on our financial statements but do not anticipate it will have a material impact on our financial statements.

In March 2016, the FASB issued Accounting Standnt-family:Times New Roman" SIZE="2">*

Current directors and executive officers as a group (14 persons) (13)

9,977,289 49.0%

Dimensional Fund Advisors LP (14)

1,421,701 7.1%

Needham Investment Management, LLC (15)

1,012,800 5.1%

* Less than 1%.

(1) Does not include 3,274,666 shares of the Common Stock of the Company owned by GFP I, LP, a Delaware limited partnership, of which Robert E. Gill s children share beneficial ownership. Pursuant to certain provisions of the Partnership Agreement, Robert E. Gill may be deemed to beneficially own shares of Common Stock attributable to the General Partner; however, Mr. Gill disclaims beneficial ownership relating to all shares held in GFP I, LP. Mr. Gill is a director and executive officer of the Company.

(2) Stock ownership for Jeffrey T. Gill includes 318,828 shares issuable under currently exercisable stock options, of which 18,828 stock options will expire if not exercised on or before March 30, 2012, 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 38.20% ownership interest, of which Patricia G. Gill is a limited partner holding a 2.29% ownership interest, and of which trusts for the benefit of Jeffrey T. Gill s children, of

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which Jeffrey T. Gill is trustee, are limited partners holding an aggregate of 17.61% 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 2011.

(3) Includes 27,724 shares issuable under currently exercisable stock options, these stock options will expire if not exercised on or before March 30, 2012. Includes 3,274,666 shares owned by GFP I, LP, of which R. Scott Gill is a limited partner holding a 40.95% 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.

(4) Voting and investment power is exercised through the General Partner. See footnotes (2) and (3).

(5) In its capacity as General Partner. See footnotes (2) and (3).

(6) Includes 11,381 shares issuable under currently exercisable stock options, these stock options will expire if not exercised on or before March 30, 2012, and 32,798 shares held by a family trust of which Mr. Brinkley is a trustee. Mr. Brinkley shares voting and investment power with respect to the shares held by the family trust.

(7) Includes 5,175 shares issuable under currently exercisable stock options, these stock options will expire if not exercised on or before March 30, 2012.

(8) Includes 19,434 shares issuable under currently exercisable stock options, these stock options will expire if not exercised on or before March 30, 2012, and 42,668 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 19,896 shares issuable under currently exercisable stock options, these stock options will expire if not exercised on or before March 30, 2012, and 83,841 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.

(10) Includes 9,583 shares issuable under currently exercisable stock options, of which 6,387 stock options will expire if not exercised on or before March 30, 2012.

(11) Includes 36,000 shares issuable under currently exercisable stock options. Mr. Walsh was a named executive officer during 2011

(12) Includes 18,000 shares issuable under currently exercisable stock options. Mr. Lutes was a named executive officer during 2011.

(13) Includes 520,749 shares issuable under currently exercisable stock options, of which 163,553 stock options will expire if not exercised on or before March 30, 2012.

(14) Based on a Schedule 13G filed February 14, 2012 with the SEC by Dimensional Fund Advisors LP and dated December 31, 2011. According to the filing, Dimensional Fund Advisors LP serves as investment manager to certain other commingled group trusts and separate accounts (such investment companies, trusts and accounts, collectively referred to as the Funds). In certain cases, subsidiaries of Dimensional Fund Advisors LP may act as an adviser or sub-adviser to certain Funds. In its role as investment advisor, sub-adviser and/or manager, neither Dimensional Fund Advisors LP nor its subsidiaries (collectively, Dimensional) possess voting and/or investment power over the securities that are owned by the Funds, and may be deemed to be the beneficial owner of the shares held by the Funds. However, all securities reported in the schedule were owned by the Funds. Dimensional disclaims beneficial ownership of the securities. The address of Dimensional is Palisades West, Building One, 6300 Bee Cave Road, Austin, Texas, 78746.

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(15) Based on the most recent Schedule 13G filed February 12, 2010 and Form 13F filed February 14, 2012 with the SEC by Needham Investment Management, LLC and dated December 31, 2009 and December 31, 2011, respectively. According to the filings, Needham Investment Management, LLC (Needham) serves as investment adviser to various series of The Needham Funds, Inc. and general partner to certain private investment funds that hold 1,012,800 shares and may be deemed to beneficially own these shares by virtue of its role as investment adviser. Needham also possesses shared voting and dispositive power over these shares. The address of Needham is 445 Park Avenue, New York, New York, 10022. The percentage of beneficially owned shares reported in the table is based on the aggregate number of shares of outstanding stock as of December 31, 2011.

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 2011 were timely met.

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EXECUTIVE OFFICERS

Executive officers of the Company are appointed by the Board of Directors and serve at the discretion of the Board of Directors. Set forth below are the ages, positions and certain other information regarding the executive officers of the Company.

Robert E. Gill Age 86	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.
Jeffrey T. Gill Age 56	Jeffrey T. Gill has served as President and Chief Executive Officer of Sypris and its predecessor since 1992, and as Executive Vice President of its predecessor from 1983 to 1992. Mr. Gill holds a BS degree in Business Administration from the University of Southern California and an MBA from Dartmouth College. Mr. Gill has served as a director of Sypris and its predecessor since 1983. Jeffrey T. Gill is the son of Robert E. Gill and the brother of R. Scott Gill.
Paul G. Larochelle Age 57	Paul G. Larochelle has served as Vice President of Sypris and as President of its subsidiary, Sypris Technologies, Inc., since October 2009. From 1980 to 2009, Mr. Larochelle served in a number of increasingly responsible executive positions with Dana Corporation, a tier one automotive and heavy truck supplier. Most recently, Mr. Larochelle served as Vice President of the Structural Products Group from 2007 to 2009 and as Vice President of Engineering and Program Management from 2004 to 2007 with Dana Corporation. During his tenure with Dana Corporation, Mr. Larochelle served as a member of the Executive Committee and on the Boards of Dana Canada and Chassis Systems, Ltd., a Dana joint venture in the United Kingdom. Mr. Larochelle holds a Bachelor of Science Degree in Engineering from Carleton University, Ottawa, Ontario, Canada and is fluent in French.
John J. Walsh Age 53	John J. Walsh has served as Vice President of Sypris since July 2008, and as President of its subsidiary, Sypris Electronics, since March 2008. Mr. Walsh served as Corporate Executive Vice President of Strategy, Technology and Development for Ducommun Incorporated, a provider of aerospace and defense engineering and manufacturing services, and as President of Ducommun Technologies, a wholly-owned subsidiary of Ducommun Incorporated, from March 2004 to March 2008. From May 1999 through March 2004, he served as Executive Vice President and Chief Operating Officer for Special Devices, Inc., a provider of engineered energetic devices for the Automotive, Defense & Aerospace, and Mining & Blasting industries. Mr. Walsh holds a BS degree in Aeronautical and Astronautical Engineering from Purdue University, an Executive MBA from St. Joseph s University and patents for aerospace, automotive and commercial mining and blasting applications.

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Brian A. Lutes Age 47	Brian A. Lutes has served as Vice President and Chief Financial Officer of Sypris since September 2008. From 2007 to 2008, Mr. Lutes served as Chief Financial Officer and Vice Chairman of Finance and Administration for MAG Industrial Automation Systems, a leading manufacturer of machine tools and systems serving the aerospace, automotive, construction, power generation and other durable goods industries. He served as Chief Financial Officer and Vice President of Finance and Administration for The Wornick Company, a provider of shelf-stable, ready-to-eat meals to military and consumer branded food companies, from 2005 to 2007 and as Senior Vice President for Fifth Third Bancorp from 2002 to 2004. Prior to 2002, Mr. Lutes served with the General Electric Company for seventeen years in a number of increasingly responsible executive positions within GE and GE Capital culminating with his assignment as Chief Financial Officer of Global Operations for GE Medical Systems. Mr. Lutes holds Bachelor and Masters degrees in Mechanical Engineering from the University of Louisville s Speed School of Engineering and an MBA from the University of Connecticut s Executive MBA program.
Richard L. Davis Age 58	Richard L. Davis has served as Senior Vice President of Sypris since 1997, as Secretary from 1998 to 2003 and as Vice President and Chief Financial Officer of its predecessor from 1985 to 1997. Prior to 1985, Mr. Davis served in a number of management positions with Armor Elevator and Coopers and Lybrand. Mr. Davis holds a BS degree in Business Administration from Indiana University and an MBA from the University of Louisville. He is a certified public accountant in the state of Kentucky.
John R. McGeeney Age 55	John R. McGeeney has served as Vice President, General Counsel and Secretary of Sypris since August 2011 and as General Counsel and Secretary of Sypris from June 2003 to July 2011. Mr. McGeeney was Of Counsel to Middleton and Reutlinger, a law firm, in 2003, and served as General Counsel for Inviva, Inc., an insurance holding company, from 2000 to 2002. Mr. McGeeney also served in several senior leadership positions, including General Counsel and Secretary, with ARM Financial Group, a financial services company, from 1994 to 1999, and as Counsel and Assistant General Counsel for Capital Holding Corporation, a financial services company, from 1988 to 1994. Mr. McGeeney holds a BA degree from Amherst College and a JD degree from the University of Notre Dame Law School.
Anthony C. Allen Age 53	Anthony C. Allen has served as Vice President, Treasurer and Assistant Secretary of Sypris since December 2004 and as Vice President of Finance and Information Systems and Assistant Secretary of Sypris from 2003 to December 2004. Mr. Allen served as Vice President, Controller and Assistant Secretary of Sypris from 1997 to 2003. He served as Vice President of Finance of Sypris predecessor from 1994 to 1998 and as Vice President and Controller from 1987 to 1994. Prior to 1987, Mr. Allen served in a variety of management positions with Armor Elevator. Mr. Allen holds a Bachelors degree in Business Administration from Eastern Kentucky University and an MBA from Bellarmine University. He is a certified public accountant in the state of Kentucky.

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SUMMARY COMPENSATION TABLE

The following table sets forth information concerning the compensation of the Company s President and Chief Executive Officer, and the two other most highly compensated executive officers who served in such capacities as of December 31, 2011 (the named executive officers), for services rendered to the Company during the past fiscal year.

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)(1)	Stock Awards ($) (e)(2)	Option Awards ($) (f)(2)	All Other Compensation ($) (i)(3)	Total ($) (j)
J. T. Gill, President and Chief Executive Officer	2011	611,538			538,240	60,163	1,209,941
	2010	535,385			243,744	56,526	835,655
J. J. Walsh, Vice President	2011	342,236	60,000	102,750		35,883	540,869
	2010	324,063	95,000	71,250		37,289	527,602
B. A. Lutes, Vice President & Chief Financial Officer	2011	316,942	40,000	102,750		45,250	504,942
	2010	285,769		71,250		95,290	452,309

(1) The amounts in column (d) reflect discretionary bonus payments allocated by the Compensation Committee to certain executive officers, including to Mr. Walsh and Mr. Lutes, in 2011, as recommended by the Company s President and Chief Executive Officer, as well as, a payment made to Mr. Walsh in 2010 relating to his achievement of certain goals during 2009 with respect to the reorganization of the Electronics Group.

(2) The amounts in column (e) and in column (f) reflect aggregate grant date fair value for each stock and option award granted during each fiscal year for each named executive officer, in accordance with ASC Topic 718. Assumptions used in the calculation of these amounts in 2011 are included in Note 20 to the Company s audited financial statements for the fiscal year ended December 31, 2011 included in the Company s Annual Report on Form 10-K filed with the SEC and in Note 16 to the Company s audited financial statements for the fiscal year ended December 31, 2010 included in the Company s Annual Report on Form 10-K filed with the SEC.

(3) The amounts in column (i) include the aggregate dollar amounts of all perquisites and other compensation offered by the Company which included auto leases or auto allowances for personal and business use, relocation expenses (for Mr. Lutes), Company 401(k) matching contributions, premiums on executive life insurance, premiums on long-term disability coverage, premiums for long-term care insurance (for Mr. Gill and his spouse), and a variety of other, routine perquisites, including complimentary or discounted food and drink, executive coaching, entertainment and related travel, clothing, gifts or similar benefits which in the aggregate are less than $10,000 in value per year.

All employees in the United States not covered by a collective bargaining agreement are automatically enrolled in the Company s 401(k) retirement savings plan (401(k) Plan), a tax-qualified plan, at a pre-tax contribution rate of 3%. Employees may opt out of the plan or may elect to change their contribution in increments of 1% of pre-tax salary. Historically, the Company has contributed a matching amount of 100% of the participating employees first 3% of eligible salary. In April of 2009, the Company suspended the matching contribution at the Board s discretion. In October of 2010 and in August of 2011, the Company reinstated incremental matching contributions of 1%, respectively, at the Board s discretion. Company contributions vest at the rate of 20% per year with 100% vesting attained at 5 years of service. In December of 2011 the Board approved an amendment to the Company s 401(k) Plan pursuant to which, effective on January 1, 2012, the Company will contribute a matching amount of 50% of each participating employee s first 6% of eligible salary.

Stock options and restricted stock awards granted in 2011 and 2010 were awarded under the 2010 Sypris Omnibus Plan and the 2004 Sypris Equity Plan (Plans), are subject to accelerated vesting upon any change in control of the Company, pursuant to the terms of the Plans. The respective values of the unvested stock options and the unvested shares of restricted stock which would have become vested for the named executive officers in

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the event of a change in control, calculated as of December 30, 2011, would have been as follows: $1,071,121 for Mr. Gill, $448,840 for Mr. Lutes and $470,792 for Mr. Walsh. For stock options, these valuations reflect (i) the number of each such individual s unvested stock options on December 31, 2011, multiplied by (ii) the amount, if any, by which the Company s stock price on, December 30, 2011, which was the last trading day of 2011, exceeded the strike price of such options. For restricted stock, these valuations reflect (i) the number of each such individual s unvested shares of restricted stock on December 31, 2011, multiplied by (ii) the Company s stock price on December 30, 2011.

In March of 2009, the Company reduced Mr. Gill s salary by 20%, and the salaries of certain other executive officers, including Mr. Lutes, by 15%. In July of 2010, the Company reinstated the salary for Mr. Gill and certain other executive officers back to the 2008 levels, including Mr. Lutes. Effective as of March 2, 2011, the Company s executive officers and certain other key employees, including Mr. Lutes and Mr. Walsh, entered into one-year employment agreements with the Company which expired on March 2, 2012. Under those contracts, if terminated without cause then (i) these employees would have continued to receive their current salary for a period of 12 months following the date of termination, provided that if they became employed by another entity during such time, these employees would have only received 30% of such salary, and (ii) all of the employee s outstanding restricted stock and stock options would have become 100% vested and remained exercisable until the expiration dates then in effect for any such stock options. The employment agreements also contained confidentiality, non-compete and non-solicitation covenants by the employee during the term of the agreement. Effective May 9, 2009, the Company s executive officers and certain other key employees, including Mr. Lutes and Mr. Walsh entered into Three-Year Bonus Agreements which upon vesting on May 9, 2012 would require payments to Mr. Lutes and Mr. Walsh of $450,000, respectively. If terminated without cause before May 9, 2012, these employees would be entitled to receive a pro rata portion of the three-year bonus within thirty (30) days of such termination date, and this Agreement will automatically terminate without further notice or obligation by the Company. All or any portion of the three-year bonus award may be paid in Common Stock (valued at its closing price on May 8, 2012, or any earlier termination date), at the sole election of the Board.

On December 20, 2011, the Board of Directors authorized the Company to enter into an Executive Equity Repurchase Agreement (the Repurchase Agreement) that certain members of the Company s management team and directors may elect to join on a voluntary basis, including Mr. Gill, Mr. Lutes and Mr. Walsh. By electing to join the Repurchase Agreement the individuals would be required to offer the Company a first right to purchase shares of Common Stock of the Company beneficially owned by those individuals at then-current market prices, subject to certain exceptions.

There are two circumstances, subject to certain exceptions in each case, in which an individual would be required to offer to sell shares of Common Stock beneficially held by such person to the Company under the Repurchase Agreement. The first is when any individual proposes to transfer more than 1,500 shares of Common Stock to a third party. The second is when an individual separates 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. As of the date of this Proxy Statement Mr. J.T. Gill, Mr. Lutes and Mr. Walsh have elected to participate.

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OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2011

		OPTION AWARDS				STOCK AWARDS	
Name (a)	Grant Date (b)	Number of Securities Underlying Unexercised Options (#) Exercisable (c)	Number of Securities Underlying Unexercised Options(#) Unexercisable (d)	Option Exercise Price ($) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested ($) (h)(7)
J. T. Gill	3/2/2006	20,000		10.36	3/1/2012		
	3/31/2008	18,828		4.31	3/30/2012		
	2/25/2009		300,000(1)	0.82	2/25/2014		
	3/2/2010		131,889(1)	2.85	3/2/2015		
	4/1/2011		200,000(1)	4.11	4/1/2016		
J. J. Walsh	3/31/2008	18,000	42,000(2)	4.13	3/31/2014		
	3/31/2008					20,100(4)	78,792
	2/25/2009					50,000(5)	196,000
	3/2/2010					25,000(5)	98,000
	4/1/2012					25,000(5)	98,000
B. A. Lutes	9/15/2008	18,000	42,000(3)	2.10	9/15/2015		
	9/15/2008					20,000(6)	78,400
	2/25/2009					25,000(5)	98,000
	3/2/2010					25,000(5)	98,000
	4/1/2011					25,000(5)	98,000

(1) Stock option awards which vest 100% on the third anniversary of the grant date, with a five-year option term.

(2) Stock option awards which vest 30%, 30% and 40% on the third, fourth and fifth anniversary of the grant date, respectively of a six year option term. The remaining unvested shares will vest on March 31, 2012 and March 31, 2013.

(3) Stock option awards which vest 30%, 30% and 40% on the third, fourth and fifth anniversary of the grant date, respectively of a six year option term. The remaining unvested shares will vest on September 15, 2012 and September 15, 2013.

(4) Restricted stock awards which vest in one-third increments on the third, fifth and seventh anniversary of the grant date. The remaining unvested restricted shares will vest on March 31, 2013 and March 31, 2015.

(5) Restricted stock award which vests 100% on the third anniversary of the grant date.

(6) Restricted stock awards which vest in one-third increments on the third, fifth and seventh anniversary of the grant date. The remaining unvested restricted shares will vest on September 15, 2013 and September 15, 2015.

(7) Market value of shares that have not vested in column (h) was calculated using the closing stock price on December 30, 2011.

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2011 DIRECTOR COMPENSATION

Name (a)(1)	Fees Earned or Paid in Cash ($) (b)	Stock Awards ($) (c)(3)	All Other Compensation ($) (g)(2)	Total ($) (h)
J. F. Brinkley	45,875	20,384	5,000	71,259
W. G. Ferko	45,875	20,384	5,000	71,259
R. E. Gill(4)			345,821	345,821
R. S. Gill	32,125	20,384	5,000	57,509
W. L. Healey	42,875	20,384	5,000	68,259
S. R. Petersen	38,375	20,384	5,000	63,759
R. Sroka	44,625	20,384	5,000	70,009

(1) The directors listed in column (a) had the following aggregate amounts of option awards outstanding at fiscal year end (Mr. Brinkley, 11,381; Mr. Ferko, 5,175; Mr. R. Scott Gill, 27,724; Mr. Healey, 19,434; Mr. Petersen, 19,896; and Mr. Sroka, 9,583).

(2) The amount provided in column (g) represents the annual salary plus the aggregate dollar amount of all perquisites for Mr. R. E. Gill as an executive officer of the Company including an auto lease for personal and business use, Company 401(k) matching contributions, and a term life policy. Additionally, for each of the named directors the aggregate dollar amount includes a variety of routine perquisites, including complimentary or discounted food, drink, entertainment and related travel, clothing, gifts or similar benefits which in the aggregate do not exceed $5,000 in value per year.

(3) The amounts in column (c) reflect the dollar amounts for the aggregate grant date fair value for each stock award granted during 2011 for each director, in accordance with FASB ASC Topic 718, awarded pursuant to the 2010 Sypris Omnibus Plan and the Directors Compensation Program. Because these awards consisted of fully vested shares, the amounts in column (c) are equal to the fair value of all shares awarded in 2011, valued at the closing price of the Company s Common Stock as of the time of the award.

(4) Mr. R. E. Gill does not receive separate compensation for his services as a director in addition to his total compensation for services as an executive officer. Mr. R. E. Gill is also the father of the Company s President and Chief Executive Officer, Jeffery T. Gill and R. Scott Gill.

In 2011, non-employee directors (Mr. Brinkley, Mr. Ferko, Mr. R. Scott Gill, Mr. Healey, Mr. Petersen and Mr. Sroka) each received an annual retainer ranging from approximately $33,000 to $46,000, payable after each quarter, in equal cash installments. Additionally, non-employee directors received 5,200 shares of common stock, bringing the value of total compensation excluding perquisites, to a range of approximately $53,000 to $66,000.

All directors are reimbursed for travel and related expenses for attending Board and Committee meetings. In 2011, the Company held three meetings which required board members to travel. We also provide non-employee directors with travel accident insurance when on Company business. Directors who are employees of Sypris or its affiliates are not eligible to receive compensation for services as a director. As of the date of this Proxy Statement all of the directors other than R.S. Gill have elected to participate in the Repurchase Agreement.

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AVAILABILITY OF REPORT ON FORM 10-K

A stockholders letter and a copy of our Annual Report on Form 10-K, which together constitute our Annual Report to Stockholders, has been mailed concurrently with this Proxy Statement to stockholders entitled to notice of and to vote at the Annual Meeting. Such Annual Report is not incorporated into this Proxy Statement and shall not be considered proxy solicitation material. Stockholders may also request a copy of the Company s Report on Form 10-K which may be obtained without charge by writing to John R. McGeeney, Secretary, Sypris Solutions, Inc., 101 Bullitt Lane, Suite 450, Louisville, Kentucky 40222.

OTHER MATTERS

The Board of Directors does not intend to bring any other matter before the Annual Meeting and has not been informed that any other matter is to be presented by others. If any other matter properly comes before the Annual Meeting, the proxies will be voted with the discretion of the person or persons voting the proxies.

You are cordially invited to attend the Annual Meeting. Whether or not you plan to attend the Annual Meeting, please vote your shares over the Internet or by telephone, or mark, sign, date and promptly return the proxy card sent to you in the envelope provided. No postage is required for mailing in the United States.

SUBMISSION OF STOCKHOLDER PROPOSALS

Any stockholder who intends to present a proposal at the Annual Meeting in the year 2013 (the 2013 Annual Meeting) must deliver the proposal to the Company s corporate Secretary at 101 Bullitt Lane, Suite 450, Louisville, Kentucky 40222 in compliance with the following deadlines and procedures:

- For any proposal that a stockholder wishes to include in our proxy materials for the 2013 Annual Meeting pursuant to Rule 14a-8 under the Securities Act of 1934, the proposal must be submitted no later than November 30, 2012. The proposal also must comply with SEC regulations set forth in Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials.

- For any proposal that a stockholder wishes to propose for consideration at the 2013 Annual Meeting but does not wish to include in the proxy materials for that meeting pursuant to Rule 14a-8, our bylaws require a notice of the proposal to be delivered not later than 10 days after the public announcement of the meeting date or, if earlier, the date on which notice of the meeting was mailed. The notice of the proposal also must comply with the content requirements for such notices set forth in our bylaws.

To the extent any proposals are presented for consideration at the 2013 Annual Meeting but are not described in our proxy materials for that meeting, the proxies solicited by Sypris for the 2013 Annual Meeting may confer discretionary authority to the persons named as proxy holders to vote on any such proposals.

John R. McGeeney

Vice Presient, General Counsel and Secretary

March 30, 2012

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Electronic Voting Instructions

You can vote by Internet or telephone!

Available 24 hours a day, 7 days a week!

Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

Proxies submitted by the Internet or telephone must be received by 12:00 a.m., Eastern Time, on May 8, 2012.

Vote by Internet

Go to **www.investorvote.com/SYPR**

Or scan the QR code with your smartphone

Follow the steps outlined on the secure website

Vote by telephone

Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada on a touch tone telephone

Follow the instructions provided by the recorded message

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas. X

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

A **Election of Directors** **The Board of Directors recommends a vote FOR all the nominees.**

1.Election of Directors:	**For**	**Withhold**
01 - John F. Brinkley	¨	¨
02 - Robert E. Gill	¨	¨
03 - William L. Healey	¨	¨

+

B **Non-Voting Items**

Change of Address Please print your new address below.

Comments Please print your comments below.

Meeting Attendance
Mark the box to the right if you plan to attend the Annual Meeting. ¨

C **Authorized Signatures** **This section must be completed for your vote to be counted.** **Date and Sign Below**

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title. If corporation, please sign full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Date (mm/dd/yyyy) Please print date below. Signature 1 Please keep signature within the box. Signature 2 Please keep signature within the box.

/ /

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2012 Annual Meeting

2012 Annual Meeting of

Sypris Solutions Stockholders

Tuesday, May 8, 2012, 10:00 a.m., EDT

Lower Level Seminar Room, 101 Bullitt Lane

Louisville, KY 40222

YOUR VOTE IS IMPORTANT

If you do not vote by telephone or Internet, please sign and date this proxy card and return it promptly in the enclosed postage-paid envelope. If you vote by telephone or Internet, it is not necessary to return this proxy card.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be Held on May 8, 2012:

The notice of annual meeting of stockholders, proxy statement, proxy card and annual report to stockholders are available at www.sypris.com/proxymaterials.

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

Proxy   Sypris Solutions, Inc.

Notice of 2012 Annual Meeting of Stockholders

Lower Level Seminar Room, 101 Bullitt Lane, Louisville, KY 40222

Proxy Solicited by Board of Directors for Annual Meeting   May 8, 2012

The undersigned appoints Robert E. Gill and Jeffery T. Gill, and each of them, as Proxies for the undersigned, or any of them, each with the power of substitution. The Proxies are hereby authorized to represent and vote the shares of the undersigned, with all the powers which the undersigned would possess if personally present, at the Annual Meeting of Stockholders of Sypris Solutions to be held on May 8, 2012 or at any postponement or adjournment thereof.

Shares represented by this proxy will be voted by the Proxies as directed. If no directions are indicated, the Proxies will have authority to vote FOR John F. Brinkley, Robert E. Gill and William L. Healey.

In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

(Items to be voted appear on reverse side.)