UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K/A
Amendment No. 1

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

Date of Report (Date of earliest event reported): December 30, 2015 (October 19, 2015)

NN, INC.
(Exact name of registrant as specified in its charter)

Delaware	0-23486	62-1096725
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

207 Mockingbird Lane, Johnson City, Tennessee	37604
(Address of principal executive offices)	(Zip Code)

(423) 743-9151
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d- 2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e- 4(c))

EXPLANATORY NOTE

This Amendment No. 1 (this "Amendment") is being filed by NN, Inc. ("NN") to provide the financial statements that were not included in the Current Report on Form 8-K filed by NN on October 20, 2015 (the "Original Report"), relating to the acquisition of all of the outstanding capital stock of Precision Engineered Products Holdings, Inc., a Delaware corporation ("PEP"), pursuant to that certain Stock Purchase Agreement, dated as of August 17, 2015 (the "Stock Purchase Agreement"), by and among NN, PEP and PEP Industries, LLC, a Delaware limited liability company.

The sole purpose of this Amendment is to provide the financial statements and pro forma information required by Item 9.01, which were not included in the Original Report.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements of Businesses Acquired.

PEP's audited consolidated balance sheets at December 31, 2014 and 2013, and PEP's audited consolidated statements of income, stockholders' equity and cash flows for the years ended December 31, 2014, 2013 and 2012, together with the notes thereto and the independent auditors' report thereon, are filed as Exhibit 99.1 hereto and are incorporated in this Amendment by reference.

PEP's unaudited condensed consolidated balance sheets at September 25, 2015 and December 31, 2014, and PEP's unaudited condensed consolidated statements of income, stockholders' equity and cash flows for the three and nine months ended September 25, 2015 and the notes related thereto are filed as Exhibit 99.2 hereto and are incorporated in this Amendment by reference.

(b) Pro Forma Financial Information.

NN's and PEP's unaudited pro forma condensed combined balance sheet at September 30, 2015, and the unaudited pro forma condensed combined statement of income for the year ended December 31, 2014 and the nine months ended September 30, 2015 and the notes related thereto are furnished as Exhibit 99.3 hereto and are incorporated in this Amendment by reference.

(d) Exhibits.

23.1 Consent of Ernst & Young LLP, independent auditors.

99.1 Audited consolidated balance sheets of Precision Engineered Products Holdings, Inc. at December 31, 2014 and 2013, and the audited consolidated statements of income, stockholders' equity and cash flows for the years ended December 31, 2014, 2013 and 2012, together with the notes thereto and the independent auditors' report thereon.

99.2 Unaudited condensed consolidated balance sheets of Precision Engineered Products Holdings, Inc. at September 25, 2015 and December 31, 2014, and the unaudited condensed consolidated statements of income, stockholders' equity and cash flows for the three and nine months ended September 25, 2015 and the notes related thereto.

99.3 Unaudited pro forma condensed combined balance sheet of NN, Inc. and Precision Engineered Products Holdings, Inc. at September 30, 2015, and the unaudited pro forma condensed combined statement of income for the year ended December 31, 2014 and the nine months ended September 30, 2015 and the notes related thereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: December 30, 2015

NN, INC.

By: /s/ Matthew S. Heiter
Name: Matthew S. Heiter
Title: Senior Vice President and General Counsel

EXHIBIT INDEX

Exhibit No.	Description
23.1	Consent of Ernst & Young LLP, independent auditors.
99.1	Audited consolidated balance sheets of Precision Engineered Products Holdings, Inc. at December 31, 2014 and 2013, and the audited consolidated statements of income, stockholders' equity and cash flows for the years ended December 31, 2014, 2013 and 2012, together with the notes thereto and the independent auditors' report thereon.
99.2	Unaudited condensed consolidated balance sheets of Precision Engineered Products Holdings, Inc. at September 25, 2015 and December 31, 2014, and the unaudited condensed consolidated statements of income, stockholders' equity and cash flows for the three and nine months ended September 25, 2015 and the notes related thereto.
99.3	Unaudited pro forma condensed combined balance sheet of NN, Inc. and Precision Engineered Products Holdings, Inc. at September 30, 2015, and the unaudited pro forma condensed combined statement of income for the year ended December 31, 2014 and the nine months ended September 30, 2015 and the notes related thereto.

Exhibit 23.1

Consent of Independent Auditors

We consent to the incorporation by reference in the following Registration Statements:

(1) Form S-3 (No. 333-201274) of NN, Inc.,

(2) Form S-8 (No. 333-174519, No. 333-130395, No. 333-69588, and No. 333-50934) of NN, Inc.;

of our report dated December 30, 2015, with respect to the consolidated financial statements of Precision Engineered Products Holdings, Inc. included in this Current Report on Form 8-K/A.

/s/ Ernst & Young LLP

Providence, Rhode Island
December 30, 2015

CONSOLIDATED FINANCIAL STATEMENTS

Precision Engineered Products Holdings, Inc.
Years Ended December 31, 2014, 2013 and 2012
With Report of Independent Auditors

Precision Engineered Products Holdings, Inc.

Consolidated Financial Statements

Years Ended December 31, 2014, 2013 and 2012

Contents

Report of Independent Auditors	1
Consolidated Financial Statements	
Consolidated Balance Sheets	2
Consolidated Statements of Income	3
Consolidated Statements of Stockholder’s Equity	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6

Report of Independent Auditors

The Shareholder of
Precision Engineered Products Holdings, Inc.

We have audited the accompanying consolidated financial statements of Precision Engineered Products Holdings, Inc., which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years ending December 31, 2014, 2013, and 2012, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Precision Engineered Products Holdings, Inc. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for the years ending December 31, 2014, 2013, and 2012 in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Providence, RI
December 30, 2015

Precision Engineered Products Holdings, Inc.
Consolidated Balance Sheets
(*In Thousands, except Share data*)

	As of December 31, 2014	As of December 31, 2013
Assets		
Current assets:		
Cash	$ 11,803	$ 30,466
Accounts receivable, net of reserves of $787 and $598, respectively	28,095	23,410
Inventories	28,133	21,819
Income tax receivable	—	1,861
Other current assets	4,628	3,628
Total current assets	72,659	81,184
Property, plant, and equipment, net	39,511	32,262
Intangibles and deferred financing costs, net	140,268	133,471
Goodwill	158,128	136,674
Total assets	$410,566	$383,591
Liabilities and stockholder's equity		
Current liabilities:		
Current portion of long-term debt	$ 1,828	$ 15,971
Trade accounts payable	10,015	7,781
Accrued expenses	8,975	7,619
Income tax payable	1,472	—
Deferred revenue	1,651	—
Other current liabilities	161	771
Total current liabilities	24,102	32,142
Deferred tax liability	54,026	51,132
Supplemental executive retirement plan	856	657
Other non-current liabilities	658	144
Long-term debt, less current portion	174,473	162,158
Leases (Note 5)		
Stockholder's equity:		
Common stock - $0.001 par value, 100 shares authorized, issued and outstanding at December 31, 2014 and 2013	—	—
Additional paid-in capital	123,135	122,825
Retained earnings	33,316	14,533
Total stockholder's equity	156,451	137,358
Total liabilities and stockholder's equity	$410,566	$383,591

See accompanying notes to consolidated financial statements.

Precision Engineered Products Holdings, Inc.
Consolidated Statements of Income
(In Thousands)

	Year Ended December 31,		
	2014	2013	2012
Net sales	$203,967	$178,441	$201,478
Cost of goods sold	134,420	122,642	140,407
Gross profit	69,547	55,799	61,071
Selling, general, and administrative	26,529	21,596	21,877
Income from operations	43,018	34,203	39,194
Other expenses:			
Interest expense	(9,144)	(8,752)	(10,640)
Management fees	(1,000)	(1,000)	(1,000)
Other expense, net	(2,480)	(695)	(632)
Income before income tax expense	30,394	23,756	26,922
Income tax expense	(11,603)	(9,223)	(10,250)
Net income	$ 18,791	$ 14,533	$ 16,672

See accompanying notes to consolidated financial statements.

Precision Engineered Products Holdings, Inc.
Consolidated Statements of Stockholder's Equity
(In Thousands, Except per Share Amounts)

	Common Stock				
	Shares	$0.001 Par Value	Additional Paid-in Capital	Retained Earnings	Total Stockholder's Equity
Balance at December 31, 2011	100	$ —	$162,475	$ 9,266	$ 171,741
Net income	—	—	—	16,672	16,672
Share-based compensation expense	—	—	310	—	310
Balance at December 31, 2012	100	$ —	$162,785	$ 25,938	$ 188,723
Net income	—	—	—	14,533	14,533
Dividends declared	—	—	(40,062)	(25,938)	(66,000)
Share-based compensation expense	—	—	310	—	310
Other	—	—	(208)	—	(208)
Balance at December 31, 2013	100	$ —	$122,825	$ 14,533	$ 137,358
Net income	—	—	—	18,791	18,791
Dividends declared	—	—	—	(8)	(8)
Share-based compensation expense	—	—	310	—	310
Balance at December 31, 2014	100	$ —	$123,135	$ 33,316	$ 156,451

See accompanying notes to consolidated financial statements.

Precision Engineered Products Holdings, Inc.
Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended December 31,		
	2014	2013	2012
Cash flows from operating activities			
Net income	$ 18,791	$ 14,533	$ 16,672
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	3,488	3,795	5,020
Amortization expense	9,431	7,443	7,798
Amortization of deferred financing costs	1,062	1,026	2,016
Increase to cost of goods sold for inventory acquired in business combinations	635	—	—
Share-based compensation expense	310	310	310
Deferred income taxes	(3,202)	(2,347)	(3,581)
Changes in assets and liabilities:			
Accounts receivable	(1,451)	1,961	5,642
Inventories	(2,413)	726	3,536
Trade accounts payable	151	568	(5,959)
Other	4,857	1,673	(5,724)
Net cash provided by operating activities	31,659	29,688	25,730
Cash flows from investing activities			
Acquisitions, net of cash acquired	(44,662)	—	2,000
Capital expenditures	(3,073)	(1,377)	(1,675)
Net cash used in investing activities	(47,735)	(1,377)	325
Cash flows from financing activities			
Repayment of long-term debt	(1,828)	(657)	(16,614)
Draw down of revolver	7,500	—	—
Repayment of revolver	(7,500)	—	—
Payment of contingent earnout	(750)	(300)	(2,000)
Proceeds from incremental term loan	—	40,000	—
Dividends paid	(8)	(66,000)	—
Other	(1)	(208)	(776)
Net cash used in financing activities	(2,587)	(27,165)	(19,390)
Net (decrease) increase in cash	(18,663)	1,146	6,665
Cash at beginning of year	30,466	29,320	22,655
Cash at end of year	$ 11,803	$ 30,466	$ 29,320
Supplemental disclosures of cash flow information			
Cash paid during the period for:			
Interest	$ 8,082	$ 7,720	$ 10,647
Income taxes	$ 11,479	$ 10,263	$ 18,880

See accompanying notes to consolidated financial statements.

1. Business, Acquisition and Basis of Presentation

Precision Engineered Products Holdings, Inc. (PEP Holdings or Company), a wholly owned subsidiary of PEP Industries LLC (PEP Industries or Parent Company), markets and manufactures stampings, electrical contacts and assemblies, engineered plastic components**,** metal and plastic machining, surface finishing technologies, specialty and clad metals, and cold drawn and rolled metals to its customers, primarily in the medical/surgical, electrical control, power grid distribution, transportation, and other markets.

Boston Endo-Surgical Technologies, Inc. (BE-ST)

On October 3, 2011, the Company acquired Boston Endo-Surgical Technologies, Inc. (BE-ST), a leader and innovator of spinal and orthopedic surgical instruments headquartered in Hampton, New Hampshire. The purchase agreement provided for contingent earn-out payments of $300 and $750 in 2012 and 2013, pursuant to certain sales targets being attained by BE-ST to major customers acquired in the transaction. In accordance with applicable guidance relating to business combinations, the Company recognized this contingent earn-out payment amount on its consolidated balance sheets within other current liabilities at December 31, 2013 and 2012. In fiscal 2012 and 2013, both the contingencies were met and the earn-out payments of $300 and $750 were paid in March 2013 and 2014, respectively.

Connecticut Plastics, Inc. (CT Plastics)

On March 17, 2014, the Company acquired Connecticut Plastics, Inc. (CT Plastics), a leader and innovator of plastic machining and polishing, headquartered in Wallingford, Connecticut. The purchase price of $14,000 exceeded the amounts recognized for the tangible net assets and identified intangible assets acquired in the acquisition transaction by $4,787. This amount is classified and recorded as goodwill and represents the underlying value of the business not specifically attributable to acquired tangible net assets and identifiable intangible assets. The acquisition has been accounted for in accordance with the applicable guidance pertaining to business combinations.

(Dollars in Thousands, Except Per Share and Unit Amounts)

The following table summarizes the preliminary purchase price allocation for the CT Plastics acquisition at March 17, 2014:

	Amount
Accounts receivable	$ 687
Property, plant and equipment	1,366
Intangible assets	
Trade names	900
Customer relationships	4,800
Acquired customer backlog	470
Non compete agreement	990
Goodwill	4,787
Net assets acquired	$14,000

Total costs incurred related to the acquisition were $184 and are included in other expenses in the consolidated statements of income for the year ended December 31, 2014. As of December 31, 2014, $1,500 of the purchase price was held in an escrow account related to general representations and warranties that are to be settled on the second anniversary of the acquisition date.

The acquired intangible assets consisted of $900 of trade names that have an indefinite life, customer relationships of $4,800 that have an expected useful life of 20 years, acquired customer backlog of $470 that has an expected useful life of 6 months, and noncompete arrangements of $990 that have an expected useful life of 4 years. The definite-lived intangible assets are being amortized on a straight-line basis over their respective estimated useful lives.

Revenue and income before income tax expense since the acquisition date of March 17, 2014 amounting to $5,154 and $1,404, respectively, have been included in the consolidated statements of income for the year ended December 31, 2014.

Advanced Precision Products, Inc., (APP, Inc.)

On August 29, 2014, the Company acquired all the capital stock of Advance Precision Products, Inc., (APP, Inc.), a business that designs and manufactures machined components and assemblies for the medical, aerospace, and oil and gas markets, on a cash, debt, and tax-free basis (subject to certain post-closing adjustments that have not been finalized as of the date of this report). The purchase price of $30,902 exceeded the amounts recognized for the tangible net assets and identified intangible assets acquired in the acquisition transaction by $16,667. This amount is classified and recorded as goodwill and represents the underlying value of the business not specifically attributable to acquired tangible net assets and identifiable intangible assets. The acquisition has been accounted for in accordance with the applicable guidance pertaining to business combinations.

(Dollars in Thousands, Except Per Share and Unit Amounts)

The following table summarizes the preliminary purchase price allocation for the APP, Inc. acquisition at August 29, 2014:

	Amouont
Cash	$ 241
Accounts receivable	2,560
Inventories	3,901
Property, plant, and equipment	6,304
Intangible assets	
Trade names	2,050
Customer relationships	6,200
Acquired customer backlog	1,320
Non compete agreement	310
Lease	250
Goodwill	16,667
Assets acquired	39,803
Accounts payable and accrued expenses	(2,841)
Deferred tax liability	(6,060)
Liabilities assumed	(8,901)
Net assets acquired	$30,902

Total costs incurred related to the acquisition were $738 and are included in other expenses in the consolidated statement of income for the year ended December 31, 2014. As of December 31, 2014, $1,625 of the purchase price was held in an escrow account related to general representations and warranties that are to be settled on the second anniversary of the acquisition date. The Company has not completed the acquisition accounting, as third-party valuations of certain acquired assets have not been finalized and the Company is in the process of reviewing the valuations. Accordingly, the acquisition accounting is provisional as of December 31, 2014.

The acquired intangible assets consisted of $2,050 of trade names that have an indefinite life, customer relationships of $6,200 that have an expected useful life of 20 years, acquired customer backlog of $1,320 that has an expected useful life of 4 months, and noncompete arrangements of $310 that have an expected useful life of 5 years and $250 favorable lease terms that have an expected 11.9 year useful life. The definite-lived intangible assets are being amortized on a straight-line basis over their respective estimated useful lives.

(Dollars in Thousands, Except Per Share and Unit Amounts)

Revenue and loss before income tax expense since the acquisition date of August 29, 2014 amounting to $7,432 and $914, respectively, have been included in the consolidated statements of income for the year ended December 31, 2014.

Unaudited Pro Forma Financial Information

The following unaudited, pro forma financial information assumes the acquisitions of CT Plastics and APP, Inc. occurred on January 1, 2013. The unaudited pro forma consolidated revenue and net income for the years ended December 31, 2014 and 2013 are provided for informational purposes only and do not purport to represent the Company's actual consolidated results had each acquisition occurred on the date assumed, nor are these necessarily indicative of the Company's future consolidated results of operations.

	2014	2013
Revenue	$221,362	$204,689
Net income	$ 22,554	$ 14,533

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidation comprises Precision Engineered Products Holdings, Inc. and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Any reference in these notes to applicable guidance is meant to refer to the authoritative United States generally accepted accounting principles as found in the Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB"). As a result of certain acquisitions, as discussed in Note 1, the operating results of the acquired entities are included in the Company's consolidated results of operations prospectively from the date of acquisition.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, the Company's management evaluates its estimates, which include, but are not limited to, estimates related to stock-based compensation expense, debt, accruals, and reported amounts of revenues and expenses during the reported period. The Company bases its estimates on historical experience and other market-specific or other relevant assumptions that it believes to be reasonable under the circumstances. Actual results may differ from those estimates or assumptions.

Cash and Cash Equivalents

The Company considers highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The Company did not hold any cash equivalents at December 31, 2014 and 2013. Cash and cash equivalents are shown net of overdraft amounts of $2,542 and $858 at December 31, 2014 and 2013, respectively.

Concentration of Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of its accounts receivable and cash. Cash balances are held in high-quality financial institutions, which are evaluated periodically by management to minimize the risk associated with the balances. The Company grants credit to its customers and generally does not require collateral as losses have not exceeded reserves established.

Revenue Recognition and Trade Receivables

Revenue is recognized upon delivery of products and transfer of title to customers, when persuasive evidence of an arrangement exists, the price is fixed or determinable, and collection is reasonably assured. The Company recorded amounts billed to customers for the construction of tooling used in the production of goods within cost of goods sold. These amounts totaled $8,099, $6,799 and $5,603 for the years ended December 31, 2014, 2013 and 2012, respectively.

Trade receivables are stated at gross invoice amount, less discounts and estimated provisions for uncollectible accounts. In circumstances where the Company is made aware of a specific customer's inability to meet its financial obligations, a reserve is established. The Company grants credit to its customers and generally does not require collateral, as losses have not exceeded reserves established. Accounts are individually evaluated on a regular basis, and appropriate reserves are established as deemed necessary.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

The Company has consignment agreements to obtain precious metals, primarily silver, for its operations and to eliminate its exposure to market fluctuations in commodity prices. These consignment arrangements are with commercial lenders and may be terminated by either party upon 90 days' notice. At December 31, 2014 and 2013, the Company had $6,366 and $8,444, respectively, of precious metals on consignment. The consignment is secured by the precious-metals inventory, which is not included as a component of inventories in the consolidated balance sheets. Included in interest expense for the years ended December 31, 2014, 2013 and 2012 were consignment fees of $655, $601, and $890, respectively.

Property, Plant, and Equipment, Net

Property, plant, and equipment are recorded at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged to expense as incurred. The Company reviews the carrying values of long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets for financial reporting purposes. For leasehold improvements and buildings under capital lease, the Company depreciates these over the shorter of useful lives or the lease term.

Business Combinations

The Company allocates the total purchase price of the acquired tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the business combination date, with the excess purchase price recorded as goodwill. The purchase price allocation process requires the Company to use significant estimates and assumptions, including fair value estimates, as of the business combination date. Although they believe the assumptions and estimates we have made are reasonable and appropriate, they are based in part on historical experience and information obtained from management of the acquired company, in part based on valuation models that incorporate projections of expected future cash flows and operating plans and are inherently uncertain. Valuations are performed by management or third party valuation specialists under management's supervision. In determining the fair value of assets acquired and liabilities assumed in business combinations, as appropriate, we may use one of the following recognized valuation methods: the income approach (including discounted cash flows from relief from royalty and excess earnings model), the market approach and/or the replacement cost approach.

Different assumptions regarding projected performance and other factors associated with the acquired assets may affect the amount recorded under each type of assets and liabilities, mainly between property plant and equipment, intangibles assets, goodwill and deferred income tax liabilities and subsequent assessment could result in future impairment charges. The purchase price allocation process also entails us to refine these estimates over a measurement period not to exceed one year to reflect new information obtained surrounding facts and circumstances existing at acquisition date.

Goodwill and Other Intangible Assets

The Company accounts for acquired goodwill and intangible assets in accordance with applicable accounting guidance for business combinations, goodwill, and other intangible assets, which involves judgment with respect to the determination of the purchase price and the valuation of the assets acquired and liabilities assumed in order to determine the residual amount of goodwill. The Company believes that the estimates that it has used to record its acquisitions are reasonable and in accordance with the applicable accounting guidance.

Goodwill represents the excess of the purchase price of an acquired entity over the amounts assigned to assets and liabilities assumed in a business combination. The Company tests goodwill for impairment during the fourth quarter of each year, or more frequently if impairment indicators arise, utilizing a two-step approach. The first step is to compare the carrying value of the reporting units to their respective fair values. The Company estimates the fair value of its reporting units through internal analyses and valuation, utilizing an income approach based on the present value of future cash flows. If the carrying value of a reporting unit exceeds its fair value, the Company performs the second step of the goodwill impairment test to measure the amount of impairment, if any. The second step compares the implied fair value of a reporting unit's goodwill with its carrying value. To determine the implied fair value of goodwill, the Company allocates the fair value of a reporting unit to all of the assets and liabilities of that unit, including intangible assets, as if the reporting unit had been acquired in a business combination. Any excess of the value of a reporting unit over the amounts assigned to its assets and liabilities represents the implied fair value of goodwill. The Company has evaluated the carrying value of goodwill and determined that no impairment existed at its annual evaluation dates of December 31, 2014 and 2013.

Intangible assets acquired in a business combination are recorded at fair value, while intangible assets acquired in other transactions are recorded at cost. Under the applicable accounting guidance, intangible assets determined to have an indefinite useful life are not amortized; instead, these assets are evaluated for impairment on an annual basis and whenever events or business conditions warrant. The Company has evaluated the carrying value of its indefinite-lived intangible assets and determined that no impairment existed at its annual evaluation dates at December 31, 2014 and 2013.

Intangible assets with finite useful lives are amortized over the following estimated useful lives of the assets:

	Estimated Useful Life (Years)
Business process	20
Customer relationships	20-25
Deferred financing costs	6
Other	5

The Company reviews its definite-lived long-lived assets for impairment in accordance with the applicable accounting guidance. If facts and circumstances indicate that the Company’s definite-lived long-lived assets might be impaired, the estimated future undiscounted cash flows associated with the definite-lived long-lived asset (group) would be compared to its carrying amount to determine if the asset (group) is recoverable. If a write-down is required, the amount is determined by estimation of the fair value of the asset (group). To date, the Company has not identified any indicators of impairment. Amortization expense related to the definite-lived intangible assets is computed on an accelerated basis based on the projected economic benefit from the related underlying assets over their estimated useful lives or on a straight line basis over their estimated useful lives.

Deferred Financing Costs

Deferred financing costs related to the Company’s long-term debt (Note 6) were included in intangibles and deferred financing costs, net and are being amortized over the life of the related debt using the effective interest method.

Share-Based Compensation

The guidance for the accounting of share-based payments requires that share-based compensation arrangements with employees be measured at fair value and recognized as compensation expense over the requisite service period. This compensation expense is recognized as a component of other expenses. See further discussion of share-based compensation arrangements in Note 12.

Income Taxes

The Company's consolidated financial statements reflect its federal, state, and foreign income tax liabilities. For tax purposes, PEP Holdings is classified as a corporation and, as such, is subject to corporate-level federal and state income taxes. Further, Brainin – China and Brainin – Mexico are taxable corporate entities in China and Mexico, respectively. Accordingly, the tax provision and consolidated balance sheet accounts of the Company have been computed on this basis.

Recently Issued Accounting Standards

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) ("ASU 2014-15"), which provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The amendments require management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term "substantial doubt", (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). ASU 2014-15 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period and early adoption is permitted.

(Dollars in Thousands, Except Per Share and Unit Amounts)

3. Inventories

Components of inventories are as follows at December 31:

	2014	2013
Raw materials	$11,739	$ 9,557
Work in process	5,408	3,848
Finished goods	10,986	8,414
Total inventories	$28,133	$21,819

At December 31, 2014 and 2013, the Company had $6,366 and $8,444, respectively, of precious metals on consignment. The consignment is secured by the precious-metals inventory, which is not included as a component of inventories in the consolidated balance sheets.

4. Property, Plant, and Equipment

Property, plant, and equipment consist of the following at December 31:

	2014	2013	Estimated Useful Life (Years)
Land	$ 5,450	$ 5,450	—
Building and improvements	16,807	16,415	4-24
Machinery and equipment	34,904	25,616	2-12
Furniture and fixtures and other	3,941	3,377	2-8
	61,102	50,858	
Less accumulated depreciation	(21,591)	(18,596)	
	$ 39,511	$ 32,262	

The Company recorded depreciation expense of $3,488 $3,795 and $5,020 for the years ended December 31, 2014, 2013 and 2012, respectively.

5. Leases

The Company has several noncancelable operating leases with renewal options, primarily for buildings. For the years ended December 31, 2014, 2013, and 2012, rental expense for operating leases was $1,341, $983 and $969, respectively.

(Dollars in Thousands, Except Per Share and Unit Amounts)

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2014, are:

	Amount
2015	$1,529
2016	1,255
2017	1,058
2018	930
2019	735
Thereafter	2,351
Total minimum lease payments	$7,858

6. Goodwill, Intangible Assets and Deferred Financing Costs

The changes in the carrying amount of goodwill for years ended December 31, 2014 and 2013, are as follows:

	Amount
Balance at January 1, 2013	$136,674
Changes to goodwill	—
Balance at December 31, 2013	136,674
Goodwill from acquisition of Connecticut Plastics	4,787
Goodwill from acquisition of Advanced Precision Products	16,667
Balance at December 31, 2014	$158,128

Goodwill balances are tested for impairment on an annual basis during the fourth quarter and between annual tests if a triggering event occurs. The Company has never had an impairment related to its' goodwill balances.

(Dollars in Thousands, Except Per Share and Unit Amounts)

Intangibles, deferred financing costs and related amortization at December 31, 2014 and 2013 are:

2014	Gross	Accumulated Amortization	Net	Estimated Useful Life (Years)
Trade names	$ 28,165	$ —	$ 28,165	Indefinite
Business process	22,585	(8,356)	14,229	20
Customer relationships	117,261	(22,774)	94,487	20-25
Deferred financing costs	7,150	(5,063)	2,087	6
Other	3,340	(2,040)	1,300	5
	$178,501	$ (38,233)	$140,268	

2013	Gross	Accumulated Amortization	Net	Estimated Useful Life (Years)
Trade names	$ 25,215	$ —	$ 25,215	Indefinite
Business process	22,585	(6,569)	10,016	20
Customer relationships	106,261	(17,170)	89,091	20-25
Deferred financing costs	7,150	(4,001)	3,149	6
	$161,211	$ (27,740)	$133,471	

The Company recorded amortization expense related to intangible assets of $9,431, $7,443 and $7,798 for the years ended December 31, 2014 and 2013 and 2012, respectively.

It is the Company's policy to record amortization expense related to deferred financing costs as interest. During the years ending December 31, 2014 and 2013 and 2012, the Company recorded interest expense related to deferred financing fees of $1,062, $1,026, and $2,016 respectively.

Intangibles balances are tested for impairment on an annual basis during the fourth quarter and between annual tests if a triggering event occurs. The Company has never had an impairment related to its' intangibles balances.

(Dollars in Thousands, Except Per Share and Unit Amounts)

Amortization expense for each of the five succeeding fiscal years is expected to be:

Year ended December 31,	Amount
2015	$7,656
2016	7,394
2017	7,118
2018	6,658
2019	6,323

7. Fair Value Measurements

The Company’s financial instruments reported at fair value consist of cash, accounts receivable, trade accounts payable and contingent consideration liabilities related to the acquisition of Boston Endo-Surgical Technologies Inc. (Note 1). The Company’s assets and liabilities reported at fair value have been categorized based upon a fair value hierarchy in accordance with ASC Topic 820, Fair Value Measurements and Disclosures. The levels of the fair value hierarchy are described below:

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets and liabilities that we have the ability to access at the measurement date.
- Level 2 inputs utilize inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3 inputs are unobservable inputs for the asset or liability, allowing for situations where there is little, if any, market activity for the asset or liability.

(Dollars in Thousands, Except Per Share and Unit Amounts)

There have been no changes to the valuation methods utilized by the Company during the years ended December 31, 2014, 2013 and 2012. The Company evaluates transfers between levels at the end of each reporting period. There were no transfers of financial instruments between levels during the years ended December 31, 2014, 2013 and 2012.

The were no financial instruments at December 31, 2014, the following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis aggregated by the level in the fair value hierarchy within which those measurements fell for the years ended December 31:

	2013		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities			
Contingent consideration	$ —	$ —	$ 750
Other	$ —	$ —	$ 750

The contingent consideration liability at December 31, 2013 of $750 is presented with other current liabilities in the balance sheet.

The valuation of the contingent consideration liability is determined using widely accepted valuation techniques, including probability-weighted discounted cash flow analysis on the expected cash flows. This analysis utilizes significant unobservable inputs, including probability of achievement of profitability targets and estimated discount rates, and reflects the contractual terms of the contingent consideration, including the period to expected payout. The Company has determined that the inputs used to value the contingent consideration fall within Level 3 of the fair value hierarchy.

(Dollars in Thousands, Except Per Share and Unit Amounts)

There were no required adjustments to fair market value of contingent liabilities during the years ended December 31, 2014 and 2013. Changes in the contingent consideration liability related to payments are as follows:

	Amount
Beginning balance-December 31, 2012	$1,050
Payment	(300)
Ending balance-December 31, 2013	750
Payment	(750)
Ending balance-December 31, 2014	$ —

Cash, accounts receivable, and trade accounts payable are carried at cost which approximates fair value because of their short-term nature.

The Company determined the fair value of debt by using a valuation model that discounts estimated future cash flows at the benchmark interest rate plus an estimated credit spread. The carrying amount of the debt approximates fair value.

8. Debt

Long-term debt consists of the following at December 31:

	2014	2013
Term loan	$176,301	$178,129
Less current portion	(1,828)	(15,971)
Long-term debt less current portion	$174,473	$162,158
Revolver	$ —	$ —

Term Loan and Revolving Credit Facility

On December 22, 2010, the Company entered into a credit facility that consists of a $160,000 term loan due in 2016 and a $30,000 revolver due in 2015. In September 2012, the term loan was repriced to London Interbank Offered Rate (LIBOR) plus 300 bps, with a 1.00% LIBOR floor and step-down to LIBOR plus 250 bps, with a 1.00% LIBOR floor, if the consolidated leverage ratio is 2.25 times or less. The provisions of the term loan also include a 50% excess cash flow sweep that activates if total leverage is greater than 2.0 times. The weighted average interest rates during 2014, 2013 and 2012 were approximately 4.00%, 4.00%, and 5.00%, respectively.

As a result of this repricing amendment, under the applicable accounting guidance for modifications and exchanges of debt instruments, previously capitalized and deferred financing costs of approximately $1,100 were written off and immediately expensed in the consolidated statements of income during 2012 (recorded as interest expense). In addition, the Company incurred $800 in fees as a result of the repricing amendment, of which, under the applicable accounting guidance for modifications and exchanges of debt instruments, $100 was immediately expensed in the consolidated statement of income during 2012 (recorded as interest expense) and the remainder was capitalized to deferred financing costs.

The revolver, undrawn at December 31, 2014 and 2013, includes a $12,000 sublimit for letters of credit and a $5,000 sublimit for swingline loans. The unused fee on the revolving credit facility is 50 bps, which reduces to 37.5 bps if the leverage ratio is 2.75 times or less. The Company’s consolidated leverage ratio at December 31, 2014, was 3.08.

The term loan requires mandatory repayment of principal in full on the date on which the revolving credit facility is scheduled to terminate on December 22, 2016. On March 12, 2013, the Company borrowed an additional $40,000 on the existing term loan. The incremental loan, in addition to cash on hand, was used to fund a cash dividend of $66,000 to the Parent Company’s shareholders. The Company incurred a fee of $835 as a result of this transaction, which has been recognized as an intangible asset on the consolidated balance sheet. As a result of the incremental borrowing on the term loan, the amended debt agreement waived any mandatory prepayment of principal based on a stipulated percentage of excess cash flows for 2013. The amended debt agreement also modified the Company’s financial covenant as it relates to the consolidated leverage ratio.

The Company voluntarily prepaid the fiscal year 2012 mandatory principal payments on the term loan in December 2011. In accordance with the Credit Agreement, this voluntary prepayment of the mandatory principal payments for fiscal year 2012 in December 2011 eliminated the mandatory principal payments due in 2012 and reduced the mandatory principal payments in each of the years from 2013 through 2016. In 2012, the Company voluntarily prepaid mandatory principal payments on the term loan for future periods of $7,500. The Company did not make any voluntary principal payments on the term loan in 2014 and 2013.

(Dollars in Thousands, Except Per Share and Unit Amounts)

The term loan requires mandatory prepayments of principal based on a stipulated percentage of excess cash, as defined by the credit agreement, of the Company for the immediately preceding year. During fiscal 2012, the Company paid a mandatory payment of principal of $9,114 based on a stipulated percentage of excess cash of the Company for the immediately preceding year. The excess cash flow payment for 2013, which was due in May 2014, was estimated at $14,290 and is included in the current portion of long-term debt on the consolidated balance sheet. As a result of the acquisition in 2014, an amendment to the credit facility was obtained that eliminated the excess cash flow payment for 2013 that was due in May 2014. As further discussed in Note 15 to the consolidated financial statements, as a result of the acquisition on April 29, 2015, an amendment to the credit facility was obtained that eliminated the excess cash flow payment for 2014 that was due in May 2015.

During the years ending December 31, 2014 and 2013 and 2012, the Company incurred interest expense relating to the term loan of $8,082, $7,726, and $7,729 respectively, and interest expense relating to deferred financing fees of $1,062, $1,026, and $2,016 respectively.

The term loan also contains covenants requiring the Company to maintain certain financial ratios, places limits on its ability to incur or assume debt or create liens with respect to certain of its assets, and has other customary provisions. Management has determined that the Company was in compliance with all applicable covenants under the credit agreement as of December 31, 2014.

Future Payments

The aggregate amounts of mandatory scheduled payments on debt are as follows:

	Amounts
2015	$ 1,828
2016	174,473
Total	$176,301

(Dollars in Thousands, Except Per Share and Unit Amounts)

9. Income Taxes

The Company's consolidated financial statements reflect its federal, state, and foreign income tax liabilities. For tax purposes, PEP Holdings is classified as a corporation and, as such, is subject to corporate-level federal and state income taxes. Further, Brainin – China and Brainin – Mexico are taxable corporate entities in China and Mexico, respectively. Accordingly, the tax provision and consolidated balance sheet accounts of the Company have been computed on this basis.

Income before income tax provision consists of the following at December 31:

	2014	2013	2012
Domestic	$29,074	$21,859	$25,514
Foreign	1,320	1,897	1,408
Total	$30,394	$23,756	$26,922

The provision (benefit) for income taxes consists of the following at December 31:

	2014	2013	2012
Current			
Federal	$11,580	$ 8,795	$ 9,992
State	2,754	2,194	3,426
Foreign	471	581	413
Total	14,805	11,570	13,831
Deferred:			
Federal	(2,557)	(1,791)	(3,043)
State	(620)	(480)	(538)
Foreign	(25)	(76)	—
Total	(3,202)	(2,347)	(3,581)
Total provision for income taxes	$11,603	$ 9,223	$10,250

(Dollars in Thousands, Except Per Share and Unit Amounts)

A reconciliation of the federal statutory rate to the Company's effective tax rate is as follows for years ended December 31:

	2014	2013	2012
Income tax provision at federal statutory rate:	35.0%	35.0%	35.0%
Increase (decrease) in tax resulting from:			
State taxes, net of federal benefit	4.6%	4.6%	7.0%
Effect of foreign taxes	0.4%	0.5%	0.0%
Domestic production activities deduction	-3.8%	-3.6%	-3.7%
Other permanent differences	0.5%	0.6%	0.6%
Foreign rate differential	-0.3%	-0.5%	-0.3%
Change in uncertain tax positions	0.1%	0.0%	-0.6%
Other prior period adjustments	0.2%	-0.2%	0.1%
Change in valuation allowance	1.5%	2.4%	0.0%
Effective Tax Rate	38.2%	38.8%	38.1%

(Dollars in Thousands, Except Per Share and Unit Amounts)

Significant components of the Company's deferred taxes are as follows at December 31:

	2014	2013
Deferred tax assets:		
Allowance for doubtful accounts	$ 227	$ 195
Inventory reserves	1,026	691
Accrued expenses	1,451	1,187
Foreign tax credits	1,022	563
Total deferred tax assets	3,726	2,636
Valuation allowance	(1,022)	(563)
Net deferred tax assets	2,704	2,073
Deferred tax liabilities:		
Intangibles	(49,435)	(47,527)
Fixed assets	(6,192)	(4,611)
Total deferred tax liabilities	(55,627)	(52,138)
Net deferred tax liabilities	$(52,923)	$(50,065)

No provision is made for U.S. income taxes on the undistributed earnings of the Company's wholly owned foreign subsidiaries because such earnings are indefinitely reinvested in those subsidiaries. If circumstances change and it becomes apparent that all or some of the undistributed earnings of the Company's wholly owned foreign subsidiaries will not be indefinitely reinvested, a provision for the tax consequence, if any, will be recorded in the period circumstances change. At December 31, 2014, the Company has not provided deferred U.S. income taxes on $4,254 of unremitted earnings.

As of December 31, 2014 and 2013, the Company has federal foreign tax credits of $1,022 and $563, which, if not utilized, expire at varying amounts through 2024. The Company recorded a valuation allowance against these credits, which, if realized, will be reflected as an income tax benefit.

The Company accounts for its uncertain tax positions in accordance with the applicable income tax guidance. This guidance requires that a tax position must be deemed more likely than not to be sustained before being recognized in the consolidated financial statements. The amount of the benefit that may be recognized is the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement. The interpretation also requires that applicable interest and penalties be accrued for unrecognized income tax benefits.

(Dollars in Thousands, Except Per Share and Unit Amounts)

The aggregate changes in gross unrecognized tax benefits were as follows during the years ended December 31:

	2014	2013	2012
Balance at beginning of year	$ 108	$ 326	$ 228
Increases for tax positions taken during current period	19	—	—
Increases for tax positions taken in prior periods	56	—	218
Decreases for tax positions taken in prior periods	—	(218)	(120)
Decreases for lapse in statutes	(108)	—	—
Balance at end of the year	$ 75	$ 108	$ 326

At December 31, 2014 and 2013, the Company had unrecognized tax benefits, net of federal benefit, of $137 and $115, respectively, of which the entire amount, if recognized, would favorably impact the effective tax rate. The Company accounts for interest and penalties related to uncertain tax positions as part of its provision for income taxes. The amount of interest and penalties recorded for the year ended December 31, 2014, 2013 and 2012 in the statement of income was $52, ($35) and $72, respectively.

The Company does not expect any material changes in the amounts of unrecognized benefits over the next 12 months.

The Company and its subsidiaries file income tax returns in U.S federal jurisdiction and in various state and foreign jurisdictions. The Company is no longer subject to U.S. federal and state income tax examinations by tax authorities for tax years prior to December 31, 2011. With few exceptions, the Company is no longer subject to foreign income tax examinations by tax authorities for tax years prior to December 31, 2009.

10. Related-Party Transactions

Except as noted below, the Company did not engage in any transaction with a related person as defined under the rules of the SEC. While the Board currently does not have a written policy with respect to approval of transactions with related parties, it is the policy of the Board to approve any transactions with related persons. Any approvals would be reflected in the minutes of the meeting of the Board at which the Board approved the transaction. The Company has adopted a written policy, however, on conflicts of interest, which appear in our Code of Ethics. The Code of Ethics states that a “conflict of interest” exists when the personal interests of an officer, director or associate interferes with that person’s ability to act in the best interest of the Company. Under the Code of Ethics, officers, directors and associates are to avoid actual conflicts of interest, but to also avoid the appearance of a conflict. Such persons may not engage in conduct where such person or a family member receives improper personal benefits as a result of such person’s position in the Company. Transactions or relationships that may reasonably be expected to give rise to conflicts of interest are not permitted. Potential, apparent or actual conflicts of interest must be reported to management. These fees and purchases are not presumed to be carried out on an arm’s-length basis.

Leases

The Company's headquarters building is leased from The Fredric J. Hemmerle Revocable Trust, which is a stockholder of the Company. The terms of the lease agreement with The Fredric J. Hemmerle Revocable Trust are, in the Company's opinion, no less favorable than the Company would have been able to enter into a similar agreement on the open market. Rent expense amounted to $100 for each year ended December 31, 2014, 2013 and 2012, and includes payments for real estate taxes paid directly to the local municipality.

Management Fees

The Company entered into a management consulting agreement with The Jordan Company and Nautic Partners on December 22, 2010. The Jordan Company and Nautic Partners are equity investors in PEP with 79.5% ownership after tier 1 units and have majority control of the Board with five members. The terms of the management agreement with The Jordan Company and Nautic Partners are, in the Company's opinion, no less favorable than the Company would have been able to enter into a similar agreement on the open market. Pursuant to this agreement, the Company pays a management fee of $500 to both The Jordan Company and Nautic Partners, for a total of $1,000 annually. At December 31, 2014 and 2013, accrued management fees of $125 are included in other current liabilities. The management fees are included in other expenses in the consolidated statements of income.

11. Pension and Other Postretirement Benefits

401(k) Defined Contribution Plan

The Company has a defined contribution 401(k) savings plan that covers all employees who meet the eligibility requirements, as defined. Participants can contribute a percentage of their compensation, as defined by the plan agreement. Matching contributions to the plan are determined annually by the Company and are equal to the stated percentage of the amount contributed by the participants. The expense related thereto was $719, $632, and $664 for the years ended December 31, 2014, 2013, and 2012, respectively.

In addition, the Company has an unfunded supplemental executive retirement plan. The Company accrues under the plan on behalf of each participant a percentage of their compensation as stipulated by the plan. The expense related thereto was $199, $200, and $198 for the years ended December 31, 2014, 2013, and 2012, respectively.

12. Shareholder's Equity

Common Stock

The Company has 100 shares of common stock, all of which are authorized, issued, and outstanding at December 31, 2014 and 2013. These shares have a par value of $0.001 per share. PEP Industries (Parent Company) owns all the shares of common stock that are authorized, issued, and outstanding by PEP Holdings at December 31, 2014 and 2013.

Equity Compensation Plan

The Parent Company has implemented a management compensation plan (Equity Compensation Plan or the Plan) to align compensation for certain key executives with the Parent Company's performance. The objective of the Plan is to promote the Parent Company's long-term growth and profitability, along with that of the subsidiaries, by providing those persons who are involved in the Parent Company's success with an opportunity to acquire an ownership interest in the Parent Company. The Parent Company has authorized the issuance of share-based compensation Units that includes Class B Units, Tier 1, Tier 2, and Tier 3 Promote Units that are authorized, issued, and awarded by the Parent Company. Per the applicable share-based payments accounting guidance, the related compensation expense pertaining to these units is pushed down and recognized in the Company's consolidated financial statements. There have been no units issued since January 1, 2012.

The description, rights, and provisions of these units are as follows:

- *Class B Units*. As of December 31, 2014 and 2013, no Class B Units have been issued or outstanding. Without amendment to the Parent Company's formation agreement (LLC agreement or Agreement), the Parent Company cannot issue more than 403,596 Class B Units.
- *Tier 1 Promote Units*. At December 31, 2014 and 2013, there were 2,676,903 and 2,861,735, respectively, Tier 1 Promote Units issued and outstanding. Without amendment to the Agreement, the Parent Company may issue no more than 2,861,735 Tier 1 Promote Units. 2,346,803 of these units vest over five years, while the remainder of the Tier 1 Promote Units vest over approximately three years due to retirement provisions. The fair value of the Tier 1 Promote Units as of the issuance date was approximately $0.54 per unit. The estimated grant-date fair value of these units was determined using the probability-weighted expected return method as defined in the AICPA's *Accounting & Valuation Guide: Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. The valuation involved a projected analysis of

possible future cash flow outcomes, the estimation of ranges of future and present value under each outcome, and the application of a probability factor to each outcome. Accordingly, the market value of invested capital (MVIC) of the Company was forecasted using various exit multiples and the related impact on the Tier 1 Promote Units. The most likely exit event for the Tier 1 Promote Units would be either an initial public offering (IPO) or sale of the Company. Exit multiples of earnings before interest taxes, depreciation and amortization (EBITDA) were determined on the acquisition that took place on December 22, 2010, and the Company's best estimate of future projections. Consequently, the MVIC exit values were then adjusted for the projected net debt outstanding and distributions to the units on the exit event date to arrive at the residual proceeds available to the Tier 1 Promote Units. Forecasted distributions were then discounted to present value over the respective holding period based on a rate of return. The required rate of return was calculated using the capital asset pricing model (CAPM) and leveraging the business risk index based on future capital structure assumptions. The Company believes that the procedures used for estimating discounted MVIC values, including the rates of return, were reasonable and consistent with the principles and guidelines set forth in the AICPA's *Accounting & Valuation Guide: Valuation of Privately-Held-Company Equity Securities Issued as Compensation*.

Compensation expense relating to the Tier 1 Promote Units is recognized using the straight-line method. The amount of expense recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest. Compensation expense pertaining to these Tier 1 Promote Units was $310 for the years ended December 31, 2014, 2013, and 2012. The unrecognized compensation expense pertaining to the unvested Tier 1 Promote Units at December 31, 2014, is $227 and will be recognized over a weighted average period of one year. The number of Tier 1 Promote Units that vested during the years ended December 31, 2014, 2013, and 2012, were 432,394, 636,302, and 641,005, respectively. The weighted average grant-date fair value related to the non-vested and vested Tier 1 Promote Units was $0.54 per unit.

- *Tier 2 Promote Units*. At December 31, 2014 and 2013, there were 449,050 and 459,717, respectively, Tier 2 Promote Units issued and outstanding. Without amendment to the Agreement, the Parent Company may issue no more than 459,717 Tier 2 Promote Units. Such Tier 2 Promote Units vest only upon an automatic vesting event and the Company achieving a specified internal rate of return upon the occurrence of an automatic vesting event, as defined in the Agreement. Prior to the occurrence of an automatic vesting event, all issued and outstanding Tier 2 Promote Units shall be unvested Tier 2 Promote Units. Per the applicable share-based payments accounting guidance, no compensation expense pertaining to these Tier 2 Promote Units has been recognized in the Company's consolidated financial statements as of December 31, 2014 and 2013.

- *Tier 3 Promote Units*. At December 31, 2014 and 2013, there were 232,739 and 238,268, respectively, Tier 3 Promote Units issued and outstanding. Without amendment to the Agreement, the Parent Company may issue no more than 238,268 Tier 3 Promote Units. Such Tier 3 Promote Units vest only upon an automatic vesting event and the Company achieving a specified internal rate of return upon the occurrence of an automatic vesting event, as defined in the Agreement. Prior to the occurrence of an automatic vesting event, all issued and outstanding Tier 3 Promote Units shall be unvested Tier 3 Promote Units. Per the applicable share-based payments accounting guidance, no compensation expense pertaining to these Tier 3 Promote Units has been recognized in the Company's consolidated financial statements as of December 31, 2014 and 2013.

13. Subsequent Events

On April 29, 2015, the Company acquired a business for $39,000 with a contingent earn-out provision of $10,600 to be earned over a three-year period if certain EBITDA milestones are met. In relation to this acquisition, an amendment to the credit facility was obtained resetting the permitted acquisition basket to the original $50,000 level, permitting this acquisition, and reducing the minimum availability threshold for permitted acquisitions to $5,000 while eliminating the mandatory excess cash flow payment for 2014 that was due in May 2015.

Aside from the above-mentioned subsequent event, there were no events subsequent to December 31, 2014, and through the consolidated financial statements issuance date of December 30, 2015, that would have a material effect on our consolidated financial statements as of December 31, 2014, or are of such significance that would require mention as a subsequent event in order to make the consolidated financial statements not misleading.

Condensed Consolidated Financial Statements

Precision Engineered Products Holdings, Inc.
For the Three and Nine Months Ended September 25, 2015 and September 26, 2014
(Unaudited)

Precision Engineered Products Holdings, Inc.
Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 25, 2015 and September 26, 2014
(Unaudited)

Contents

Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheets at September 25, 2015 and December 31, 2014 (Unaudited)	2
Condensed Consolidated Statements of Income for the three and nine months ended September 25, 2015 and September 26, 2014 (Unaudited)	3
Condensed Consolidated Statements of Stockholder’s Equity for the nine months ended September 25, 2015 (Unaudited)	4
Condensed Consolidated Statements of Cash Flows for the nine months ended September 25, 2015 and September 26, 2014 (Unaudited)	5
Notes to Condensed Consolidated Financial Statements (Unaudited)	6

Precision Engineered Products Holdings, Inc.
Condensed Consolidated Balance Sheets
(In Thousands, except Share data)
(Unaudited)

	September 25, 2015	December 31, 2014
Assets		
Current assets:		
Cash	$ 5,156	$ 11,803
Accounts receivable, net of reserves of $838 and $787, respectively	30,241	28,095
Inventories	28,842	28,133
Other current assets	3,151	4,628
Total current assets	67,390	72,659
Property, plant, and equipment, net	51,812	39,511
Intangibles and deferred financing costs, net	143,368	140,268
Goodwill	184,901	158,128
Total assets	$ 447,471	$ 410,566
Liabilities and stockholder's equity		
Current liabilities:		
Revolver	$ 7,415	$ —
Current portion of long-term debt	175,387	1,828
Trade accounts payable	10,009	10,015
Accrued expenses	11,747	9,136
Income tax payable	—	1,472
Other current liabilities	3,303	1,651
Total current liabilities	207,861	24,102
Deferred tax liability	59,770	54,026
Supplemental executive retirement plan	1,070	856
Other non-current liabilities	2,505	658
Long-term debt, less current portion	—	174,473
Leases (Note 5)		
Stockholder's equity:		
Common stock - $0.001 par value, 100 shares authorized, issued and outstanding at September 25, 2015 and December 31, 2014	—	—
Additional paid-in capital	123,288	123,135
Retained earnings	52,977	33,316
Total stockholder's equity	176,265	156,451
Total liabilities and stockholder's equity	$ 447,471	$ 410,566

See accompanying notes to condensed consolidated financial statements.

Precision Engineered Products Holdings, Inc.
Condensed Consolidated Statements of Income
(In Thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 25, 2015	September 26, 2014	September 25, 2015	September 26, 2014
Net sales	$ 54,133	$ 50,434	$ 171,203	$ 145,955
Cost of goods sold	34,554	34,027	111,130	98,061
Gross profit	19,579	16,407	60,073	47,894
Selling, general, and administrative	9,839	6,422	23,550	19,543
Income from operations	9,740	9,985	36,523	28,351
Other expenses:				
Interest expense	(2,237)	(2,400)	(6,851)	(6,729)
Other expense, net	(250)	(537)	(750)	(750)
Income before income tax expense	7,253	7,048	28,922	20,872
Income tax expense	(2,468)	(2,519)	(9,261)	(7,820)
Net income	$ 4,785	$ 4,529	$ 19,661	$ 13,052

See accompanying notes to condensed consolidated financial statements.

Precision Engineered Products Holdings, Inc.
Condensed Consolidated Statements of Stockholder's Equity
(In Thousands, Except per Share Amounts)

	Common Stock				
	Shares	$0.001 Par Value	Additional Paid-in Capital	Retained Earnings	Total Stockholder's Equity
Balance at December 31, 2014	100	$ —	$ 123,135	$33,316	$ 156,451
Net income	—	—	—	19,661	19,661
Share-based compensation expense	—	—	153	—	153
Balance at September 25, 2015	100	$ —	$ 123,288	$52,977	$ 176,265

See accompanying notes to condensed consolidated financial statements.

Precision Engineered Products Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(In Thousands)
(Unaudited)

	Nine Months Ended	
	September 25, 2015	September 26, 2014
Cash flows from operating activities		
Net income	$ 19,661	$ 13,052
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	3,263	2,522
Amortization expense	6,233	5,281
Amortization of deferred financing costs	797	796
Increase to cost of goods sold for inventory acquired in business combinations	666	318
Share-based compensation expense	153	230
Deferred income taxes	(2,203)	(1,044)
Change in fair value of contingent earnout liability	3,200	—
Changes in assets and liabilities:		
Accounts receivable	(1,151)	(6,626)
Inventories	(630)	(1,833)
Trade accounts payable	(814)	2,972
Other	(1,962)	5,766
Net cash provided by operating activities	27,213	21,434
Cash flows from investing activities		
Acquisitions, net of cash acquired	(38,561)	(44,662)
Capital expenditures	(1,800)	(2,451)
Net cash used in investing activities	(40,361)	(47,113)
Cash flows from financing activities		
Repayment of long-term debt	(914)	(914)
Drawn down of revolver	18,900	7,500
Repayment of revolver	(11,485)	(2,000)
Payment of contingent earnout	—	(750)
Share purchase	—	202
Other	—	(1)
Net cash provided by financing activities	6,501	4,037
Net decrease in cash	(6,647)	(21,642)
Cash at beginning of year	11,803	30,466
Cash at end of period	$ 5,156	$ 8,824
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	$ 5,233	$ 4,893
Income taxes	$ 8,142	$ 11,479

See accompanying notes to condensed consolidated financial statements.

1. Business, Acquisition and Basis of Presentation

Precision Engineered Products Holdings, Inc. (PEP Holdings or Company), a wholly owned subsidiary of PEP Industries LLC (PEP Industries or Parent Company), markets and manufactures stampings, electrical contacts and assemblies, engineered plastic components, metal and plastic machining, surface finishing technologies, specialty and clad metals, and cold drawn and rolled metals to its customers, primarily in the medical/surgical, electrical control, power grid distribution, transportation, and other markets.

On August 17, 2015, the Company executed a Stock Purchase Agreement with NN, Inc. Pursuant to the Stock Purchase Agreement, NN, Inc. purchased all of the issued and outstanding capital stock of the Company for $615,000. The transaction was consummated on October 19, 2015.

Connecticut Plastics, Inc. (CT Plastics)

On March 17, 2014, the Company acquired Connecticut Plastics, Inc. (CT Plastics), a leader and innovator of plastic machining and polishing, headquartered in Wallingford, Connecticut. The purchase price of $14,000 exceeded the amounts recognized for the tangible net assets and identified intangible assets acquired in the acquisition transaction by $4,787. This amount is classified and recorded as goodwill and represents the underlying value of the business not specifically attributable to acquired tangible net assets and identifiable intangible assets. The acquisition has been accounted for in accordance with the applicable guidance pertaining to business combinations.

(Dollars in Thousands, Except per Share and Unit Amounts)

The following table summarizes the purchase price allocation for the CT Plastics acquisition as of March 17, 2014:

Accounts receivable	$ 687
Property, plant and equipment	1,366
Intangible assets	
Trade names	900
Customer relationships	4,800
Acquired customer backlog	470
Non compete agreement	990
Goodwill	4,787
Net assets acquired	$14,000

Advanced Precision Products, Inc., (APP, Inc.)

On August 29, 2014, the Company acquired all the capital stock of Advance Precision Products, Inc., (APP, Inc.), a business that designs and manufactures machined components and assemblies for the medical, aerospace, and oil and gas markets, on a cash, debt, and tax-free basis (subject to certain post-closing adjustments that have not been finalized). The purchase price of $30,902 exceeded the amounts recognized for the tangible net assets and identified intangible assets acquired in the acquisition transaction by $16,667. This amount is classified and recorded as goodwill and represents the underlying value of the business not specifically attributable to acquired tangible net assets and identifiable intangible assets. The acquisition has been accounted for in accordance with the applicable guidance pertaining to business combinations.

(Dollars in Thousands, Except per Share and Unit Amounts)

The following table summarizes the purchase price allocation for the APP, Inc. acquisition as of August 29, 2014:

	Amount
Cash	$ 241
Accounts receivable	2,560
Inventories	3,901
Property, plant and equipment	6,304
Intangible assets	
Trade names	2,050
Customer relationships	6,200
Acquired customer backlog	1,320
Non compete agreement	310
Lease	250
Goodwill	16,667
Assets acquired	$39,803
Accounts payable and accrued expenses	(2,841)
Deferred tax Liability	(6,060)
Liabilities assumed	(8,901)
Net assets acquired	$30,902

Trigon International Corporation, (Trigon.)

On April 29, 2015, the Company acquired all the capital stock of Trigon International Corporation ("Trigon"), a business that designs and manufactures machined components, assemblies and finished devices for the medical markets (subject to certain post-closing adjustments that have not been finalized). The purchase consideration included $38,561 paid in cash and a contingent earn-out. If certain earnings before interest, taxes, depreciation and amortization ("EBITDA") targets are achieved, the Company is obligated to pay additional consideration of $6,611 in 2016, $2,500 in 2017 and $1,500 in 2018. The estimated fair value of this contingent consideration as of April 29, 2015 was determined to be $6,000. The estimated fair value of the contingent earn-out decreased by approximately $1,200 and $3,200, in the three and nine months ended September 25, 2015, respectively, based upon changes in the forecast of the acquired business; the change in fair value was recorded in selling, general, and administrative expenses. The total purchase consideration exceeded the amounts recognized for the tangible net assets and identified intangible assets acquired in the acquisition transaction by $26,773. This amount was recorded as goodwill and represents the underlying value of the business not specifically attributable to acquired tangible net assets and identifiable intangible assets. The Company has not completed the acquisition accounting, as third-party valuations of certain acquired assets have not been finalized and the Company is in the process of reviewing the valuations. Accordingly, the acquisition accounting is provisional as of September 25, 2015.

(Dollars in Thousands, Except per Share and Unit Amounts)

The following table summarizes the preliminary purchase price allocation for the Trigon acquisition as of April 29, 2015:

	Amount
Other current assets	$ 62
Accounts receivable	837
Inventories	2,863
Intangible assets	
Property, plant and equipment	13,561
Trade names	10,130
Goodwill	26,773
Assets acquired	54,226
Accounts payable and accrued expenses	(954)
Deferred tax Liability	(8,711)
Contingent consideration	(6,000)
Liabilities assumed	(15,665)
Net assets acquired	$ 38,561

For federal income tax purposes the acquisition of Trigon was deemed to be a stock purchase and therefore any recorded goodwill is not expected to be tax deductible. The Company recorded $51 and $678 in selling, general, and administrative expenses for the three and nine months ended September 25, 2015, respectively, for costs related to the acquisition. As of September 25, 2015, $3,085 of the purchase consideration was held in an escrow account related to general representations and warranties that are to be settled on the second anniversary of the acquisition date.

Revenue and income before tax expense since the acquisition date of April 19, 2015 amounting to $5,531 and $287, respectively, have been included in the condensed consolidated statements of income for the nine months ended September 25, 2015.

The following unaudited pro forma financial information assumes the acquisition of Trigon occurred on January 1, 2014. The unaudited pro forma consolidated revenue and net income for the three and nine months ended September 25, 2015 and September 26, 2014 are provided for informational purposes only and do not purport to represent the Company‘s actual consolidated results had the acquisition occurred on the date assumed, nor are these necessarily indicative of the Company‘s future consolidated results of operations.

(Dollars in Thousands, Except per Share and Unit Amounts)

	Three Months Ended		Nine Months Ended	
	September 25, 2015	September 26, 2014	September 25, 2015	September 26, 2014
Revenue	$ 54,133	$ 55,512	$ 176,882	$ 160,183
Net income	$ 4,785	$ 6,323	$ 20,661	$ 18,259

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The unaudited interim condensed consolidated financial statements of the Company included herein have been prepared, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). 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 from this report, as is permitted by such rules and regulations. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2014.

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited financial statements. In the opinion of the Company's management, the accompanying unaudited interim condensed consolidated financial statements contain all adjustments which are necessary to fairly present the Company's financial position as of September 25, 2015, the results of its operations for the three and nine months ended September 25, 2015 and September 26, 2014 and its cash flows for the nine months ended September 25, 2015 and September 26, 2014. Such adjustments are of a normal and recurring nature. The results for the three and nine months ended September 25, 2015 are not necessarily indicative of the results for the year ending December 31, 2015, or for any future period.

The unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. These condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of

America (“GAAP”). Any reference in these notes to applicable guidance is meant to refer to the authoritative United States generally accepted accounting principles as found in the Accounting Standards Codification (“ASC”) and Accounting Standards Update (“ASU”) of the Financial Accounting Standards Board (“FASB”).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, the Company’s management evaluates its estimates, which include, but are not limited to, estimates related to stock-based compensation expense, debt, accruals, and reported amounts of revenues and expenses during the reported period. The Company bases its estimates on historical experience and other market-specific or other relevant assumptions that it believes to be reasonable under the circumstances. Actual results may differ from those estimates or assumptions.

Recently Issued Accounting Standards

In July 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-11, *Inventory (Topic 330)—Simplifying the Measurement of Inventory* (“ASU 2015-11”), which simplifies the subsequent measurement of inventories by replacing the lower of cost or market test with a lower of cost and net realizable value test. The guidance applies only to inventories for which cost is determined by methods other than last-in first-out (“LIFO”) and the retail inventory method. The guidance in ASU No. 2015-11 is effective for periods beginning after December 15, 2016 and early adoption is permitted. The Company is currently evaluating the impact, if any, adoption will have on its financial position and results of operations.

In April 2015, the FASB issued ASU No. 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (“ASU 2015-03”), which provides guidance on simplifying the presentation of debt issuance costs on the balance sheet. To simplify presentation of debt issuance costs, the amendments in ASU No. 2015-03 require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period and early adoption is permitted for financial statements that have not yet been previously issued. In accordance with ASU No. 2015-03, companies should apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Upon transition, an entity is required to comply with the applicable disclosures for a change in an accounting principle. Adoption is not expected to have a material effect on the Company's consolidated financial statements, but will affect balance sheet classification.

(Dollars in Thousands, Except per Share and Unit Amounts)

3. Inventories

Components of inventories are as follows:

	September 25, 2015	December 31, 2014
Raw materials	$ 10,705	$ 11,739
Work in process	5,999	5,408
Finished goods	12,138	10,986
Total inventories	$ 28,842	$ 28,133

4. Property, Plant, and Equipment

Property, plant, and equipment consist of the following:

	September 25, 2015	December 31, 2014	Estimated Useful Life (Years)
Land	$ 5,450	$ 5,450	—
Building and improvements	17,256	16,807	4 - 24
Machinery and equipment	48,964	34,904	2 - 12
Furniture and fixtures and other	4,813	3,941	2 - 8
	76,483	61,102	
Less accumulated depreciation	(24,671)	(21,591)	
	$ 51,812	$ 39,511	

(Dollars in Thousands, Except per Share and Unit Amounts)

The Company recorded depreciation expense of $1,217 and $905 for the three months ended September 25, 2015 and September 26, 2014, respectively, and $3,263 and $2,522 for the nine months ended September 25, 2015 and September 26, 2014, respectively.

5. Leases

The Company has several noncancelable operating leases with renewal options, primarily for buildings. Rental expense for operating leases was $615 and $364 for the three months ended September 25, 2015 and September 26, 2014, respectively, and $1,694 and $920 for the nine months ended September 25, 2015 and September 26, 2014, respectively. Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of September 25, 2015, are as follows:

	Amount
2015	$ 1,694
2016	2,360
2017	1,865
2018	1,527
2019	1,402
Thereafter	2,344
Total minimum lease payments	$11,192

6. Goodwill, Intangible Assets and Deferred Financing Costs

The changes in the carrying amount of goodwill for the period ended September 25, 2015 and December 31, 2014 are as follows:

	Amount
Balance at December 31, 2013	$136,674
Goodwill from acquisition of Connecticut Plastics	4,787
Goodwill from acquisition of Advanced Precision Products	16,667
Balance at December 31, 2014	$158,128

(Dollars in Thousands, Except per Share and Unit Amounts)

	Amount
Balance at December 31, 2014	$158,128
Goodwill from acquisition of Trigon	26,773
Balance at September 25, 2015	$184,901

Goodwill balances are tested for impairment on an annual basis during the fourth quarter and between annual tests if a triggering event occurs. The Company has never had an impairment of its' goodwill balances.

Intangibles, deferred financing costs and related amortization at December 31, 2014 and September 25, 2015 are as follows:

September 25, 2015	Gross	Accumulated Amortization	Net	Estimated Useful Life (Years)
Trade names	$ 30,215	$ —	$ 30,215	Indefinite
Business process	22,585	(9,581)	13,004	20
Customer relationships	123,461	(27,492)	95,969	20-25
Deferred financing costs	7,150	(5,895)	1,255	6
Other	5,220	(2,295)	2,925	5
	$188,631	$ (45,263)	$143,368	

December 31, 2014	Gross	Accumulated Amortization	Net	Estimated Useful Life (Years)
Trade names	$ 28,165	$ —	$ 28,165	Indefinite
Business process	22,585	(8,356)	14,229	20
Customer relationships	117,261	(22,774)	94,487	20-25
Deferred financing costs	7,150	(5,063)	2,087	6
Other	3,340	(2,040)	1,300	5
	$178,501	$ (38,233)	$140,268	

The Company recorded amortization expense related to intangible assets of $2,404 and $2,263 for the three months ended September 25, 2015 and September 26, 2014, respectively, and $6,233 and $5,281 for the nine months ended September 25, 2015 and September 26, 2014, respectively.

It is the Company's policy to record amortization expense related to deferred financing costs as interest. The Company recorded interest expense related to deferred financing costs of $266 and $265 for the three months ended September 25, 2015 and September 26, 2014, respectively, and $797 and $796 for the nine months ended September 25, 2015 and September 26, 2014, respectively.

Intangibles balances are tested for impairment on an annual basis during the fourth quarter and between annual tests if a triggering event occurs. The Company has never had an impairment related to its' intangibles balances.

7. Fair Value Measurements

The Company's financial instruments reported at fair value consist of cash, accounts receivable, trade accounts payable and contingent consideration liabilities related to the acquisition of Trigon (Note 1). The Company's assets and liabilities reported at fair value have been categorized based upon a fair value hierarchy in accordance with ASC Topic 820, Fair Value Measurements and Disclosures. The levels of the fair value hierarchy are described below:

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets and liabilities that we have the ability to access at the measurement date.
- Level 2 inputs utilize inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3 inputs are unobservable inputs for the asset or liability, allowing for situations where there is little, if any, market activity for the asset or liability.

(Dollars in Thousands, Except per Share and Unit Amounts)

There have been no changes to the valuation methods utilized by the Company during the nine months ended September 25, 2015. The Company evaluates transfers between levels at the end of each reporting period. There were no transfers of financial instruments between levels during the nine months ended September 25, 2015.

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis aggregated by the level in the fair value hierarchy within which those measurements fell at September 25, 2015:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Obervable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities			
Contingent consideration	$ —	$ —	$ 2,800
Other	$ —	$ —	$ 2,800

The contingent consideration liability at September 25, 2015 is recorded as $1,000 in other current liabilities and $1,800 in other non-current liabilities.

The valuation of the contingent consideration liability is determined using widely accepted valuation techniques, including probability-weighted discounted cash flow analysis on the expected cash flows. This analysis utilizes significant unobservable inputs, including probability of achievement of profitability targets and estimated discount rates, and reflects the contractual terms of the contingent consideration, including the period to expected payout. The Company has determined that the inputs used to value the contingent consideration fall within Level 3 of the fair value hierarchy.

(Dollars in Thousands, Except per Share and Unit Amounts)

As of April 29, 2015, the Company recorded $6,000 as contingent consideration. Adjustments of $1,200 and $3,200 in selling, general, and administrative expenses, net, for the three and nine months ended September 25, 2015, respectively, related to the change in fair value of the contingent consideration liability have been recorded. The total change in fair value was as follows:

	Amount
Beginning balance - April 29, 2015	$ 6,000
Change in fair value	(3,200)
Ending balance - September 25, 2015	$ 2,800

Cash, accounts receivable, and trade accounts payable are carried at cost which approximates fair value because of their short-term nature.

8. Debt

Long-term debt consists of the following:

	September 25, 2015	December 31, 2014
Term loan	$ 175,387	$ 176,301
Less current portion	(175,387)	(1,828)
Long-term debt less current portion	$ —	$ 174,473
Revolver	$ 7,415	$ —

The Company maintains a credit facility that consists of a term loan and a revolver with a maximum borrowing capacity of $30,000. The revolver includes a $12,000 sublimit for letters of credit and a $5,000 sublimit for swing-line loans. The term loan requires mandatory repayment of principal outstanding on the date the revolving credit facility is scheduled to terminate. The weighted average interest rates during the three and nine months ended September 25, 2015 and September 26, 2014 were approximately 4.0%.

(Dollars in Thousands, Except per Share and Unit Amounts)

The Company did not make any voluntary principal payments on the term loan during 2015 or 2014. The term loan requires mandatory prepayments of principal based on a stipulated percentage of excess cash, as defined by the credit agreement, of the Company for the immediately preceding year. As a result of the acquisitions in 2015 and 2014, an amendment to the credit facility was obtained that eliminated the excess cash flow payment for 2014 and 2013 that was due in May 2015 and 2014.

Due to the acquisition of Trigon in April 2015, the credit facility was amended to reset the permitted acquisition basket to the original $50,000 level, permitting this acquisition, and reducing the minimum availability threshold for permitted acquisitions to $5,000. During the three months ended September 25, 2015 and September 26, 2014, the Company incurred interest expense relating to the term loan of $1,952 and $1,907 respectively, and interest expense relating to deferred financing fees of $266 and $265, respectively. During the nine months ended September 25, 2015 and September 26, 2014, the Company incurred interest expense relating to the term loan of $5,724 and $5,513, respectively, and interest expense relating to deferred financing fees of $797 and $796, respectively.

The term loan also contains covenants requiring the Company to maintain certain financial ratios, places limits on its ability to incur or assume debt or create liens with respect to certain of its assets, and has other customary provisions. Management has determined that the Company was in compliance with all applicable covenants under the credit agreement as of September 25, 2015.

The aggregate amounts of mandatory scheduled payments on debt beginning on September 25, 2015 are as follows:

	Amounts
2015	$ —
2016	175,387
Total	$175,387

9. Income Taxes

The Company's consolidated financial statements reflect its federal, state, and foreign income tax liabilities. For tax purposes, PEP Holdings is classified as a corporation and, as such, is subject to corporate-level federal and state income taxes. Further, Brainin – China and Brainin – Mexico are taxable corporate entities in China and Mexico, respectively. Accordingly, the tax provision and consolidated balance sheet accounts of the Company have been computed on this basis. The Company and its subsidiaries file income tax returns in U.S federal, state, and foreign jurisdictions.

The Company recorded an income tax provision of $2,468 and $9,261 for the three and nine months ended September 25, 2015, respectively, representing an effective tax rate of 34% and 32%, respectively. For the period ended September 25, 2015 the estimated annual effective tax rate is favorably impacted by the domestic production activities deduction and non-taxable contingent consideration income for which there is no associated tax expense recorded. The Company recorded an income tax provision of $2,519 and $7,820 for the three and nine months ended September 26, 2014, respectively, representing an effective tax rate of 36% and 37%, respectively. For the period ended September 26, 2014 the estimated annual effective tax rate is favorable impacted by the domestic production activities deduction and is unfavorably impacted by non-deductible expenses.

10. Related-Party Transactions

Except as noted below, the Company did not engage in any transaction with a related person as defined under the rules of the SEC. While the Board currently does not have a written policy with respect to approval of transactions with related parties, it is the policy of the Board to approve any transactions with related persons. Any approvals would be reflected in the minutes of the meeting of the Board at which the Board approved the transaction. The Company has adopted a written policy, however, on conflicts of interest, which appear in our Code of Ethics. The Code of Ethics states that a "conflict of interest" exists when the personal interests of an officer, director or associate interferes with that person's ability to act in the best interest of the Company. Under the Code of Ethics, officers, directors and associates are to avoid actual conflicts of interest, but to also avoid the appearance of a conflict. Such persons may not engage in conduct where such person or a family member receives improper personal benefits as a result of such person's position in the Company. Transactions or relationships that may reasonably be expected to give rise to conflicts of interest are not permitted. Potential, apparent or actual conflicts of interest must be reported to management. These fees and purchases are not presumed to be carried out on an arm's-length basis.

The Company's headquarters building is leased from The Fredric J. Hemmerle Revocable Trust, which is a stockholder of the Company. The terms of the lease agreement with The Fredric J. Hemmerle Revocable Trust are, in the Company's opinion, no less favorable than the Company would have been able to enter into a similar agreement on the open market. The Company recorded rent expense of $26 and $25 for the three months ended September 25, 2015 and September 26, 2014, respectively, and $79 and $75 for the nine months ended September 25, 2015 and September 26, 2014, respectively, including payments for real estate taxes paid directly to the local municipality.

As of the period end date, the Company is a party to a management consulting agreement with The Jordan Company and Nautic Partners. The Jordan Company and Nautic Partners are equity investors in PEP with 79.5% ownership after tier 1 units and have majority control of the Board with five members. The terms of the management agreement with The Jordan Company and Nautic Partners are, in the Company's opinion, no less favorable than the Company would have been able to enter into a similar agreement on the open market. In connection with this agreement, the Company recognized management fees in other expenses in the condensed consolidated statements of income of $250 for each of the three months ended September 25, 2015 and September 26, 2014 and $750 for each of the nine months ended September 25, 2015 and September 26, 2014. As of September 25, 2015 and December 31, 2014, the Company had accrued management fees of $250 and $125, respectively, included within other current liabilities.

11. Stock-based compensation

The Parent Company has authorized the issuance of share-based compensation Units that includes Class B Units, Tier 1, Tier 2, and Tier 3 Promote Units that are authorized, issued, and awarded by the Parent Company. Per the applicable share-based payments accounting guidance, the related compensation expense pertaining to these units is pushed down and recognized in the Company's consolidated financial statements. There have been no units issued subsequent to January 1, 2012.

The description, rights, and provisions of these units are as follows:

- *Class B Units*. As of September 30, 2015, no Class B Units have been issued or outstanding. Without amending the Parent Company's formation agreement (LLC agreement or Agreement), the Parent Company cannot issue more than 403,596 Class B Units.
- *Tier 1 Promote Units*. At September 25, 2015 and December 31, 2014 there were 2,676,903 Tier 1 Promote Units issued and outstanding. Without amendment to the Agreement, the Parent Company may issue no more than 2,861,735 Tier 1 Promote Units. 2,346,803 of these units vest over five years, while the remainder of the Tier 1 Promote Units vest over approximately three years due to retirement provisions. The fair value of the Tier 1 Promote Units as of the issuance date was approximately $0.54 per unit. The estimated grant-date fair value of these units was determined using the probability-weighted expected return method as defined in the AICPA's *Accounting & Valuation Guide: Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. The valuation involved a projected analysis of possible future cash flow outcomes, the estimation of ranges of future and present value under each outcome, and the application of a probability factor to each outcome. Accordingly, the market value of invested capital (MVIC) of the Company was forecasted using various exit multiples and the related impact on the Tier 1 Promote Units. The most likely exit event for the Tier 1 Promote Units would be either an initial public offering (IPO) or sale of the Company. Exit multiples of EBITDA were determined on the acquisition that took place on December 22, 2010, and the Company's best estimate of future projections. Consequently, the MVIC exit values were then adjusted for the projected net debt outstanding and distributions to the units on the exit event date to arrive at the residual proceeds available to the Tier 1 Promote Units. Forecasted distributions were then discounted to present value over the respective holding period based on a rate of return. The required rate of return was calculated using the capital asset pricing model (CAPM) and leveraging the business risk index based on future capital structure assumptions. The

Company believes that the procedures used for estimating discounted MVIC values, including the rates of return, were reasonable and consistent with the principles and guidelines set forth in the AICPA's *Accounting & Valuation Guide: Valuation of Privately-Held-Company Equity Securities Issued as Compensation*.

Compensation expense relating to the Tier 1 Promote Units is recognized on a straight-line basis. The amount of expense recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest. Compensation expense pertaining to these Tier 1 Promote Units was $51 and $78 for the three months ended September 25, 2015 and September 26, 2014, respectively, and $153 and $233 for the nine months ended September 25, 2015 and September 26, 2014, respectively. The unrecognized compensation expense pertaining to the unvested Tier 1 Promote Units at September 25, 2015, is $52 and will be recognized over a weighted average period of one year. The number of Tier 1 Promote Units that vested during the three months ended September 25, 2015 and September 26, 2014 were 669,226 and 541,688, respectively. The number of Tier 1 Promote Units that vested during the nine months ended September 25, 2015 and September 26, 2014 were 2,007,677 and 1,625,065, respectively. The weighted average grant-date fair value related to the non-vested and vested Tier 1 Promote Units was $0.54 per unit.

- *Tier 2 Promote Units*. At September 25, 2015 and December 31, 2014, there were 449,050, Tier 2 Promote Units issued and outstanding. Without amendment to the Agreement, the Parent Company may issue no more than 459,717 Tier 2 Promote Units. Such Tier 2 Promote Units vest only upon an automatic vesting event and the Company achieving a specified internal rate of return upon the occurrence of an automatic vesting event, as defined in the Agreement. Prior to the occurrence of an automatic vesting event, all issued and outstanding Tier 2 Promote Units shall be unvested Tier 2 Promote Units. Per the applicable share-based payments accounting guidance, no compensation expense pertaining to these Tier 2 Promote Units has been recognized in the Company's condensed consolidated financial statements as of September 25, 2015 and December 31, 2014.
- *Tier 3 Promote Units*. At September 25, 2015 and December 31, 2014, there were 232,739 Tier 3 Promote Units issued and outstanding. Without amendment to the Agreement, the Parent Company may issue no more than 238,268 Tier 3 Promote Units.

Such Tier 3 Promote Units vest only upon an automatic vesting event and the Company achieving a specified internal rate of return upon the occurrence of an automatic vesting event, as defined in the Agreement. Prior to the occurrence of an automatic vesting event, all issued and outstanding Tier 3 Promote Units shall be unvested Tier 3 Promote Units. Per the applicable share-based payments accounting guidance, no compensation expense pertaining to these Tier 3 Promote Units has been recognized in the Company's condensed consolidated financial statements as of September 25, 2015 and December 31, 2014.

12. Subsequent Events

On August 17, 2015, the Company executed a Stock Purchase Agreement with NN, Inc. On October 19, 2015, NN, Inc. acquired all of the issued and outstanding capital stock of the Company for $615,000.

Aside from the above-mentioned subsequent event, there were no events subsequent to September 25, 2015, and through the condensed consolidated financial statements issuance date of December 30, 2015, that would have a material effect on our condensed consolidated financial statements as of September 25, 2015, or are of such significance that would require disclosure as a subsequent event in order to make the condensed consolidated financial statements not misleading.

Exhibit 99.3

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The Unaudited Pro Forma Condensed Combined Financial Statements (referred to as the “pro forma financial statements”) presented below are derived from the historical consolidated financial statements of NN, Inc. (“NN”, “we”, “our” or “us”) and Precision Engineered Products Holdings, Inc. (“PEP”).

On August 17, 2015, we entered into a stock purchase agreement with PEP and PEP Industries, LLC (“PEP Industries”). On October 19, 2015, we completed our acquisition of PEP (the “Acquisition”). As a result of the Acquisition, PEP became our wholly owned subsidiary.

The Unaudited Pro Forma Condensed Combined Statements of Income presented below (the “pro forma statements of income”) for the nine months ended September 30, 2015 and the year ended December 31, 2014, give effect to the Acquisition as if it was consummated on January 1, 2014. The Unaudited Pro Forma Condensed Combined Balance Sheet presented below (the “pro forma balance sheet”) as of September 30, 2015, gives effect to the Acquisition as if it was consummated on September 30, 2015.

Our historical consolidated financial information has been adjusted in the pro forma financial statements to give effect to pro forma events that are: (i) directly attributable to the Acquisition; (ii) factually supportable; and (iii) with respect to the pro forma statements of income, expected to have a continuing impact on our and PEP’s combined results. Our historical consolidated financial information for the year ended December 31, 2014 has also been adjusted in the pro forma financial statements to give effect to pro forma impacts of our acquisition of Autocam Corporation, which we completed on August 29, 2014 (the “Autocam Merger”) as if it was consummated on January 1, 2014.

Assumptions and estimates underlying the pro forma adjustments are described in the accompanying notes, which should be read in connection with the pro forma financial statements.

In accordance with ASC 805, *Business Combinations* (“ASC 805”), the Acquisition is being accounted for under the acquisition method with us as the acquirer of PEP. As of the date hereof, we have not completed the detailed valuation work necessary to arrive at the required estimates of the fair value of PEP’s assets to be acquired, the liabilities to be assumed and the related allocation of purchase price; however, for purposes of these pro forma financial statements, preliminary allocation estimates based on information known to us as of the date of this report have been included. The final fair values of the assets acquired and liabilities assumed as of the date of the Acquisition may differ materially from the information presented herein.

The pro forma financial statements have been presented for illustrative purposes only and do not reflect the impact of synergies resulting from the Acquisition. We expect to incur significant costs and achieve significant synergies in connection with integrating PEP’s operations with our operations. The pro forma financial statements do not reflect the costs of any integration activities or benefits that may result from realization of future cost savings from operating efficiencies, or any revenue, tax, or other synergies expected to result from the Acquisition. In addition, certain nonrecurring items, such as transaction costs directly attributable to the Acquisition, have been excluded from the pro forma statements of income. Additionally, no adjustments were made to reflect termination costs to be incurred in connection with the Acquisition, as such costs are not currently factually supportable.

The pro forma financial statements reflect the following transactions, which took place in 2015: (i) our entry into a new senior secured term loan facility in the amount of up to $525.0 million with a seven year maturity (the “New Term Loan Credit Facility”); (ii) entry into a new senior secured revolving credit facility in the amount of up to $100.0 million with a five year maturity (together with the New Term Loan Credit Facility, the “New Senior Credit Facilities”); (iii) the issuance of $300.0 million of 10.25% senior notes due 2020 (the “Notes”); (iv) the incremental term loan of $50.0 million made on November 9, 2015, the proceeds of which were used to repurchase approximately $50.0 million of the Notes. Proceeds from the New Term Loan Credit Facility and the Notes were used to finance the purchase price of the Acquisition.

These pro forma financial statements are for informational purposes only. They do not purport to indicate the results of operations and financial position that would have been achieved had the pro forma events taken place on the dates indicated, or the future consolidated results of operations or financial position of the combined company.

The pro forma financial statements should be read in conjunction with:

- the accompanying notes to the pro forma financial statements;
- our separate historical consolidated financial statements of NN as of and for the year ended December 31, 2014, included in NN's Annual Report on Form 10-K filed with the SEC on March 16, 2015;
- our separate historical unaudited condensed consolidated interim financial statements of NN as of and for the quarter and nine months ended September 30, 2015, included in NN's Quarterly Report on Form 10-Q filed with the SEC on November 5, 2015;
- the separate historical consolidated financial statements of PEP for the years ended December 31, 2014, 2013 and 2012 included as Exhibit 99.1 to NN's Amendment to Current Report on Form 8-K/A filed herewith;
- the separate historical unaudited condensed consolidated interim financial statements of PEP as of and for the nine months ended September 25, 2015, included as Exhibit 99.2 to NN's Amendment to Current Report on Form 8-K/A filed herewith; and
- the separate historical unaudited condensed consolidated financial statements of Autocam as of and for the quarter and six months ended June 30, 2014, included as Exhibit 99.2 to NN's Amendment to Current Report on Form 8-K/A filed with the SEC on October 27, 2014.

NN, INC. AND PRECISION ENGINEERED PRODUCTS HOLDINGS, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
For the Year Ended December 31, 2014
(In thousands, except share and per share data)

	NN	Autocam Through 8/29/2014	Reclassification to Presentation of Historical Autocam (Note 1)	Pro Forma Adjustments (Note 4)	Notes	NN Autocam Combined	PEP	Reclassification to Presentation of Historical PEP (Note 1)	Pro Forma Adjustments (Note 3)	Notes	Refinancing Transactions (Note 5)	Pro Forma Combined
Net sales	$488,601	$ 171,051	$ —	$ —		$ 659,652	$203,967	$ —	$ —		$ —	$ 863,619
Cost of products sold (exclusive of depreciation and amortization shown separately below)	384,889	146,533	(12,494)	—		518,928	134,420	(3,299)	—		—	650,049
Selling, general and administrative	43,756	14,198	(4,215)	—		53,739	26,529	(9,620)	—		—	70,648
Acquisition related costs excluded from selling general and administrative	9,248	—	4,760	(14,008)	4(a)	—	—	—	—		—	—
Depreciation and amortization	22,146	—	12,427	(501)	4(b)	34,072	—	12,919	11,237	3(b)	—	58,228
(Gain) loss on disposal of assets	—	—	290	—		290	—	—	—		—	290
Restructuring and impairment charges	875	—	—	—		875	—	—	—		—	875
Income from operations	27,687	10,320	(768)	14,509		51,748	43,018	—	(11,237)		—	83,529
Stock comp	—	768	(768)	—		—	—	—	—		—	—
Interest expense	12,293	1,929	—	—		14,222	9,144	—	—		43,737	67,103
Other expense, net	2,222	391	—	—		2,613	3,480	—	—		—	6,093
Income before provision (benefit) for income taxes	13,172	7,232	—	14,509		34,913	30,394	—	(11,237)		(43,737)	10,333
Provision (benefit) for income taxes	5,786	1,891	—	2,429	4(c)	10,106	11,603	—	(3,933)	3(c)	(15,308)	2,468
Share of Income from Joint Venture	831	1,847	—	(293)	4(d)	2,385	—	—	—		—	2,385
Net income	$ 8,217	$ 7,188	$ —	$ 11,787		$ 27,192	$ 18,791	$ —	$ (7,304)		$ (28,429)	$ 10,250
Basic income per share:												
Net income	$ 0.46											$ 0.55
Weighted average shares outstanding	17,887			725	4(e)							18,612
Diluted income per share:												
Net income	$ 0.45											$ 0.54
Weighted average shares outstanding	18,253			725	4(e)							18,978
Cash dividends per common share	$ 0.28											$ 0.28

NN, INC. AND PRECISION ENGINEERED PRODUCTS HOLDINGS, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
For the Nine Months Ended September 30, 2015
(In thousands, except share and per share data)

	NN	PEP	Reclassification to Presentation of Historical PEP (Note 1)	Pro Forma Adjustments (Note 3)	Notes	Refinancing Transactions (Note 5)	Pro Forma Combined
Net sales	$483,425	$171,203	$ —	$ —		$ —	$654,628
Cost of products sold (exclusive of depreciation and amortization shown separately below)	378,220	111,130	(3,122)	—		—	486,228
Selling, general and administrative	41,858	23,550	(6,374)	(6,874)	3(a)	—	52,160
Depreciation and amortization	25,702	—	9,496	8,621	3(b)	—	43,819
Income from operations	37,645	36,523	—	(1,747)		—	72,421
Interest expense	16,543	6,851	—	—		26,687	50,081
Other expense, net	2,012	750	—	—		—	2,762
Income before provision (benefit) for income taxes	19,090	28,922	—	(1,747)		(26,687)	20,078
Provision (benefit) for income taxes	4,009	9,261	—	(611)	3(c)	(9,341)	3,318
Share of Income from Joint Venture	2,503	—	—	—		—	2,503
Net income	$ 17,584	$ 19,661	$ —	$ (1,136)		$ (17,346)	$ 18,763
Basic income per share:							
Net income	$ 0.87						$ 0.93
Weighted average shares outstanding	20,122						20,122
Diluted income per share:							
Net income	$ 0.86						$ 0.92
Weighted average shares outstanding	20,467						20,467
Cash dividends per common share	$ 0.21						$ 0.21

NN, INC. AND PRECISION ENGINEERED PRODUCTS HOLDINGS, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
As of September 30, 2015
(In thousands, except share and per share data)

	NN	PEP	Reclassification to Presentation of Historical PEP (Note 1)	Pro Forma Adjustments (Note 3)	Notes	Pro Forma Combined
Assets						
Current assets:						
Cash	$ 40,102	$ 5,156	$ —	$ (41,414)	3(d)	$ 3,844
Accounts receivable, net	108,144	30,241	—	—		138,385
Inventories	92,579	28,842	—	4,500	3(e)	125,921
Income taxes receivable, net	—	—	473	2,716	3(o)	3,189
Other current assets	17,560	3,151	(473)	—		20,238
Total current assets	258,385	67,390	—	(34,198)		291,577
Property, plant and equipment, net	266,562	51,812	—	5,211	3(f)	323,585
Goodwill, net	85,447	184,901	—	186,962	3(h)	457,310
Intangible asset, net	51,829	143,368	(1,255)	98,377	3(g)	292,319
Investment in Joint venture	37,088	—	—	—		37,088
Other non-current assets	20,165	—	1,255	14,380	3(i)	35,800
Total assets	719,476	447,471	—	270,732		1,437,679
Liabilities and Stockholders' Equity						
Current liabilities:						
Accounts payable	60,338	10,009	—	—		70,347
Accrued salaries, wages and benefits	18,362	—	5,575	—		23,937
Current maturities of long-term debt	21,677	182,802	—	(200,302)	3(l)	4,177
Income taxes payable	4,933	—	—	(4,933)	3(o)	—
Current portion of obligations under capital lease	5,066	—	—	—		5,066
Other current liabilities	10,747	15,050	(5,575)	575	3(j)	20,797
Total current liabilities	121,123	207,861	—	(204,660)		124,324
Non-current deferred tax liabilities	46,950	59,770	—	36,256	3(k)	142,976
Long-term debt, net of current portion	184,356	—	—	632,258	3(l)	816,614
Obligations under capital lease, net of current portion	10,759	—	—	—		10,759
Other non-current liabilities	12,584	3,575	—	(1,370)	3(m)	14,789
Total liabilities	375,772	271,206	—	462,484		1,109,462
Total stockholders' equity	343,704	176,265	—	(191,752)	3(n)	328,217
Total liabilities and stockholders' equity	$719,476	$447,471	$ —	$ 270,732		$1,437,679

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF TRANSACTION AND BASIS OF PRESENTATION

On August 17, 2015, we entered into a stock purchase agreement with PEP Industries, LLC ("PEP Industries") and Precision Engineered Products Holdings, Inc.("PEP"), pursuant to which we agreed to purchase all of the outstanding capital stock of PEP (the "Acquisition"). As a result of the Acquisition, PEP became a wholly owned subsidiary of NN. The aggregate consideration paid in connection with the Acquisition was approximately $615.0 million in cash (the "Purchase Price"). Funds received from the New Term Loan Credit Facility and the Notes were used, together with cash on hand, to finance the Purchase Price of the Acquisition, to pay certain fees and expenses in connection therewith and to refinance certain of our and PEP's existing indebtedness.

The pro forma financial statements included herein have been derived from our and PEP's historical consolidated financial statements. Additionally, certain financial statement line items included in PEP's historical presentation have been disaggregated or condensed to conform to corresponding financial statement line items included in our historical presentation. These reclassifications are reported in the pro forma financial statements under the column titled "Reclassification to Presentation of Historical PEP" and as discussed in the following two paragraphs.

Within the pro forma statements of income, we have made certain changes in presentation to conform PEP's financial presentation to our financial statement presentation. Depreciation expense, which was historically reflected in cost of products sold in PEP's historical financial statements, has been reclassified and presented within the caption "depreciation and amortization." Depreciation expense, which was historically reflected in selling, general and administrative expense in PEP's historical financial statements has been reclassified and presented within the caption depreciation and amortization. Amortization expenses of intangible assets, which were historically reflected in selling, general and administrative expense in PEP's historical financial statements, have been reclassified and presented within the caption depreciation and amortization.

Within the pro forma balance sheet we have made the following reclassifications to conform PEP's financial statement presentation to our financial statement presentation: income taxes receivable have been reclassified from the caption "Other current assets" to "Income taxes receivable, net," deferred financing costs have been reclassified from the caption "intangible assets, net" to "other non-current assets;" accrued salaries, wages and benefits payable have been reclassified from the caption "other current liabilities" to their own captions presented on the face of the balance sheet. Additionally, in preparing the condensed consolidated balance sheet for PEP within the pro forma financial statements, we aggregated the caption "revolver" within "current maturities of long-term debt;" and aggregated the captions "accrued expenses" within the caption "other current liabilities." The reclassification and aggregations of these items had no significant impact on the historical total assets, total liabilities, or stockholders' equity reported by us or PEP, respectively. The reclassifications and aggregations also did not impact the historical earnings from continuing operations.

Additionally, the pro forma statement of income for the year ended December 31, 2014 gives effect to the Autocam Merger, which was completed on August 29, 2014; the result of operations of Autocam have been consolidated in our results from that date. Certain financial statement line items included in Autocam's historical presentation have been disaggregated or condensed to conform to corresponding financial statement line items included in our historical presentation. These reclassifications are reported in the pro forma financial statements under the column titled "Reclassification to Presentation of Historical Autocam" and as discussed in the following paragraph.

Within the pro forma statements of income, we have made certain changes in presentation to conform Autocam's financial presentation to our financial statement presentation. Depreciation expense and loss (gain) on disposal of fixed assets which were historically reflected in cost of products sold in Autocam's historical financial statements have been reclassified and presented within the captions depreciation and amortization and loss on disposal of assets, respectively. Depreciation expense, which was historically reflected in selling, general and administrative expense in Autocam's historical financial statements, has been reclassified and presented within the caption depreciation and amortization. Additionally, stock based compensation expense reported under a separate caption with the same name was reclassified to the caption selling, general and administrative.

The Acquisition is recorded within the pro forma financial statements under the acquisition method of accounting, in accordance with business combination accounting guidance under GAAP. Under these accounting standards, the assets acquired and the liabilities assumed will be measured at estimated fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The unaudited pro forma adjustments included herein are preliminary. As of the date hereof, we have not completed the detailed valuation work necessary to arrive at the required estimates of the fair value of PEP's assets to be acquired, the liabilities to be assumed and the related allocation of purchase price. The final fair values of the assets acquired and liabilities assumed once finalized may differ materially from the information presented. Unless otherwise noted, all numbers contained in the pro forma financial statements are in thousands.

Acquisition-related transaction costs are not included as components of consideration transferred but are accounted for as expenses in the period in which the costs are incurred.

The pro forma financial statements are based upon historical information after giving effect to the Acquisition and adjustments described in these footnotes. The pro forma balance sheet is presented as if the Acquisition had occurred on September 30, 2015; the pro forma statements of income for the nine-months ended September 30, 2015 and for the year ended December 31, 2014, give effect to the Acquisition as if it occurred on January 1, 2014.

The pro forma financial statements do not reflect ongoing cost savings that we expect to achieve as a result of the Acquisition or the costs necessary to achieve these costs savings or synergies. Additionally, historical unaudited condensed consolidated interim financial statements of PEP as of and for the nine months ended September 25, 2015 include a $3,200 gain relating to the decrease in the fair value of its potential earn out contingent liability (the “Earn-out Liability”) owed by PEP to certain persons that had previously sold certain business units to PEP prior to the acquisition date. This gain will not have a recurring impact on the earnings of the Company post-acquisition however it has not been adjusted out of the pro forma statement of income as it is not directly attributable to the transaction.

NOTE 2. CONSIDERATION TRANSFERRED AND PRELIMINARY PURCHASE PRICE ALLOCATION

The Acquisition has been accounted for using the acquisition method of accounting in accordance with ASC 805, which requires, among other things, that the assets acquired and liabilities assumed be recognized at their acquisition date fair values, with any excess of the consideration transferred over the estimated fair values of the identifiable net assets acquired recorded as goodwill. The consideration transferred by us in the Acquisition was approximately $615,000 in cash, excluding cash acquired and including the settlement of pre-acquisition PEP indebtedness. The consideration transferred is subject to customary purchase price adjustments.

The following is a summary of the preliminary estimated fair values of the net assets acquired assuming the Acquisition closed on September 30, 2015:

Preliminary fair value of assets acquired and liabilities assumed	
Current assets, excluding cash acquired	$ 66,734
Property, plant, and equipment, net	57,023
Intangible assets subject to amortization	240,490
Other non-current assets	2,755
Goodwill	371,863
Total assets acquired	738,865
Current liabilities	25,634
Non-current deferred tax liabilities	96,026
Other non-current liabilities	2,205
Total liabilities assumed	$123,865
Net assets acquired	$615,000

We have made preliminary allocation estimates based on the information known to us as of the date of this report. We expect the final determination of the purchase price allocation will include, but will not be limited to, valuations with respect to inventory, fixed assets, customer relationships, technology know how, trade names and other potential intangible assets. The valuations will consist of physical appraisals, discounted cash flow analyses and other appropriate valuation techniques to determine the fair value of the assets acquired and liabilities assumed.

The final, as-adjusted amounts allocated to assets acquired and liabilities assumed in the Acquisition will be based off the fair value of the net assets acquired at the Acquisition date and could differ materially from the preliminary amounts presented in these pro forma financial statements as of September 30, 2015. A decrease in the fair value of assets acquired, or an increase in the fair value of liabilities assumed, from those preliminary valuations presented in these pro forma financial statements would result in a dollar-for-dollar corresponding increase in the amount of goodwill that will result from the Acquisition. In addition, if the value of the acquired assets is higher than the preliminary values above, it may result in higher amortization and depreciation expense than is presented in these pro forma financial statements.

NOTE 3. ADJUSTMENTS TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS—PEP ACQUISITION

The unaudited pro forma adjustments included in the pro forma financial statements are as follows:

Adjustments to Unaudited Pro Forma Condensed Combined Statements of Income

a) *Selling, general and administrative* - Transaction related expenses recognized by us and PEP during the nine months ended September 30, 2015, and their related tax effects have been eliminated from the pro forma statements of income, as these items are directly attributable to the Acquisition and will not have an ongoing impact. No transaction costs were expensed or accrued by either us or PEP in our or PEP's respective actual 2014 historical financial statements related to the Acquisition. The amounts excluded from the pro forma statements of income during the nine months ended September 30, 2015 were $4,242 of expense incurred by us and $2,632 of expense incurred by PEP for a total adjustment of $6,874.

b) *Depreciation and amortization* - Adjustment represents the preliminary depreciation and amortization expense associated with the change in fair value of the property and equipment and intangible assets recorded in relation to the Acquisition. For the year ended December 31, 2014 and the nine months ended September 30, 2015, a pro forma adjustment for depreciation and amortization expense represented approximately $11,237 and $8,621, respectively. The preliminary depreciation and amortization expense for the assets acquired is as follows:

	Preliminary fair value	Estimated weighted average life (years)	Depreciation expense for the year ended December 31, 2014	Depreciation expense for the nine months ended September 30, 2015
Land	$ 9,760	—	$ —	$ —
Building and improvements	14,931	16	933	700
Leasehold improvements	998	12	83	62
Machinery and equipment	28,652	9	3,184	2,388
Computers	958	4	240	180
Vehicles	369	7	53	40
Construction in Progress	1,355	—	—	—
Total	$ 57,023		4,493	3,370
Less PEP historical			(3,488)	(3,263)
Pro forma adjustment			$ 1,005	$ 107

Depreciation expense has been estimated based upon the nature of activities associated with the property and equipment assets acquired. With other assumptions held constant, a 10% change in the fair value adjustment for property, plant and equipment would increase/decrease annual pro forma depreciation and amortization expense by approximately $448.

	Preliminary fair value	Estimated weighted average life (years)	Amortization expense for the year ended December 31, 2014	Amortization expense for the nine months ended September 30, 2015
Customer relationships	$ 226,500	12	$ 18,875	$ 14,156
Trade name	6,300	8	788	591
Backlog / Unfavorable leases	7,690	—	—	—
Total	$ 240,490		19,663	14,747
Less PEP historical amortization			(9,431)	(6,233)
Pro forma adjustments			$ 10,232	$ 8,514

The estimated fair value of amortizable intangible assets is expected to be amortized over the preliminary estimated useful lives that will generally range from eight years for the trade name intangible assets and twelve years for customer relationships, subject to the finalization of the purchase price allocation. The amortizable life for each category of asset was based on the duration of the estimated cash flows for each asset. The estimated amortizable life of customer relationships was determined after consideration of PEP's historical customer buying and attrition patterns. With other assumptions held constant, a 10% change in the fair value adjustment for amortizable intangible assets would increase/decrease annual pro forma amortization by approximately $1,966. The pro forma statements of income do not reflect the related amortization of the backlog and unfavorable leases of $7,690 ($4,998 net of tax) for the estimated purchase accounting adjustment to intangibles as this amount is not expected to have a continuing impact on our operations.

c) *Provision (benefit) for income taxes* - The unaudited pro forma adjustment is calculated as follows:

	Year ended December 31, 2014	Nine Months ended September 30, 2015
Benefit due to depreciation and amortization adjustment	$ (3,933)	$ (3,017)
Additional tax due to the elimination of recognized transaction related costs	—	2,406
Total adjustment	$ (3,933)	$ (611)

The U.S. federal statutory tax rate of 35% has been applied to the unaudited pro forma depreciation and amortization adjustments and the transaction related expenses recognized by us and PEP for all periods presented.

Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet

d) *Cash* - Adjustment reflects the preliminary net adjustment to cash in connection with the Acquisition:

Cash consideration transferred, including cash acquired of $5,156	$(620,156)
Repayment of existing debt of NN	(198,992)
Payment of estimated acquisition and financing related expenses	(36,016)
Proceeds of new borrowings, net of discount	813,750
Pro forma adjustment to cash	$ (41,414)

The $36,016 of estimated transaction related expenses include $25,612 of financing fees, and $2,136 in insurance premiums for representation and warranty insurance and environmental insurance all of which will be capitalized in other non-current assets. Additionally, the total includes advisory and other transaction related costs of $8,268 which will be expensed as incurred.

e) *Inventories* - The unaudited pro forma adjustment of $4,500 to inventory represents the step-up of PEP’s inventories balance to the preliminary estimated fair value. As raw materials inventory was assumed to be at market value, the adjustment is related to work-in-process and finished goods inventory. The preliminary fair value of finished goods inventory to be acquired was determined using the gross profit percentage of the overall product mix and the estimated cost to sell the finished goods. The preliminary fair value of work-in-process inventory also considered costs to complete inventory and estimated profit on these costs. The pro forma statements of income do not reflect the impact of the increase to cost of products sold of $4,500 for the estimated purchase accounting adjustment to inventory as this amount is not expected to have a continuing impact on our operations.

f) Property, plant and equipment, net - The unaudited pro forma adjustment reflects the preliminary estimated fair value of property, plant and equipment recorded in relation to the Acquisition. Refer to Note 3(b) above for details related to the estimated fair value of property, plant and equipment. The preliminary estimated amounts assigned to property, plant and equipment are as follows:

Preliminary estimated fair value	$ 57,023
Less: PEP book value of property and equipment, net	(51,812)
Pro forma adjustment to property and equipment, net	$ 5,211

g) *Intangible assets, net* - The unaudited pro forma adjustment reflects the preliminary estimated fair market value of identifiable intangible assets acquired in relation to the Acquisition. Refer Note 3(b) above for details related to the preliminary estimated fair value and related amortization expense of the intangible assets. The preliminary estimated amounts assigned to the identifiable intangible assets are as follows:

Estimated fair value	$ 240,490
Less: PEP book value of intangible assets, net	(142,113)
Pro forma adjustment to intangible assets, net	$ 98,377

h) *Goodwill, net* - The unaudited pro forma adjustment reflects the preliminary estimated adjustment to goodwill as a result of the Acquisition. Goodwill represents the excess of the consideration transferred over the preliminary fair value of the assets acquired and liabilities assumed as described in Note 2 above. The goodwill will not be amortized, but instead will be tested for impairment at least annually and whenever events or circumstances have occurred that may indicate a possible impairment exists. In the event management determines that the value of goodwill has become impaired, we will incur an accounting charge for the amount of the impairment during the period in which the determination is made. The goodwill is attributable to the expected synergies from raw material cost and procurement savings, manufacturing and supply chain process efficiency improvements and cost reductions across a larger business and increased revenues from access to strategically important end markets. The goodwill is not expected to be deductible for tax purposes. The preliminary estimated pro forma adjustment to goodwill is calculated as follows:

Preliminary purchase price at September 30, 2015	$ 615,000
Less: Fair value of net assets to be acquired	(243,137)
Total estimated goodwill	371,863
Less: PEP goodwill	(184,901)
Pro forma adjustment to goodwill	$ 186,962

i) *Other non-current assets* - The unaudited pro forma adjustment of $14,380 to other non-current assets is comprised of the following adjustments:

Estimated new deferred financing costs	$ 25,612
Estimated prepaid insurance premiums	2,136
Indemnification asset—non-current portion	1,500
Less: NN unamortized deferred financing costs	(13,613)
Less: PEP unamortized deferred financing costs	(1,255)
Pro forma adjustment	$ 14,380

This balance includes $2,136 of estimated prepaid insurance premiums for representation and warranty and environmental insurance. These insurance policies were obtained to cover potential breaches by PEP or PEP Industries to their representations and warranties and potential existing adverse environmental conditions unknown to us and PEP or PEP Industries at the closing of the Acquisition. Also, we are entitled to indemnification, to the extent required, for payments up to $5,000 related to the potential earn out contingent liability (the "Earn-out Liability") owed by PEP to certain persons that had previously sold certain business units to PEP. This balance includes $1,500 representing the non-current portion of the related indemnified assets. Additionally, in conjunction with the Refinancing Transaction, the balance includes the write-off of $14,868 of unamortized deferred financing costs. The Company has not reflected this write-off as a pro forma adjustment to the pro forma statement of income as this is directly related to the Refinancing Transaction and not expected to have a continuing impact on the operations of the Company.

j) *Other current liabilities* - The unaudited pro forma adjustment of $575 includes both an adjustment to current deferred taxes of $1,575 (refer to note 3(k) for further details) which was offset by an adjustment of $1,000 to the current portion of the Earn-out Liability to bring the current portion of the liability to zero.

k) *Deferred tax liabilities* – Deferred tax liabilities included in Other current liabilities also includes an unaudited pro forma adjustment that reflects the change in net deferred income liabilities arising from preliminary estimated fair value adjustments to PEP's assets to be acquired and liabilities to be assumed by us in the Acquisition. Deferred income taxes arising from the preliminary estimated fair value adjustments for acquired inventory, properties plant and equipment and intangible assets have been calculated by applying the statutory U.S. tax rate of 35% to the related fair value adjustments.

	Adjustment to Asset Acquired	Current Deferred Tax Liability	Noncurrent Deferred Tax Liability
Estimated fair value adjustment of identifiable intangible assets acquired	$ 98,377	$ —	$ 34,432
Estimated fair value adjustment to inventory	4,500	1,575	—
Estimated fair value adjustment of property, plant and equipment acquired	5,211	—	1,824
Deferred tax liabilities related to estimated fair value adjustments		$ 1,575	$ 36,256

l) *Long-term debt* - In connection with the Acquisition, we incurred $825,000 in long term debt, consisting of the New Senior Credit Facilities and the Notes. The initial amount borrowed under the New Term Loan Credit Facility was $525,000 and the aggregate principal amount of the Notes issued was $300,000. On November 9, 2015, we entered into Amendment No. 1 to the New Senior Credit Facilities, which provided for an incremental term loan of an aggregate principal amount of $50,000. We used these proceeds, together with cash on hand, to repurchase approximately $50,000 of the principal amount of the Notes. Therefore, the pro forma amounts used for the New Term Loan Credit Facility and the Notes were $575,000 and $250,000, respectively.

The unaudited pro forma adjustments to debt are classified between short-term borrowings (due within one year) and long-term borrowings as follows:

	New Debt entered into by NN for Acquisition	Debt Refinanced by NN related to the Acquisition	Debt paid off by PEP from proceeds of the Acquisition	Total Pro Forma Adjustment
Current maturities of long-term debt	$ —	$ (17,500)	$ (182,802)	$ (200,302)
Long-term debt, net of current portion		(181,492)	—	(181,492)
New Term Loan Credit Facility, net of discount	563,750			563,750
Notes	250,000			250,000
Total Debt	$ 813,750	$ (198,992)	$ (182,802)	$ 431,956

m) *Other non-current liabilities* - Certain officers and key managers of PEP were members of a supplemental retirement plan. Concurrent with the Acquisition, amounts accrued under this Plan were paid reducing the liability to zero from $1,070. Additionally, we recorded a pro forma adjustment of $300 ($1,300 in total, when you include the $1,000 current amount) to reduce the accrual for Earn-out Liability from $2,800 to its new estimated fair value of $1,500.

n) *Stockholders' equity* - The pro forma balance sheet reflects the elimination of PEP's historical equity balances and the adjustment for estimated acquisition-related fees and expenses of approximately $15,487 (net of $7,649 tax benefit associated with the acquisition-related fees and expenses and write off of the historical deferred financing costs related thereto) incurred upon completion of the Acquisition. These transaction costs have been excluded from the pro forma statements of income as they reflect charges directly attributable to the Acquisition and will not have a continuing impact on our operations. The unaudited pro forma adjustment to stockholders' equity is calculated as follows:

Elimination of historical PEP stockholders equity	$(176,265)
Estimated transaction fees expected to be incurred, net of tax	(15,487)
Total adjustment	$(191,752)

o) *Income taxes receivable, net* - Income taxes receivable, net was generated by a $7,649 tax benefits associated with the acquisition-related fees and expenses incurred that are directly attributable to the Acquisition and write-off of the historical deferred financing costs related thereto. The net tax benefit generated is offset by the historical income taxes payable of $4,933. The resulting net income tax receivable of $2,716 has been reclassified to current assets.

Historical income taxes payable	$(4,933)
Reclassify income taxes payable	4,933
Total Historical income taxes payable	—
Reclassify income taxes payable	(4,933)
Tax benefit attributable to acquisition related fees and historical debt financing costs	7,649
Reclassify income taxes receivable, net	2,716

NOTE 4. ADJUSTMENTS TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS—AUTOCAM MERGER

The unaudited pro forma adjustments included in the pro forma financial statements relating to the Autocam Merger are as follows:

Adjustments to Unaudited Pro Forma Condensed Combined Statements of Income

a) *Selling, general and administrative* - Transaction related expenses recognized by us and Autocam during the twelve months ended December 31, 2014 and their related tax effects have been eliminated from the pro forma statement of income, as these items are directly attributable to the Autocam Merger and will not have an ongoing impact. The amounts excluded from the pro forma statement of income were $9,248 of expense incurred by us and $4,760 of expense incurred by Autocam for a total adjustment of $14,008 for the year ended December 31, 2014.

b) *Depreciation and amortization* - Adjustment represents the depreciation and amortization expense associated with the change in fair value of the property and equipment and intangible assets recorded in relation to the Autocam Merger in order to give pro forma effect for the Autocam Merger to our historical financials. For the year ended December 31, 2014, a pro forma adjustment for depreciation and amortization expense represented approximately $(501). The year ended December 31, 2014 adjustments represent the pro forma amount through August 29, 2014, the closing date of the Autocam Merger. The depreciation and amortization expense for the assets acquired is as follows:

	Fair value	Estimated weighted average life (years)	Depreciation expense for the period ended August 29, 2014
Land	$ 1,992	—	$ —
Building and improvements	7,267	15	323
Leasehold improvements personal property	5,547	8	462
Machinery and equipment	124,482	10	8,299
Computer	1,252	3	278
Furniture and fixtures	1,537	7	146
Total	$ 146,565		9,509
Less Autocam historical depreciation			(12,427)
Pro forma adjustment			$ (2,918)

	Fair value	Estimated weighted average life (years)	Amortization expense for the period ended August 29, 2014
Customer relationship	$ 46,200	15	$ 2,053
Trade name	4,100	15	182
Leaseholds	1,360	5	181
Total	$ 51,660		2,417
Less Autocam historical amortization			—
Pro forma adjustments			$ 2,417

c) *Provision (benefit) for income taxes*—The unaudited pro forma adjustment is calculated as follows:

	Year ended December 31, 2014
Additional tax due to depreciation and amortization adjustment	$ 131
Additional tax due to the elimination of recognized transaction related costs	2,298
Total adjustment	$ 2,429

To calculate the pro forma adjustment to provision (benefit) for income taxes due to additional depreciation and amortization for the year ended December 31, 2014, Autocam's blended global effective tax rate of 26% has been applied to the unaudited pro forma depreciation and amortization adjustments. The blended rate was used as these expenses are expected to be incurred both in and outside of the United States.

Transaction related expenses recognized by us and Autocam during the year ended December 31, 2014, have been eliminated from the pro forma statements of income using the NN and Autocam U.S. blended statutory tax rate of 35%.

d) *Shared income from joint venture* - The pro forma adjustment for shared income from joint venture represents the amortization and depreciation from the purchase price allocation related to the step-up in value of the assets of our Chinese joint venture as part of the Autocam purchase price allocation.

e) *Weighted average shares outstanding* – The pro forma adjustment for shares outstanding represents the effect of the former majority shareholder of Autocam accepting 1,086,957 shares of our stock as part of the consideration in the Autocam Merger. The pro forma adjustment of 724,683 shares was added to the basic and diluted weighted average share being outstanding for the full year. Our December 31, 2014 basic and diluted average shares were affected by the Autocam Merger which closed on August 29, 2014. Therefore, only four months were captured in the weighted averages. The pro forma adjustment to the basic and diluted weighted average shares outstanding bring the total outstanding shares to an amount as if the Autocam Merger took place on January 1, 2014.

NOTE 5. REFINANCING TRANSACTIONS

As a result of entering into the New Senior Credit Facilities, the issuance of the Notes, the additional borrowing under an incremental term loan of an aggregate principal amount of $50,000, and the use of such proceeds to repurchase approximately $50,000 of the principal amount of the Notes, an adjustment was made to the unaudited pro forma condensed combined statements of income to reflect the additional expense that would have been incurred during the historical periods presented assuming the Acquisition had occurred as of January 1, 2014 for the year ended December 31, 2014 and the nine months ended September 30, 2015. The additional interest expense to be incurred by us as a result of the new borrowings is as follows:

Composition of new debt and related interest expense	Debt	Interest expense for the year ended December 31, 2014	Interest expense for the nine months ended September 30, 2015
Total new debt and related interest expense:			
New Term Loan Credit Facility	$575,000	$ 33,063	$ 24,797
Notes	$250,000	$ 25,625	$ 19,219
Amortization of new debt issuance costs and debt discount		6,141	4,606
Total		$ 64,829	$ 48,622
Less: NN's historical interest expense on debt refinanced including amortization of deferred financing costs		(11,280)	(15,084)
Less: PEP's interest expense on debt repaid including amortization of deferred financing costs		(9,144)	(6,851)
Less: Autocam's interest expense and debt repaid		(668)	—
Pro forma adjustment to interest expense		$ 43,737	$ 26,687
Pro forma adjustment to provision (benefit) to income taxes		$ (15,308)	$ (9,341)

The interest rates applicable to borrowings under the New Senior Credit Facilities are based on a fluctuating rate of interest measured by reference to either, at NN's option, (i) a base rate, plus an applicable margin, or (ii) the greater of the London Interbank Offered Rate ("LIBOR") or 1.0%, plus an applicable margin. The initial applicable margin for all borrowings under the New Term Loan Credit Facility is 3.75% per annum with respect to base rate borrowings and 4.75% per annum with respect to LIBOR borrowings. The initial applicable margin for New Revolving Loan Credit Facility borrowings is 2.50% per annum with respect to base rate borrowings and 3.50% per annum with respect to LIBOR borrowings, which shall be in effect until NN provides the lenders with a compliance certificate, as required by the Credit Agreement. Thereafter, the applicable margin shall be determined by reference to a ratio of NN's consolidated leverage ratio, as such term is defined in the Credit Agreement. The interest rate applicable to the Notes is a fixed 10.25%.

A change of 1/8% (12.5 basis points) in the interest rate would result in an aggregate change of $719 in annual interest expense for the New Term Loan Credit Facility.

To calculate the pro forma adjustment to provision (benefit) for income taxes due to additional interest expense, the U.S. federal statutory tax rate of 35% has been applied to the pro forma interest expense adjustments. The U.S. statutory tax rates were used as the additional interest expense resulting from the Acquisition is expected to be incurred in the U.S.