UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): September 16, 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	**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))

Item 7.01 REGULATION FD DISCLOSURE

On August 17, 2015, NN, Inc. ("NN") announced that it entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") with PEP Industries, LLC, a Delaware limited liability company ("Seller"), pursuant to which NN agreed to acquire from Seller all of the outstanding capital stock of Precision Engineered Products Holdings, Inc., a Delaware corporation ("PEP"), for $615 million in cash (the "Acquisition").

On August 17, 2015, NN also announced that it entered into a commitment letter, pursuant to which, subject to the terms and conditions set forth therein, the commitment parties identified therein have committed to provide senior secured loans to NN in an aggregate principal amount of up to $625 million, consisting of a term loan facility in the amount of up to $525 million and a revolving credit facility in the amount of up to $100 million (together, the "Senior Secured Credit Facilities"). It is contemplated that lenders under the Senior Secured Credit Facilities will consist of a syndicate of banks, financial institutions and other institutional lenders (collectively, the "Institutional Lenders"). NN intends to fund a portion of the purchase price for the Acquisition with borrowings under the Senior Secured Credit Facilities.

On September 16, 2015, NN intends to provide a confidential information memorandum (the "Confidential Information Memorandum") to the Institutional Lenders in connection with their evaluation of participation as potential lenders under the Senior Secured Credit Facilities. Pursuant to Regulation FD, NN is furnishing each of the following exhibits: (a) Exhibit 99.1, containing certain information excerpted from the Confidential Information Memorandum; (b) Exhibit 99.2 containing a reconciliation of the non-GAAP financial measures included in Exhibit 99.1 to their nearest GAAP financial measures; (c) Exhibit 99.3 containing the unaudited consolidated interim financial statements of PEP as of and for the six months ended June 26, 2015 and June 27, 2014; (d) Exhibit 99.4 containing the audited consolidated financial statements of PEP as of and for the year ended December 31, 2014 and 2013; and (e) Exhibit 99.5 containing the audited consolidated financial statements of PEP as of and for the year ended December 31, 2013 and 2012.

Pursuant to the rules and regulations of the U.S. Securities and Exchange Commission, the information in this Item 7.01 disclosure, including Exhibit 99.1, Exhibit 99.2, Exhibit 99.3, Exhibit 99.4, Exhibit 99.5 and information set forth therein, is deemed to have been furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. Such information shall not be incorporated by reference into any filing of NN, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 99.1 and Exhibit 99.2 contain certain "non-GAAP financial measures" as that term is defined by the rules and regulations of the SEC. The non-GAAP financial measures used in Exhibit 99.1 and Exhibit 99.2 have inherent limitations as performance measures and should not be considered in isolation of, as a substitute for, or superior to, financial information prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The non-GAAP financial measures contained in Exhibit 99.1 and Exhibit 99.2 may differ from similarly titled measures presented by other companies. The non-GAAP financial measures, as well as other information contained in Exhibit 99.1 and Exhibit 99.2, should be read in conjunction with NN's financial statements filed with the SEC and with PEP's financial statements furnished herewith.

Forward-Looking Statements

Statements about the expected timing, completion and effects of the Acquisition and the other transactions contemplated by the Stock Purchase Agreement and all other statements herein and therein, other than historical facts, constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on these forward-looking statements and any such forward-looking statements are qualified in their entirety by reference to the following cautionary statements.

All forward-looking statements speak only as of the date hereof and are based on current expectations and involve a number of assumptions, risks and uncertainties that could cause the actual results to differ materially from such forward-looking statements. NN may not be able to complete the Acquisition on the terms described above or other acceptable terms or at all because of a number of factors, including without limitation, the following: (i) the occurrence of any event, change or other circumstances that could give rise to the termination of the Stock Purchase Agreement; (ii) the failure to satisfy the closing conditions set forth in the Stock Purchase Agreement; (iii) risks related to disruption of management's attention from NN's ongoing business operations due to the transaction; and (iv) the effect of the announcement of the Acquisition on the ability of the parties to retain and hire key personnel, maintain relationships with their customers and suppliers, and maintain their operating results and business generally.

Actual results may differ materially from those indicated by such forward-looking statements. In addition, the forward-looking statements represent NN's views as of the date on which such statements were made. NN anticipates that subsequent events and developments may cause its views to change. These forward-looking statements should not be relied upon as representing NN's views as of any date subsequent to the date hereof. Additional factors that may affect the business or financial results of NN are described in the risk factors included in NN's filings with the SEC, including NN's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, which factors are incorporated herein by reference. NN expressly disclaims a duty to provide updates to forward-looking statements, whether as a result of new information, future events or other occurrences, except as required by law.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

Exhibit No.	Description
99.1	Information excerpted from the Confidential Information Memorandum.
99.2	Reconciliation of net income of NN, Inc. and Precision Engineered Products Holdings, Inc. to Certain non-GAAP financial measures.
99.3	Unaudited consolidated interim financial statements of Precision Engineered Products Holdings, Inc. as of and for the six months ended June 26, 2015 and June 27, 2014.
99.4	Audited consolidated financial statements of Precision Engineered Products Holdings, Inc. as of and for the year ended December 31, 2014 and 2013.
99.5	Audited consolidated financial statements of Precision Engineered Products Holdings, Inc. as of and for the year ended December 31, 2013 and 2012.

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: September 16, 2015

NN, INC.

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

EXHIBIT INDEX

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I. Executive Summary

TRANSACTION OVERVIEW

On August 17, 2015, NN, Inc. ("NN" or the "Company") announced a definitive purchase agreement to acquire Precision Engineered Products Holdings, Inc. ("PEP" or together with NN, the "Combined Company"), a leading global manufacturer of highly engineered solutions for the medical, electrical, transportation, power distribution and other various precision end markets, for a purchase price of $615 million (excluding fees and expenses), or 8.9x LTM 6/30/2015 pro forma adjusted EBITDA of $69 million (8.2x inclusive of $6.5 million estimated synergies) (the "Transaction"). Financing for the acquisition will include a $100 million Senior Secured Revolving Credit Facility, $525 million Senior Secured Term Loan and $300 million Senior Unsecured Notes, representing senior secured and total leverage at close of 3.1x and 4.8x, respectively on LTM 6/30/2015 Pro Forma Adjusted EBITDA, After Cost Savings of $176 million.

SOURCES & USES

The following table sets forth pro forma sources & uses of funds for the Transaction:

Exhibit 1: Pro Forma Sources & Uses

($ in millions)

Sources		Uses	
Cash	$ 32	PEP Purchase Price	$615
New Term Loan B	525	Pay Down Existing Term Loan B	206
New Senior Unsecured Notes	300	Est. Fees and Expenses	36
Total Sources	**$857**	**Total Uses**	**$857**

PRO FORMA CAPITALIZATION

The following table sets forth pro forma capitalization for the Transaction:

Exhibit 2: Pro Forma Capitalization

($ in millions)

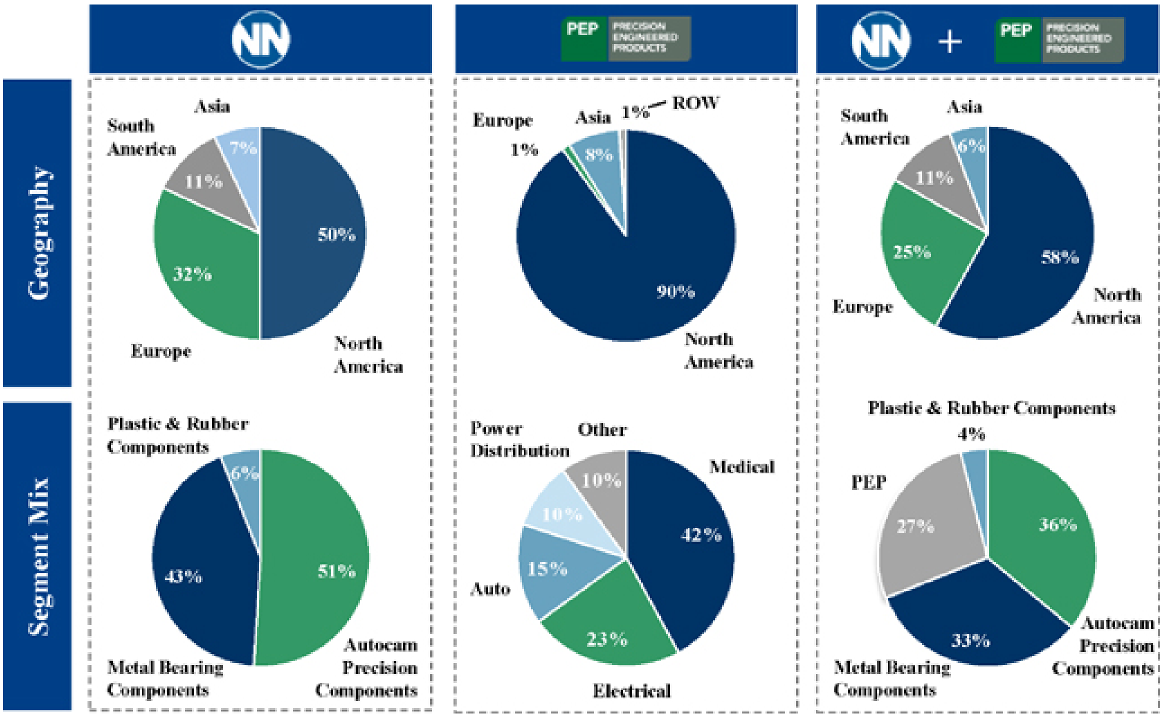
($ in millions) Pro Forma Capitalization	PF Equity Follow-On As of 6/30/2015	Trans. Adj.	PF for PEP Acquisition As of 6/30/2015	% Cap
Cash and Cash Equivalents	$ 48	($ 32)	$ 17	1%
Revolver ($100mm)	—	—	—	—
Existing Term Loan B	206	(206)	—	—
New Term Loan B	—	525	525	37%
Capital Leases	17	—	17	1%
Secured Debt	**$ 223**		**$ 542**	**38%**
New Senior Unsecured Notes	—	300	300	21%
Other Debt	8	—	8	1%
Total Debt	**$ 231**		**$ 850**	**60%**
Market Value Equity [1][2]	569	—	569	40%
Total Capitalization	**$ 800**		**$ 1,419**	**100%**
LTM 6/30/2015 Credit Statistics				
LTM Pro Foram Adj. EBITDA After Cost Savings[3]			$ 176	
Secured Debt / Adj. EBITDA			**3.1x**	
Total Debt / Adj. EBITDA			**4.8x**	
Total Net Debt / Adj. EBITDA			4.7x	

[1] Reflective of proceeds received from $182 million follow-on equity offering closing 7/1/15
[2] Equity value based 26.8 million shares outstanding and on market close of $21.21 on September 14, 2015
[3] Pro Forma Adjusted EBITDA After Cost Savings includes anticipated synergies for the PEP and prior acquisitions

Pro Forma Business Description

Headquartered in Johnson City, Tennessee, NN is a diversified industrial company and a leading global manufacturer of metal bearing, plastic, rubber and precision metal components. Through its three business segments the Company manufactures engineered components that take advantage of its competencies in product design and tight tolerance manufacturing processes. Similarly, PEP is a leading global manufacturer of highly engineered solutions utilized in the medical, electrical, aerospace and general industrial end markets. PEP's products include a broad range of precision metal and plastic components, assemblies, and finished devices for the medical surgical, electrical distribution, transportation and other select industrial end markets. PEP will further NN's manufacturing expertise with its proficiency in design and qualification engineering, rapid prototyping, high mix precision stamping and molding, and cleanroom assembly and packaging. The Combined Company is positioned as a global market leader with the ability to capitalize on opportunities across a large addressable market.

Exhibit 5: Pro Forma NN Snapshot



Note: Based on Historical Financials of NN and PEP for the six months ended June 30, 2015

Inclusive of PEP, NN operates 43 manufacturing facilities in 11 countries across the globe. With locations in United States, Mexico, Western Europe, Eastern Europe, Brazil, China and the Dominican Republic, the Combined Company has the breadth and scale necessary to meet the global demands of its customers. The Combined Company's broad geographic coverage differentiates it from its competitors, allowing it to serve customers with a global footprint while being in close proximity to their operations and to provide a single solution with consistent service quality within the same platform.

PRODUCT OVERVIEW

Over the last several years, NN has leveraged the manufacturing expertise developed in its ball and roller business and, through strategic acquisitions, effectively expanded into other attractive end markets that require high-volume and high-precision manufacturing. The Combined Company now provides services to a broad base of stable and growing end markets including light auto, aerospace / general industrial, medical, electrical, commercial transportation and other industrial end markets.

Exhibit 7: Pro Forma Summary of NN's End Market and Product Mix

	Light Auto	Light Auto (CAFE)	Aerospace / General Industrial	Medical	Electrical	Commercial Transportation	Other
NN	✓	✓	✓			✓	✓
PEP	✓		✓	✓	✓	✓	✓

Legacy NN Products

Metal Bearing Components

- Leading independent producer of high-precision balls, rollers, cages and sheet metal parts
- Variety of precision sheet metal parts including bearing retainers and other automotive and industrial products
- Designed to meet precise specifications and deliver on the Company's zero-defect culture

Autocam Precision Components

- Unique, high-precision metal components for automotive, HVAC, consumer goods and fluid power applications
- Specializes in components with single-digit micron tolerances
- Designed to meet precise specifications and deliver on the Company's zero-defect culture

Plastic & Rubber Components

- Custom-engineered plastic and rubber solutions for various end markets including aerospace, industrial and medical
- Engineering and technical expertise in injection, transfer and compression molding technologies
- Designed to meet precise specifications and deliver on the Company's zero-defect culture

Legacy PEP Products

Medical

- PEP's largest, core-focus area producing products such as disposable and reusable surgical devices and instrumentation, diagnostic equipment, staple -loaded cartridges, and other FDA-compliant devices
- Key design partner for FDA-regulated products - Typically spec'd into customer products on sole source basis

Electrical

- Electrical control products such as residential, commercial and industrial connectors electrical contacts and contact switch assemblies
- The definitive leader in electrical controls and contact technology, with deep powerful relationships with key blue chip customers
- Power distribution products include electrical contacts, precision stampings and over-molded assemblies

Transportation, Aerospace & Other

- Transportation products include precision components, assemblies, and contacts used in key safety and sensor components in commercial and industrial vehicles
- Broad manufacturing capabilities and technical expertise in the Aerospace & Defense sector with a variety of engineered materials including optical grade plastics, thermally conductive plastics, titanium, Inconel, magnesium, gold electroplating

SEGMENT OVERVIEW

Autocam Precision Components (36% of Pro Forma Revenue)

NN's Autocam Precision Components ("APC") segment manufactures highly engineered, difficult to manufacture precision metal components and subassemblies for the transportation, HVAC and fluid power markets. The Company's entry into the precision metal components market began in 2006 with the acquisition of Whirlaway Corporation. NN dramatically expanded the segment in 2014 with the acquisition of Autocam Corporation. With the acquisition of Autocam, the Company is now one of the premier global brands in the high quality, ultra-precision end of the precision components market with a global presence.

Metal Bearing Components (33% of Pro Forma Revenue)

NN's Metal Bearing Components ("MBC") segment manufactures and supplies high precision bearing components, consisting of balls, cylindrical rollers, tapered rollers, and metal retainers, for leading bearing and Constant Velocity ("CV")—joint manufacturers on a global basis. MBC positions NN as a leading independent manufacturer of precision steel bearing balls and rollers for the North American, European and Asian markets. Through a series of acquisitions and plant expansions, the Company has built upon its strong core ball business and significantly expanded its bearing component product offering.

PEP (27% of Pro Forma Revenue)

The Acquisition of PEP creates NN's newest operating segment which offers customized, engineered and manufactured solutions to the medical, electrical, aerospace and general industrial end markets. PEP's diverse base of blue chip customers rely on its unique range of capabilities to ensure their products fulfill safety critical functionality and performance requirements for precision applications. PEP's diverse portfolio of custom engineered, long-life products have driven stable sales growth, high margins, and strong free cash flow.

Plastic and Rubber Components (4% of Pro Forma Revenue)

NN's Plastic and Rubber Components ("PRC") segment manufactures high precision rubber seals and plastic retainers for leading bearing manufacturers on a global basis. In addition, it manufactures specialized plastic products including automotive components, electronic instrument cases and other molded components used in a variety of industrial and consumer applications. Finally, the Company also manufactures rubber seals for use in various automotive, industrial and mining applications.

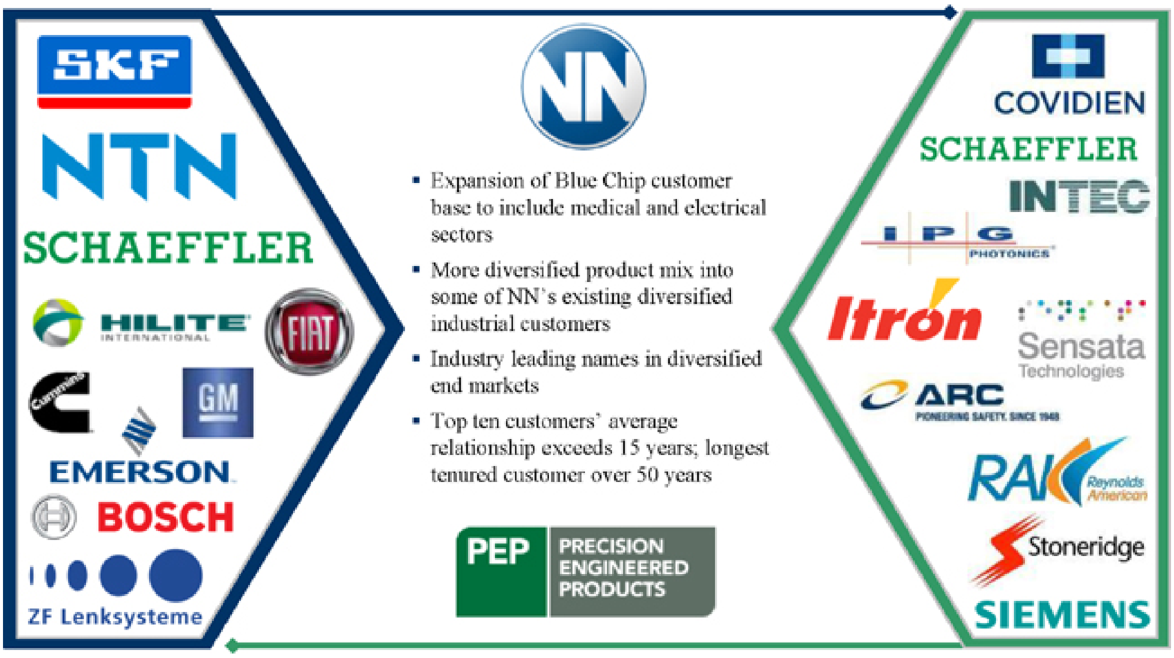
CUSTOMERS

NN enjoys long-standing relationships with a diverse group of over 500 companies across the globe. The Company's products are supplied primarily to bearing manufacturers and automotive and industrial parts manufacturers for use in a broad range of industrial applications, including transportation, electrical, agricultural, construction, alternative energy, machinery and mining. In 2014, the Company's top 10 customers represented only 60% of total NN's pro forma revenue. Sales to SKF, NN's largest customer, accounted for 22% of pro forma NN revenue in 2014, but will be reduced to approximately 16% of pro forma revenue post-PEP transaction. NN enjoys longstanding relationships with each of its customers, with an average tenure of over 14 years with its top 10 customers.

Similarly, PEP has a longstanding history of entrenched customer relationships. PEP maintains deep collaborative partnerships with customers through joint development of products and solutions with customers increasingly seeking the company for its knowledge and expertise. These relationships are further strengthened by the investment of significant time and resources from OEMs, such as upfront capital expenditures, numerous process validations and adherence to stringent quality standards. PEP's significant customer integration drives year-over-year customer retention of 97% among its top 30 customers, with an average relationship length of 17 years. In 2014, PEP's top 10 customers comprised 43% of its total revenue with no single customer accounting for greater than 18%, a positive in an industry in which suppliers often have sizeable customer concentrations.

The following exhibit highlights NN and PEP's top ten customer relationships.

Exhibit 8: Longstanding Customer Relationships



Summary Historical Financial Information

Exhibit 13: Summary Historical Financial Information

($ in millions)	Fiscal Year Ended December 31, 2012A	2013A	2014A	LTM 6/30/2015
NN Standalone Revenue	$ 370	$ 373	$ 489	$ 608
PEP Revenue	201	178	204	226
Combined Pro Froma Adjustments [1]				69
Total Pro Forma Revenue	**$ 572**	**$ 552**	**$ 693**	**$ 903**
% YoY Change		*-3.5%*	*25.5%*	
NN Standalone Adjusted EBITDA	46	47	66	87
PEP Adjusted EBITDA	52	45	56	63
Combined Pro Froma Adjustments [1]				26
Total Pro Forma Adjusted EBITDA	**$ 98**	**$ 93**	**$ 121**	**$ 176**
% of Total Pro Forma Revenue	*17.1%*	*16.8%*	*17.5%*	*19.5%*
NN Standalone Capex	17	15	28	38
PEP Capex	2	1	3	3
Combined Pro Froma Adjustments [1]				5
Total Pro Forma Capex	**$ 19**	**$ 17**	**$ 31**	**$ 46**
% of Total Pro Forma Revenue	*3.3%*	*3.0%*	*4.4%*	*5.1%*

[1]: Provides the full year impact of all NN & PEP acquisitions made to date and expected cost savings

LONG-TERM, BLUE-CHIP CUSTOMER BASE

The PEP acquisition diversifies NN's core customer base through the addition of blue chip customers in the Medical and Electrical end markets. Pro forma for the acquisition, sales to NN's top customer decreases to 16% of total sales, with the overall top 15 customers representing 54% of sales.

Exhibit 18: Pro Forma Customer Overview

Customer	Segment	End Market	Tenure	% of Total [1]
Customer A	NN	General Industrial	25 years	16%
Customer B	NN	Light Auto / Trans.	20 years+	6%
Customer C	PEP	Medical	50 years	4%
Customer D	NN	Light Auto	9 years	4%
Customer E	NN / PEP	General Industrial	30 years+	4%
Customer F	NN / PEP	General Industrial	10 years+	3%
Customer G	NN	General Industrial	10 years+	3%
Customer H	NN	Light Auto	10 years	3%
Customer I	NN	Light Auto	10 years+	2%
Customer J	NN	Transportation	8 years	2%
Customer K	NN	Light Auto	9 years	2%
Customer L	PEP	Medical	10 years	2%
Customer M	PEP	Power Distribution	6 years	1%
Customer N	PEP	Electrical Controls	11 years	1%
Customer O	PEP	Medical	2 years	1%

[1] Based on Historical Financials giving effect to Autocam and PEP acquisitions

Substantial Customer Switching Costs

NN and PEP both offer exceptional engineering solutions and manufacturing expertise, resulting in substantial customer investment into the development of high performance components. This generates significant switching costs and creates a strong competitive barrier.

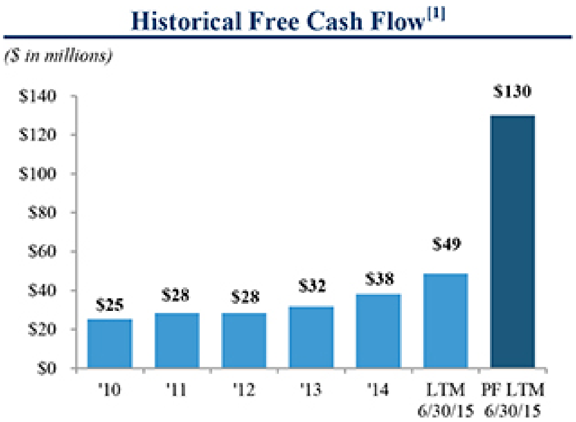
- **Proprietary Solutions and Technology:** The legacy NN and PEP businesses consistently develop new and innovative proprietary processes that are highly valued by customers to address their technical challenges. Many of the components produced by NN and PEP have been designed and developed with their own proprietary equipment and processes in mind, creating hurdles for competitors.
- **Significant Upfront Tooling Automation Costs Incurred by the Customer:** Customers who move forward with NN and PEP incur sizable upfront costs such as tooling, fixtures and automation investments. These expenses often discourage customers from considering other suppliers and are often utilized in adjacent and future product offerings.

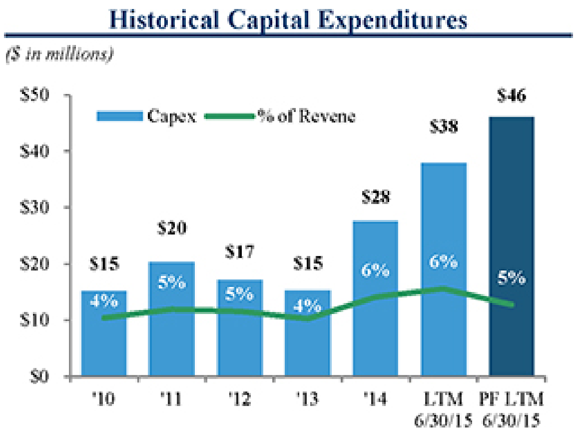
- **Spec'd into Long-life Products:** Both NN and PEP's sales and design efforts focus on partnering with customers in the early phases of product development to drive sales through a collaborative (and often sole-sourced) approach. The highly complex nature of NN and PEP's components and assemblies requires specialized capabilities and industry expertise, resulting in the Company retaining development of the product throughout the entire product lifecycle.
- **High Cost of Failure Applications:** NN and PEP's components are typically designed as non-discretionary parts required in a final end product where high-performance and reliability are paramount. These components are also typically low in cost relative to the final product. This creates an attractive dynamic whereby customers are discouraged from identifying other competitors for components that represent a small cost relative to the total end product, yet carry significant risk in the event of failure.
- **Regulatory Certification Process:** Due to stringent regulatory requirements, validating and certifying a new supplier for production development results in significant opportunity costs for customers and a delay of six to twelve months. Customers risk significant downtime and a high cost of re-validation if considering a new source for production.

Strong Free Cash Flow Profile

NN's strong free cash flow profile is significantly enhanced with the acquisition of PEP, with pro forma free cash flow increasing by $81 million and capital expenditures as a percentage of revenue reduced from 6% to 5%. On a standalone basis, NN has demonstrated an ability to generate positive and growing free cash flow throughout the business cycle. Capital expenditures have remained modest and stable, averaging approximately 5.5% of total NN revenue each year since 2010 as NN has historically built its own capacity and tooling. The PEP acquisition enhances NN's cash flow generation profile with the addition of PEP's highly capital efficient operating model. While PEP's dedicated tool and die design team will engineer tooling and mold designs that conform to the specific product design requirements, PEP's customers are responsible for upfront tooling and automation, which can exceed $1 million per project. PEP's upfront customer investment, well-invested and flexible manufacturing infrastructure, and unique working capital dynamics command minimal capital expenditure requirements resulting in free cash flow conversion in excess of 94%. With blended capacity utilization of approximately 60-65%, NN has sufficient manufacturing capacity to meet its short and mid-term volume demands, allowing the Company to focus its significant free cash flow generation toward debt repayment going forward.

Exhibit 20: Strong Free Cash Flow Profile





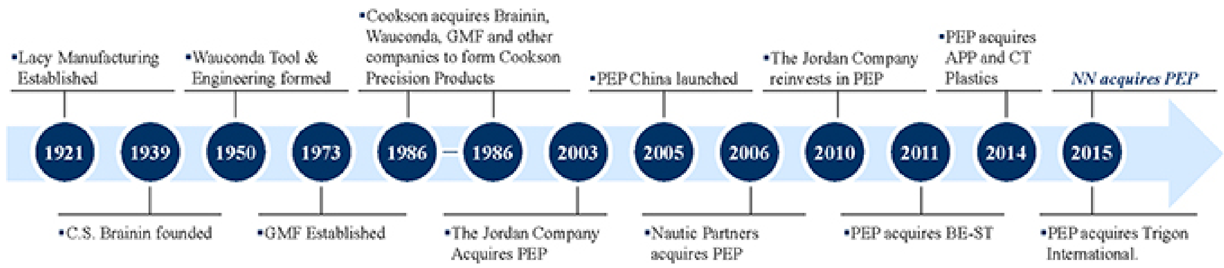
[1] Free Cash Flow = Adj. EBITDA - Capex

V. PEP Company Overview

HISTORY

PEP became a stand-alone entity in 2003 when Cookson Group, plc divested its precision engineered components business unit through a private transaction. Through its evolution, PEP has continued to expand manufacturing capabilities, penetrate new end markets and build trusted, long-term relationships with its customers. PEP has a successful track record of executing accretive acquisitions and has acquired and integrated four companies since 2011.

Exhibit 31: PEP Timeline



PRODUCTS

PEP offers customized, engineered and manufactured solutions across a variety of high-growth, high-margin end markets. These products serve distinct, customer-driven challenges while leveraging the company's process experience to deliver a complete customized product solution. The components and assemblies PEP produces are mission-critical in nature and often represent a small portion of the final cost of a finished product. PEP provides leading manufacturing capabilities such as clean room technology to ensure optimal compliance with the stringent regulatory and manufacturing validation certifications required by certain end markets. As part of PEP's sales and marketing strategy, the company sells its products across operational business units under key end market focuses, including medical and FDA-compliant products, electrical controls, transportation, power distribution and other precision components.

Exhibit 32: PEP Product Overview

End Market	Representative Products	
Medical & FDA-Compliant Products	• Surgical staple-loaded cartridges • Laparoscopic instruments • Surgical knives for spinal surgery	• Orthopedic and spinal surgery tools • Diagnostic equipment components • E-cigarette precision components
Electrical Controls	• Electrical contacts and switch components • Terminals and connectors • Contact assemblies	• Specialty materials • Micro switch and relay component compliant parts
Transportation	• Automotive sensor components • Industrial equipment sub-assemblies • Mass transit contacts	• Molded bearing retainers • Molded connectors / lead frames • Airbag burst disk stampings
Power Distribution	• Smart meter assemblies • Switch components and assemblies • Transformer components	• Power distribution components • Switchgear components and assemblies
Other Precision Components	• Aircraft structural components • Night vision machined castings • Mobile missile defense components	• Consumer products components • Oil & gas precision filter wire • Telecommunication components

Medical & FDA-Compliant Devices

Under PEP's Medical & FDA-Compliant Device franchise, the company markets and sells a variety of products for the medical, surgical and FDA-compliant market produced across its operating business units and facilities. The company's ability to work with specialty metals, combinations of metals and plastic moldings and sub-micron precision tolerance components differentiate PEP in the marketplace, and provides a sustainable competitive advantage. PEP's medical product offering includes disposable and reusable surgical devices and instrumentation, diagnostic equipment and assemblies, and other FDA-compliant devices.

Surgical Devices and Disposables:

For over 50 years, PEP and its predecessor companies have been working with leaders in the medical industry to bring innovation and world-class quality to the design and manufacture of surgical devices. The company offers a comprehensive range of FDA-regulated surgical products and disposables including surgical staple-loaded cartridges, surgery knives, precision biopsy jaws and laparoscopic products.

Diagnostic Equipment and Assemblies:

PEP's assemblies and components are designed to serve medical practitioners in the diagnosis and care of potential illnesses. The company's diagnostic components are utilized in a variety of related equipment including microfluidic arrays, blood analysis machines and mammography equipment.

Orthopedic Products:

With the acquisition of Trigon in April 2015 and APP in August 2014, PEP added a key platform to further penetrate the attractive orthopedics products market. Through the orthopedic products segment, the company offers comprehensive product development, prototyping, design transfer, manufacturing services, and assembly and procurement for the orthopedic and other medical markets. Key products offered include knee arthoplasty instruments, hip arthoplasty instruments, spinal instruments, and shoulder arthoplasty instruments.

Other FDA-Compliant and Drug Delivery Devices:

PEP leverages its advanced engineering capabilities and medical device expertise to develop other FDA-compliant products. Most recently, PEP entered the e-cigarette components market through a new customer opportunity and is now the leading domestic producer of high precision e-cigarette components.

Exhibit 33: Medical & FDA- Compliant Devices

Electrical Controls

PEP's electrical controls products are used in electro-mechanical and industrial electronics end markets. Specifically, the company has a leading position for a wide range of electrical applications including contacts, connectors and micro switches for relay components. The company's deep expertise in electrical contact metallurgy and proprietary processes are a key differentiator in the marketplace and highly sought by customers looking for comprehensive electrical controls solutions. PEP's electrical controls products include (i) residential electrical connectivity products, (ii) commercial and industrial electrical connectivity products, and (iii) other industrial controls and switches.

Residential Electrical Connectivity Products:

The company's residential electrical connectivity products serve a variety of applications, including make and break devices, appliance controls, lighting controls and light duty control applications. The company's proprietary process for electrical contacts includes the machinery to manufacture composite contact rivets at high speed, in-house processing of composite rivets to enhance bonding between materials, and capabilities to fabricate powder metal contacts to specified mechanical and electrical properties.

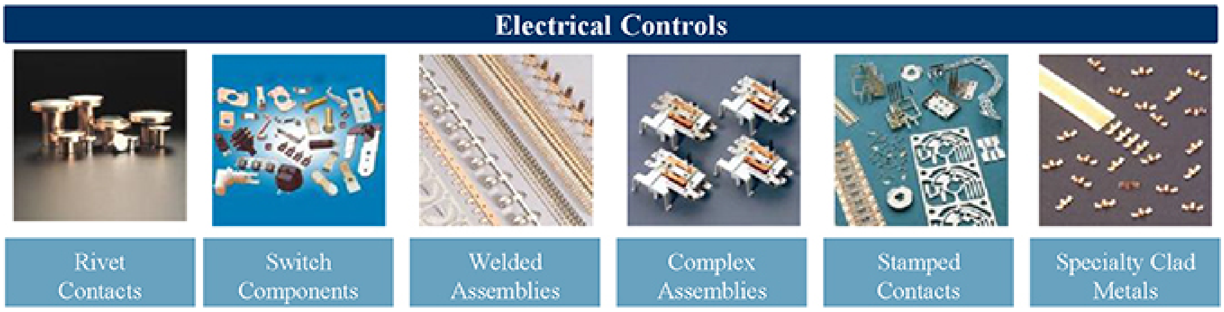
Commercial and Industrial Electrical Facility Connectivity Products:

PEP's commercial and industrial electrical facility connectivity products ensure heavy-duty electrical continuity is maintained throughout product life cycle. These components must meet the highest reliability standards as they can be found in mission-critical applications such as hospital equipment.

Other Industrial Controls and Switches:

The company's differentiated metal-to-metal and metal-to-plastic manufacturing capabilities benefit other industrial applications. These products are utilized in fiber optic technology and specialty metal applications.

Exhibit 34: Electrical Control Solutions



TRANSPORTATION

Under the company's transportation business, PEP provides precision components, assemblies and contacts to the automotive and industrial vehicle end markets. The company specializes in manufacturing high-volume, under the hood components by leveraging advanced manufacturing techniques to ensure 100% conformance to customer specifications.

Vehicle Electronics and Sensor Components:

Over its nearly 100 year history, the company has developed broad capabilities in the automated production of complex transportation components. These custom designed components are engineered to critical dimensions and can be assembled through advanced processes including staking and conforming with metal and plastic components.

Vehicle Safety Components and Assemblies:

The company manufacturers vehicle safety components and is the leading provider of hybrid airbag inflator burst disks and auxiliary components.

Industrial and Commercial Vehicle Components:

PEP's industrial and commercial vehicle components cover a broader list of automotive applications that serve off-road, specialty and agriculture applications, amongst others.

Exhibit 35: Transportation Components and Products

Power Distribution

PEP offers the leading power distribution products, specifically engineered to address high energy infrastructure and smart meter technology. The company offers unique abilities to manufacture electrical contacts, precision stampings and over-molded assemblies for power applications.

Smart Meter Components and Assemblies:

PEP's smart meter and components operations are dedicated to customer demands for smart meter applications. Specifically, the company is the leading provider of critical switching assemblies for 200 amp smart meters and leverages its metal-to-metal technology to manufacture leading high energy infrastructure solutions.

High Voltage and Power Switch Components and Assemblies:

PEP manufacturers high voltage and power switch transformer components that are critical to the ever-growing domestic energy infrastructure development and represent a key piece for continued growth.

Exhibit 36: Power Distribution Products

Other Relevant Products

In addition to its core product offering detailed above, PEP also engineers components and solutions for a variety of other relevant markets, including aerospace and defense, oil and gas, and general industrial sectors. Notably, the company manufactures high-grade aircraft structural components and assemblies, night vision machined castings and mobile missile defense components for use in defense applications.

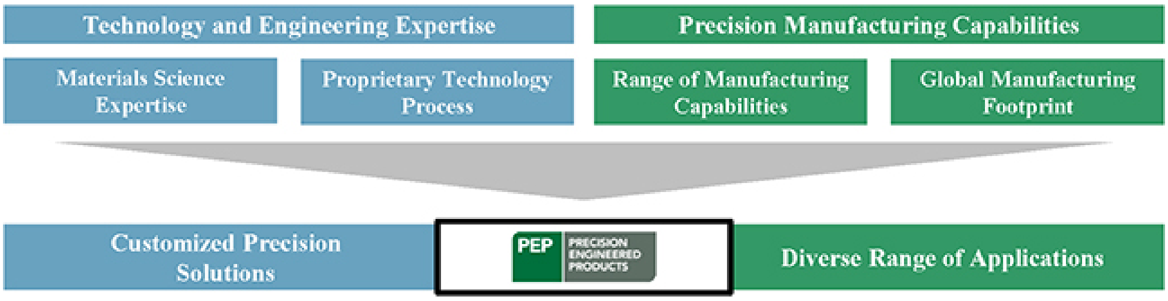
Exhibit 37: Other Relevant Products and Components

PEP's ability to address industry-leading technical specifications and quality requirements has made the company the supplier of choice for blue chip customers. Notably, PEP's engineered products, which are typically non-discretionary parts required in the final construction of the customer's end products, often represent a small portion of the final loaded cost of a finished product. The mission-critical nature of the company's products paired with the long-life of end product applications enables a long stream of recurring sales for the company.

OPERATIONS OVERVIEW

Over its nearly 100-year history, PEP has evolved into an advanced technology leader and precision solutions provider by developing a broad suite of engineering capabilities and manufacturing expertise. PEP's comprehensive range of solutions enable it to serve as a vital, collaborative partner within its customers' design and manufacturing processes and provide precision components for an extensive array of applications across attractive markets.

Exhibit 38: PEP Capabilities



Technology & Engineering Expertise

PEP's high performance solutions are driven by its advanced engineering capabilities and process expertise for metal and plastic applications. PEP leverages broad expertise in ferrous and non-ferrous metals and materials including precious metals, base metals, specialty metals, exotic metals and plastics. This knowledge enables PEP to provide unique alloy and material combinations to its customers. PEP's combines its material science knowledge with an innovative proprietary process to form, mold, treat and cut materials to precisions tolerances no other competitor can provide.

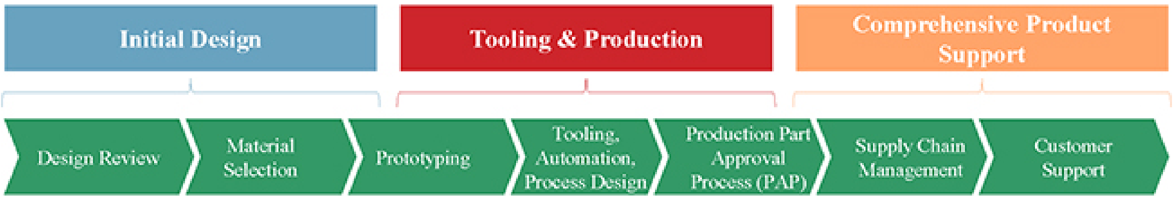
Precision Manufacturing Capabilities

PEP's capabilities are enhanced by its extensive manufacturing technology and global footprint. PEP offers a wide range of production technology within a strategic network of facilities that are highly sought after by customers looking for high performance solutions. PEP offers the widest variety of manufacturing capabilities including stamping, molding, assembly, machining and finishing operations which allow it to conform materials to within a micron. PEP operates 17 manufacturing facilities across four countries with manufacturing capabilities and certifications and provides global access to high-touch services and technical collaboration.

COMPREHENSIVE DESIGN AND MANUFACTURING CAPABILITIES

PEP's full range of customized precision engineered solutions complements customer collaboration with complete, end-to-end engineering support. The company's engineers will take on customer projects irrespective of their production stage and develop solutions that address challenging problems. PEP's commitment to customer collaboration is a distinct competitive advantage and is evident in the company's entrenched customer base. The company's product development operations can be categorized into three phases: (i) initial design, (ii) tooling and production, and (iii) comprehensive product support. The chart below illustrates the engineering activities throughout PEP's product development operations.

Exhibit 39: PEP Product Development Operations



INITIAL DESIGN

PEP's highly skilled engineers work closely with customers to identify and analyze key engineering problems, design customized solutions, identify appropriate materials, and perform extensive testing prior to prototyping products. These comprehensive design services shorten customers' time from concept to market, save customers significant development costs, and ensure product quality and reliability from a design engineering perspective. Specific design services offered by PEP include:

Design Review:

PEP engineers leverage the company's technology expertise and participate in the customer's design failure modes and effect analysis (FMEA) to facilitate key product development requirements. Engineers will also provide key manufacturing recommendations that will benefit customers later during the production process.

Material Selection:

The company's deep understanding of interactions between various materials enables a complete, truly engineered customer solution. Customers actively seek PEP for this invaluable expertise, particularly for critical end market applications.

Initial Prototyping:

PEP's engineers leverage unique technology such as 3D printing to rapidly develop initial prototype designs. Product prototypes are evaluated alongside customers, thereby facilitating strong customer relationships.

TOOLING AND PRODUCTION

Once a product has achieved initial design approval, PEP engineers will develop prototype models using advanced computer simulation software models to determine whether engineering performance meets and/or exceeds expectations. These final prototype models are critical for tooling and die development and finalizing manufacturing production processes. Specifically, PEP's tooling and production services include:

Advanced Prototyping:

The company's advanced production technology enables rapid response time to quickly develop product prototypes for testing and analysis. This is a critical piece of product development, given the high number of iterations necessary to ensure optimal product performance.

Tooling, Automation, Process Design:

After a prototype is finalized, the company's dedicated tool and die design team will engineer tooling and mold designs that conform to the specific product design requirements. Customers are responsible for upfront tooling and related capital expenditures, thereby discouraging supplier-switching behavior and limiting PEP's product investments. These tooling expenses can exceed $1 million per project. In exchange for developing and designing customer products, the company will retain intellectual property ownership rights over tooling and mold designs.

Production Part Approval Process:

The company's tooling and mold designs facilitate the initial production part approval process (PPAP), whereby PEP develops, modifies, and finalizes the complete product manufacturing process at the company's facilities. Customers rely on PEP's production and approval capabilities to ensure the highest level of reliability and performance standards. In this phase, process engineers will design the actual manufacturing processes necessary to build a customer's final product.

COMPREHENSIVE PRODUCT SUPPORT

Once a product has received customer approval, PEP will provide continuous product development and supply chain support for its product lifecycle duration. This further solidifies the company's position in typically difficult-to-change production processes and further strengthens customer relationships. Notable examples of PEP's comprehensive product support include:

Supply Chain Management:

PEP will routinely evaluate material usage and just-in-time inventory management programs to ensure optimal supply chain management. For example, PEP's production team will evaluate material substitution and product optimization opportunities to ensure continued high performance requirements.

High Touch Service:

The company's engineers remain in constant contact with customers to identify manufacturing improvement efficiencies as products evolve. In conjunction with PEP's sales team, the company will continuously reach out for ancillary and cross selling opportunities.

Manufacturing Capabilities

PEP's well-invested, advanced manufacturing facilities support high-quality, cost-effective production allowing the company to efficiently address the unique challenges of its diverse customer base. Specifically, PEP's comprehensive capabilities include: (i) assembly, (ii) molding, (iii) stamping, (iv) machining and (v) finishing.

Exhibit 40: PEP Manufacturing Capabilities

Assembly Operations

Facility Availability
- Massachusetts, Rhode Island, Connecticut, Illinois, Ohio, Mexico, China, Dominican Republic

Electrical Assemblies
- Custom automation designed to produce large volume, dimensionally repeatable assemblies with tight control of critical characteristics and dimensions

Clean Room Assembly
- Class 8 clean rooms for molding and assembly of medical devices – containment -controlled access provides the cleanest production and testing

Molding Operations

Facility Availability
- Rhode Island, Connecticut

Class 8 Clean Room Molding
- Sterile molding environments for high-purity molded components
- Straight molding, inset molding and overmolding for broad capabilities serving diverse industry needs

Electrical Moldings
- Robotic equipment capable of loading inserts, spruce removal, part separation, ultrasonic welding and device assembly

Stamping Operations

Facility Availability
- Massachusetts, Connecticut, Illinois, Ohio, Mexico, China

Metal Stamping Facilities
- High-speed stamping of precision medical components with extremely tight tolerances and critical dimensions
- Unique in-line cleaning systems yield extremely clean parts without damage to intricate dimensions

State-of-the-art Stamping Presses
- Operations include presses ranging from 2 to 400 tons with speed up to 1800 strokes per minute

Machining Operations

Facility Availability
- Massachusetts, Connecticut, Illinois

Precision Plastic Machining
- Optical quality, burr free, multi-axis, tight tolerance machining
- Key chemical/flame polishing expertise
- Machining and assembly of manifolds

Precision Metal Machining
- High speed machining of precision components and assemblies with critical surface finishes. Additional processing including heat treatments, stress relieving, laser part marking and passivation

Finishing Operations

Facility Availability
- Massachusetts

Rack and Barrel Electroplating
- Provides and economical means to electroplate manufactures parts to meet specific finishing requirements (i.e., depositing a layer of material to bestow a desired property or to build up thickness on parts not meeting size requirements)

Other
- Capabilities include customized solutions for precious or non-precious metal plating, including electro-polishing of surgical instruments

Assembly Operations

PEP's assembly operations leverage custom automation and robotics to produce large volume, dimensionally repeatable component assemblies, with tight control of critical characteristics and product design. The company also offers Class 7 & 8 clean rooms for molding and assembly of federally regulated medical devices. These contaminant-controlled production sites adhere to stringent requirements to ensure sterilized products.

Molding Operations

The company's straight molding, micro molding, insert molding and overmolding operations utilize advanced automated machines to provide broad capabilities serving diverse industry needs. Molding processes can be performed with a host of materials including metals, and thermoplastics to manufacture high-throughput products. PEP also retains unique technology to install extremely small pressure and temperature sensors directly into mold cavities to support molding process development. This sensor technology enables PEP to monitor and better control mold filling measurement operations to prevent defects and is a key marketplace differentiator.

Stamping Operations

PEP operates over 250 power presses for high-speed stamping of precision engineered components with extremely tight tolerances and critical dimensions. This state-of-the-art stamping platform includes presses ranging from 2 to 400 tons with speeds up to 1800 strokes per minute. The company's stamping operations provide unique in-line cleaning systems that yield extremely clean parts without damage to critical dimensions.

Machining Operations

The company's machining capabilities enable controlled material cutting and forming to a specific final shape and size. PEP's machining technology includes subtractive machining (i.e. controlled material removal) and additive manufacturing (i.e. controlled material addition). Notably, the company is able to utilize a variety of metals, plastics and materials for machining applications and produce smooth, burr-free surfaces essential for critical applications.

Finishing Operations

PEP's finishing operations provide economical methods to plate metals and other materials directly to final products. Finishing processes deposit a layer of material to bestow a desired property or to build up thickness on parts not meeting size requirements. The company's capabilities include customized solutions for precious and non-precious metal plating that cover a range of finishes as required by the customer.

CUSTOMERS

PEP has established deep, collaborative, long-standing relationships with leading blue-chip OEMs as some of the world's leading medical, electronics and industrial technology manufacturers rely on the company's high-performance, technical expertise to meet rapidly changing engineering challenges. Evidencing this success, PEP's top ten customers have an average tenure of more than 15 years with its longest tenured customer relationship over 50 years. In 2014, PEP's top ten customers comprised 43% of its total revenue with no single customer accounting for greater than 18%, a positive in an industry in which suppliers often have sizeable customer concentrations.

PEP's collaborative partnerships create deep, entrenched relationships with customers as they develop products and solutions and increasingly seek the company for its knowledge and expertise. By supporting customers with integrated engineering and broad manufacturing services, PEP gains a validated position in typically difficult-to-change production and development processes which often results in long-standing relationships. These relationships are further strengthened by the investment of significant time and resources from OEMs, such as upfront capital expenditures, numerous process validations and adherence to stringent quality standards.

Exhibit 41: PEP Top 10 Customer Overview

($ in millions)

Customer	End Market	Length of Relationship	% of Total Revenue
Customer A	Medical & FDA	50 years	18%
Customer B	Medical & FDA	2	5
Customer C	Power Distribution	6	4
Customer D	Electrical Controls	11	4
Customer E	Transportation	20	3
Customer F	Electrical Controls	6	2
Customer G	Transportation	26	2
Customer H	Other	5	2
Customer I	Power Distribution	22	2
Customer J	Power Distribution	70	1
Top 10 Customers			**43%**
All Other Customers			57%
Total Customers			**100%**

Key Customers

SALES & MARKETING

PEP's unified sales and marketing strategy promotes its value to customers as a key solutions partner possessing the breadth and critical mass to handle extremely complex assignments. The company's integrated sales and marketing structure is structured to support key strategic business development initiatives at the corporate level and provide brand-specific opportunities at the business units. Specifically, PEP's sales development efforts are designed to push new business opportunities to strategic accounts, business line specific accounts and project-based accounts. Concurrently, the company's marketing efforts are focused on attracting and pulling customers through brand awareness, accelerated lead generation and marketing analytics. This unified approach facilitates broad promotion of PEP's complete solution offering, yet maintains a balance with individual business unit identities and deep, long-standing historical business unit customer relationships. Exhibit below illustrates the company's sales and marketing structure:

Exhibit 42: Sales Development & Marketing Overview

SALES

The company's sales strategy is centralized, supported by the integration of sales efforts across the business units combined with a strong network of sales representatives selling the entire PEP line. Strategic targets are pursued at the corporate level, while other targets are pursued via external and internal sales representatives. A key tenet of PEP's sales strategy is targeting its customers' engineering departments and offering technical expertise, effectively anchoring PEP in the product cycle.

At all times, PEP takes a team approach to sales, bringing the company's full suite of technical resources to bear, which is particularly important and effective in the company's collaborative customer approach. PEP's sales professionals are instructed to drive sales efforts to focus relentlessly on the development of new customers, opportunities and products. Business development professionals are actively involved in trade shows and events, promoting company's capabilities and even leveraging engineering and technical expertise to corroborate PEP's service offering.

MARKETING

The company's marketing team has developed an extensive resource set to effectively promote the PEP brand name and products, including market-specific brochures and a detailed website. Each brochure includes product photographs, descriptions and technical information and is updated regularly to include new product offerings and changes to the company's existing product line. The company's website has links to the company's business unit websites, which provide customers direct access to product information, technical data and company contact information.

Employee Summary

As of March 2015, PEP employed a dedicated workforce of over 1,200 personnel with an average length of service of over 13 years. Of PEP's total employee base, 11% are considered corporate (administration/finance and sales & marketing) and 89% are manufacturing services employees. PEP offers employees competitive compensation and benefits and as a result nearly 98% of its employee base is non-union. PEP's Connecticut facility has less than 30 employees under a collective bargaining agreement which expires in 2017.

Exhibit 43: PEP Employee Overview

Employee Overview		
Corporate	Manufacturing Services	Geographic Breakout
Administration / Finance: 91	Engineering: 41	United States: 1,038
Sales and Marketing: 48	Quality: 87	Mexico / Dominican Republic: 121
	Manufacturing: 735	China: 59
	Temporary: 216	

Note: Does not include employees from the Trigon acquisition

Facilities Overview

PEP operates 17 state-of-the-art manufacturing operations strategically located in the United States, Mexico, China and the Dominican Republic. Its manufacturing locations maintain numerous quality certifications and collectively represent over 700,000 square feet of manufacturing space and over 16,500 square feet of dedicated Class 8 clean rooms for medical applications. PEP's facilities are currently operating between 50% and 65% capacity based on current manufacturing demands, and feature machines with advanced modifications or were built in-house and leverage the company's proprietary technical knowledge to establish mirrored production capabilities across facilities. This enables PEP to manufacture components and assemblies using common standards across facilities and geographies.

Exhibit 44: PEP Facilities Overview

Manufacturing Facility Overview

Location	Capabilities	Sq. Ft.	Location	Capabilities	Sq. Ft.
Attleboro, MA	Stampings and assemblies	105,577	Fairfield, OH	Stampings and assemblies	44,000
Attleboro, MA	Surface finishing	43,000	Algonquin, IL	Stampings and assemblies	45,000
North Attleboro, MA	Clad metals, metal stamping and coil winding	69,000	Elgin, IL	Stampings and assemblies	22,300
East Providence, RI	Molding	63,385	Aurora, IL	Molding, machining, stamping and assemblies	75,000
Franklin, MA	Machining and assemblies	27,040	Warsaw, IN	Medical device design space	11,200
Hingham, MA	Machining and assemblies	35,000	Mexico City, Mexico	Stampings and assemblies	34,000
Palmer, MA	Cold forming wire, assemblies and heat treating	75,590	Foshan City, China	Stampings and assemblies	27,202
Wallingford, CT	Machining, assemblies and plastic polishing	23,000	Dominican Republic	Cleanroom assembly, labor intensive	5,000
Bridgeport, CT	Molding, stamping and assemblies	162,000			

SUPPLIERS & RAW MATERIALS

PEP has developed strong, long-standing relationships with a diverse network of suppliers of raw materials, resins and components, which minimizes supplier concentration risk and provides stable supply at competitive pricing. Excluding precious metals, PEP's top ten suppliers comprise 32% of total purchases and no single supplier accounted for more than 16% of total purchases. Notably, PEP's tenure with its top ten suppliers averages over 13 years.

Exhibit 45: PEP Top 10 Suppliers

($ in millions)

Supplier	Materials	Length of Relationship	% of Total Spend
Supplier A	Copper, brass and stainless strip alloys	30 years	16%
Supplier B	Nickel and stainless strip steel alloys	30	3
Supplier C	Silver grain and powders	5	2
Supplier D	Palladium	25	2
Supplier E	Copper and brass strip alloys	5	2
Supplier F	Resins	6	2
Supplier G	Silver strip and wire alloys	10	2
Supplier H	Cold/hot rolled heavy guage strip steel	10	1
Supplier I	Resins	10	1
Supplier J	Stainless steel, aluminum, cold rolled strip coils	5	1
Top 10 Suppliers			**32%**
All Other Suppliers			68%
Total Suppliers			**100%**

Key Suppliers

PEP RAW MATERIAL CONSIGNMENT

PEP carefully manages its raw material needs to minimize exposure to price volatility. The company has established consignment agreements with key suppliers to procure precious metals and eliminate exposure to commodity price fluctuations. These consignments are secured by the precious metals inventory and are not included as a component of inventories on PEP's balance sheet. Ownership title remains with the consignor until PEP purchases it for use in its operations. In effect, PEP leases the precious metals for its on-hand stock and buys the raw material only on the same day customer shipments are priced, thereby eliminating speculation. The company leases metal via an inter-creditor agreement between two financial institutions that share the lending risk pari passu. In addition, PEP products with precious metal content are priced with a margin on the raw material cost to further protect the company and provide incremental profitability. Total spend on precious metals in 2014 accounted for approximately 35% of the company's total material costs. The company achieves insulation from base metal and resin prices by utilizing concurrent raw material pricing with both customers and suppliers. PEP prices its products to include the cost of materials, a material cost margin and a fabrication margin. This mechanism allows PEP to pass through raw material price increases to its customers. In 2014, base metals spend represented approximately 40% of the company's total raw material cost.

LEGAL & ENVIRONMENTAL

PEP is unaware of any material pending or threatened lawsuits against the company. Management does not believe there are any other suits, claims or assessments pending that would have a material effect on its operators or financial condition. PEP management is also unaware of any environmental liabilities that would have a material adverse effect on PEP's operation or financial conditions. In addition, management believes that the company is in compliance in all material respects with all federal, state and local environmental laws and regulations.

VII. **Financial Overview**

PRO FORMA FINANCIAL SUMMARY

The acquisition of PEP is highly accretive to NN from both a top line and bottom line perspective. Pro forma net sales (including the full year impact of all acquisitions completed to date) as of LTM 6/30/15 are $903 million with Pro Forma Adjusted EBITDA After Cost Savings of $176 million. The acquisition of PEP builds a diversified industrial positioned to be a consistent earner throughout the business cycle and aligns NN with its adjacent market expansion goals by providing a foothold in the medical and electrical end markets. From a margin perspective, PEP's margin profile greatly enhances NN's margins, as Adjusted EBITDA margin increases from 14.9% for NN standalone to 19.5% pro forma for the acquisition.

The merger of NN and PEP represents a combination of two companies with highly complementary financial profiles. Both companies have a demonstrated history of strong financial performance through various business cycles and the ability to drive significant free cash flow generation. The companies' financial strength is driven by their long term relationships with blue chip customers who rely on NN and PEP's products for their high precision, system-critical quality. Through effective cash management and operational improvements, both companies were able to emerge from the economic downturn in greater position to gain market share post recovery. With the addition of PEP's exceptional management team, NN is poised to execute its strategic plan to become the premiere company in its space and a leading diversified industrial into the future.

Exhibit 59: Pro Forma Income Statement

	Fiscal Year Ended December 31,			LTM
($ in millions)	2012A	2013A	2014A	6/30/2015
NN Standalone Revenue	$ 370	$ 373	$ 489	$ 608
PEP Revenue	201	178	204	226
Combined Pro Froma Adjustments [1]				69
Total Pro Forma Revenue	**$ 572**	**$ 552**	**$ 693**	**$ 903**
% YoY Change		*-3.5%*	*25.5%*	
NN Standalone Adjusted EBITDA[2][3]	46	47	66	87
PEP Adjusted EBITDA	52	45	56	63
Combined Pro Froma Adjustments [1]				26
Total Pro Forma Adjusted EBITDA	**$ 98**	**$ 93**	**$ 121**	**$ 176**
% of Total Pro Forma Revenue	*17.1%*	*16.8%*	*17.5%*	*19.5%*
NN Standalone Capex	17	15	28	38
PEP Capex	2	1	3	3
Combined Pro Froma Adjustments [1]				5
Total Pro Forma Capex	**$ 19**	**$ 17**	**$ 31**	**$ 46**
% of Total Pro Forma Revenue	*3.3%*	*3.0%*	*4.4%*	*5.1%*

[1]: Provides the full year impact of all NN & PEP acquisitions made to date and expected cost Savings

Historical Financial Summary

NN has demonstrated a history of consistent revenue and adjusted EBITDA growth driven by stable demand for the underlying end markets that NN sells into. The Company continues to grow revenue and adjusted EBITDA through strategic acquisitions into targeted end markets, continued organic growths and the successful implementation of various cost saving and pricing initiatives.

Exhibit 60: NN Historical Income Statement

($ in millions)	Fiscal Year Ended December 31, 2012A	2013A	2014A	YTD 6/30/2014	YTD 6/30/2015	LTM 6/30/2015
Net Revenue	**$ 370**	**$ 373**	**$ 489**	**$ 209**	**$ 329**	**$ 608**
% YoY Change		*1%*	*31%*		*57%*	
COGS	295	295	385	165	258	478
Gross Profit	**$ 75**	**$ 78**	**$ 104**	**$ 45**	**$ 71**	**$ 130**
% of Total Revenue	*20%*	*21%*	*21%*	*21%*	*21%*	*21%*
SG&A	32	33	44	20	26	50
EBITDA	**$ 44**	**$ 45**	**$ 60**	**$ 25**	**$ 45**	**$ 80**
% of Total Revenue	*12%*	*12%*	*12%*	*12%*	*14%*	*13%*
EBITDA Adjustments [1]	2	3	6	3	4	7
Adjusted EBITDA	**$ 46**	**$ 47**	**$ 66**	**$ 27**	**$ 49**	**$ 87**
% of Total Revenue	*12%*	*13%*	*13%*	*13%*	*15%*	*14%*

[1] EBITDA adjustments include Net Income from JV, Non-Cash Stock Compensation and M&A expenses

NN, INC. MANAGEMENT DISCUSSION AND ANALYSIS

Six Months ended June 30, 2015 vs. June 30, 2014

Revenue

Net sales increased during the first half of 2015 from the first half of 2014 principally due to sales from the companies acquired in 2014 and 2015. Three of the four companies acquired during 2014 were acquired subsequent to the first half of 2014. Additionally, sales increased from greater demand for NN's products in the European, Asian and North American markets served by the Company's Metal Bearing Components Segment, namely automotive and general industrial markets. This sales growth came from overall growth in the markets NN serves, from new sales programs with existing customers and sales with new customers in each of these geographic markets. Partially offsetting these increases was the impact of devaluation of the Euro on Euro denominated sales.

COGS

Cost of products sold was primarily impacted by the addition of production costs added with the four companies acquired during 2014 and 2015. Additionally, the total was impacted by increased production costs at those units that experienced higher sales volumes. Partially offsetting these increases was the impact of devaluation of the Euro on Euro denominated costs.

Selling, General and Administrative

The majority of the increase during 2015 was due to the selling, general and administrative costs carried over from the companies acquired in 2014 subsequent to the first half of 2014.

Exhibit 61: PEP Historical Income Statement

($ in millions)	Fiscal Year Ended December 31, 2012A	2013A	2014A	YTD 6/27/2014	YTD 6/26/2015	LTM 6/27/2015
Net Revenue	**$ 201**	**$ 178**	**$ 204**	**$ 96**	**$ 117**	**$ 226**
% YoY Change		*(11%)*	*14%*		*23%*	
COGS	$ 136	$ 119	$ 131	$ 63	$ 75	$ 143
Gross Profit	**$ 66**	**$ 59**	**$ 73**	**$ 33**	**$ 42**	**$ 82**
% of Total Revenue	*33%*	*33%*	*36%*	*35%*	*36%*	*36%*
SG&A	$ 14	$ 14	$ 17	$ 9	$ 10	$ 18
EBITDA	**$ 52**	**$ 45**	**$ 56**	**$ 24**	**$ 33**	**$ 65**
% of Total Revenue	*26%*	*25%*	*27%*	*25%*	*28%*	*29%*
EBITDA Adjustments	(0)	(0)	(0)	1	(0)	(1)
Adjusted EBITDA	**$ 52**	**$ 45**	**$ 56**	**$ 25**	**$ 33**	**$ 63**
% of Total Revenue	*26%*	*25%*	*27%*	*26%*	*28%*	*28%*

Six Months ended June 30, 2015 vs. June 30, 2014

Revenue

Revenue increased during the six months ended June 2015 compared to the six months ended June 2014 principally due to sales from APP and Trigon which was acquired in August 2014 and April 2015, respectively. Additionally, PEP saw increased demand for the company's products in the medical & FDA compliant devices, electrical controls, transportation, power distribution and other precision components end markets.

COGS

Cost of products sold increased during the six months ended June 2015 compared to the six months ended June 2014 primarily due to the addition of production costs associated with the APP and Trigon acquisitions described above. PEP also saw increases in material costs, and employment costs over the period at its legacy businesses.

Selling, General and Administrative

Selling, General and Administrative costs increased during the six months ended June 2015 compared to the six months ended June 2014 principally due to the increased selling, general and administrative costs from the APP and Trigon acquisitions.

Twelve Months ended December 31, 2014 vs. December 31, 2013

Revenue

Revenue increased during 2014 compared to 2013 principally due to sales from the two companies acquired in 2014. Additionally, revenue increased due to greater demand for PEP's products in the medical & FDA compliant devices, electrical controls, transportation, power distribution and other precision components end markets. PEP has continued to benefit from improved adjacent market expansion particularly with the e-cigarette program in the medical and FDA compliant device end market.

COGS

Costs of products sold increased during 2014 compared to 2013 principally due to sales from the two companies acquired in 2014. PEP saw increases in material costs, and employment costs over the period. Despite the increase in costs of products sold, PEP achieved a 2.3% increase in gross margin as the increase in costs of products sold was less than total revenue growth.

Selling, General and Administrative

Selling, General and Administrative costs increased during 2014 compared to 2013 principally due to sales from the two companies acquired in 2014. PEP saw increases in administrative salaries, benefits and related expenses and selling and distribution salaries, benefits and related expenses over the period.

Twelve Months ended December 31, 2013 vs. December 31, 2012

Revenue

Net sales decreased during 2013 compared to 2012 principally due to a decrease in sales volumes.

The reduction in price and precious metals raw material pass-through (in 2013 compared to 2012) was driven mainly by lower average precious metal markets in our business which led to lower pass-through to our customers.

Cost of Products Sold

Cost of Product sold decreased corresponding with lower sales volumes and by lower precious metal markets in 2013 compared to 2012. PEP also saw increases in employment costs. PEP was able to modestly increase margins despite the decrease in sales.

Selling, General and Administrative

PEP experienced an immaterial increase in travel, advertising and professional fees in 2013 compared to 2012**.**

Revenue and EBITDA Reconciliation

Exhibit 62: Pro Forma Revenue Reconciliation

($ in millions)	
Combined Total LTM 6/30/2015 Revenue	**$834**
Autocam Full Year Adjustment (NN)	41
Trigon (PEP)	16
Caprock (NN)	8
APP (PEP)	4
Total Pro Forma LTM 6/30/2015 Revenue	**$903**

Exhibit 63: Pro Forma EBITDA Reconciliation

($ in millions)	
Combined Total LTM 6/30/2015 Adjusted EBITDA	**$ 150**
Autocam Full Year Adjustment	6
Full year effect for prior acquisitions	8
Run rate synergies due to prior acquisitions	5
Anticipated synergies due to PEP	7
Pro Forma Adjusted LTM 6/30/2015 EBITDA After Cost Savings	**$ 176**

Synergies Overview

The figure below provides an overview of expected first year synergies. Anticipated synergies primarily consist of facility rationalization and Six Sigma / OpEx optimization programs. Synergies include expected fixed cost reduction and do not include the potential benefit from variable cost reduction for conservatism.

Exhibit 64: Estimated Synergies

Category	Annual Target (Peak)	2016 Target
Total Six Sigma / Opex	$ 8,600,000	$ 4,859,800
Total Facility / Footprint Rationalization	650,200	650,200
Total Product Grouping / Rationalization	$ 325,000	$ 125,000
Total Shared Services Cost Savings	$ 990,000	$ 865,000
Total Synergy Target	**$ 10,565,200**	**$ 6,500,000**

Note: Management Estimates

Exhibit 99.2

Reconciliation of Net Income of NN, Inc. and Precision Engineered Products Holdings, Inc. to Certain Non-GAAP Financial Measures

Securities and Exchange Commission ("SEC") rules regulate the use of "non-GAAP financial measures," such as EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA, After Cost Savings, which are derived on the basis of methodology other than in accordance with accounting principles generally accepted in the U.S. ("GAAP"). As used in this Exhibit 99.2, references to "NN", "us", "our", and "we" refer to NN, Inc. and its subsidiaries, unless otherwise indicated, and references to "PEP" refer to Precision Engineered Products Holdings, Inc.

A non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that could not be so adjusted in the most comparable GAAP measure. The following non-GAAP financial measures are used in Exhibit 99.1, which accompanies the Current Report on Form 8-K to which this Exhibit 99.2 is attached.

We define EBITDA as net income before interest expense and interest income, income taxes, and depreciation and amortization. We define Adjusted EBITDA as net income before interest expense and interest income, income taxes, and depreciation and amortization plus acquisition and integration costs, non-cash stock compensation, restructuring and impairment charges, foreign exchange losses on intercompany loans, full year effect of 2014 and 2015 acquisitions and management fee paid to PEP's sponsors.

We define Pro Forma Adjusted EBITDA, After Cost Savings as our Adjusted EBITDA, as further adjusted to add anticipated cost savings attributable to our acquisition of all of the outstanding capital stock of PEP (the "Acquisition") and our prior acquisitions, net of costs incurred in connection therewith. Pro Forma Adjusted EBITDA, After Cost Savings gives effect to the anticipated synergies outlined below as if they had occurred on July 1, 2014. No assurance can be given that such synergies will be achieved in the time-frames we currently expect, or at all. In addition, Pro Forma Adjusted EBITDA, After Cost Savings reflects the anticipated costs to achieve such cost savings.

The operational and other cost savings described below reflect forward looking statements based on management estimates. There are a variety of factors that impact our operational performance and the assumptions underlying management's estimates that are difficult to predict and subject to change, such as economic conditions, regulatory changes, industry conditions and other factors. The anticipated cost savings and additional operating profits are based on certain assumptions and our current estimates, but they involve risks, uncertainties, projections and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied. Any of the assumptions relating to our anticipated operational and other improvements could be inaccurate and, therefore, there can be no assurance that the anticipated cost savings will prove to be accurate. Any cost savings that we realize may differ materially from our estimates.

We use these measures of performance in conjunction with other measures to evaluate our business and make decisions about allocating resources in our business. EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA, After Cost Savings should not be considered as an alternative measure of our operating performance.

Our measurements of EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA, After Cost Savings may not be comparable to similarly titled measures of other companies. We have included information concerning EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA, After Cost Savings because we believe such items provides a more effective and comparable measure of performance and a clearer view of underlying trends, and also facilitates our evaluation of our ability to service debt. We believe these measures also are frequently used by securities analysts, investors and other interested parties in the evaluation of debt issuers, many of which present EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA, After Cost Savings when reporting their results. Our presentation of EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA, After Cost Savings should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA, After Cost Savings have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our operating results or cash flows as reported under GAAP. Some of these limitations are:

- EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA, After Cost Savings do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA, After Cost Savings do not reflect changes in, or cash requirements for, our working capital needs;
- EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA, After Cost Savings do not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated or amortized may have to be replaced in the future, and EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA, After Cost Savings do not reflect any cash requirements for such replacements;
- EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA, After Cost Savings do not reflect our income tax expense or the future cash required to pay our income taxes;
- EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA, After Cost Savings are adjusted for certain non-recurring, non-core and non-cash income or expense items that are reflected in our statements of operations;
- EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA, After Cost Savings do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and
- other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA, After Cost Savings should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA, After Cost Savings only for supplemental purposes.

NN, Inc. (“NN”)

(dollars in thousands)	Six Months Ended June 30, 2014 (unaudited)	Six Months Ended June 30, 2015 (unaudited)	Year Ended December 31, 2012	2013	2014	Pro Forma Year Ended December 31, 2014 (unaudited)	Twelve Months Ended June 30, 2015 (unaudited)
EBITDA and Adjusted EBITDA Reconciliations:							
Net income	$ 10,438	$ 12,955	$24,268	$17,178	$ 8,217	$ 16,138	$ 10,734
Provision for income taxes	4,809	3,073	(3,927)	8,000	5,786	5,272	4,050
Interest expense	1,115	11,959	3,878	2,374	12,293	57,720	23,137
Depreciation and amortization	7,961	17,091	17,643	16,957	22,146	58,919	31,276
EBITDA	$ 24,323	$ 45,078	$41,862	$44,509	$48,442	$ 138,049	$ 69,197
Acquisition and integration costs	1,770	681	—	—	11,856	2,609	10,767
Restructuring and impairment charges	—	—	967	568	875	875	875
Foreign exchange loss on intercompany loans	—	1,023	1,414	109	1,870	1,870	2,893
Non cash stock compensation	1,286	1,771	1,788	2,239	2,595	2,905	3,080
Full year effect of 2014 and 2015 acquisitions						4,699(a)	
Management fees paid to PEP’s sponsors						1,000	
Adjusted EBITDA	$ 27,379	$ 48,553	$46,031	$47,425	$65,638	$ 152,007	$ 86,812

(a) Amount reflects EBITDA attributable to the following acquisitions prior to their consummation: RFK Valjcici d. d. Konjic (“RFK”), which we acquired on June 20, 2014; Connecticut Plastics, Inc. (“CT Plastics”), which we acquired on March 17, 2014; Chelsea Grinding Company (“Chelsea”), which we acquired on July 15, 2014; and Advance Precision Products, Inc. (“APP”), which PEP acquired on August 29, 2014.

Precision Engineered Products Holdings, Inc. (“PEP”)

(dollars in thousands)	Year Ended December 31, 2012	2013	2014	Six Months Ended June 27, 2014 (unaudited)	Six Months Ended June 26, 2015 (unaudited)	Twelve Months Ended June 26, 2015 (unaudited)
EBITDA and Adjusted EBITDA Reconciliations:						
Net income	$16,672	$ 937	$ 4,516	$ 2,092	$ 6,501	$ 8,925
Provision for income taxes	10,250	9,152	11,366	4,758	6,688	13,296
Interest expense	10,640	8,752	9,144	4,329	4,614	9,429
Depreciation and amortization	12,818	24,905	27,431	12,404	14,355	29,382
EBITDA	$50,380	$43,746	$52,457	$ 23,583	$ 32,158	$ 61,032
Acquisition and integration costs	—	330	1,864	795	(204)	865
Non cash stock compensation	310	310	310	155	102	257
Management fee paid to PEP’s sponsors	1,000	1,000	1,000	500	500	1,000
Adjusted EBITDA	$51,690	$45,386	$55,631	$ 25,033	$ 32,556	$ 63,154

Pro Forma Adjusted EBITDA, After Cost Savings

(dollars in thousands)	Twelve Months Ended June 30, 2015 (unaudited)
NN Adjusted EBITDA	$ 86,812
PEP Adjusted EBITDA	63,154
NN and PEP Combined Adjusted EBITDA	$ 149,966
Autocam full year adjustment	6,210
Full year effect of 2014 and 2015 acquisitions(a)	8,212
Run rate synergies due to prior acquisitions(b)	5,140
Anticipated synergies due to PEP(c)	6,500
Pro forma adjustments for acquisition expenses	379
Pro Forma Adjusted EBITDA, After Cost Savings	$ 176.437

(a) Amount reflects EBITDA attributable to the following acquisitions prior to their consummation: APP, which PEP acquired on August 29, 2014, Trigon, which PEP acquired on April 29, 2015; and Caprock Manufacturing, Inc. and Caprock Enclosures, LLC (collectively "Caprock"), which we acquired on May 29, 2015.

(b) Gives effect to savings achieved to date on an annualized basis, attributable to consolidation benefits, lean manufacturing, facilities optimization, sales synergies, administrative and tax savings, information technology and shared services, optimization of internal machines and the application of our supply chain program, with respect to our acquisition of RFK, Chelsea and Caprock on June 20, 2014, July 15, 2015 and May 29, 2015, respectively, and PEP's acquisition of CT Plastic, APP and Trigon International Corporation on March 17, 2014, August 29, 2014 and April 29, 2015, respectively.

(c) Anticipated synergies due to PEP consist primarily of Six Sigma/OpEx optimization programs, product grouping and rationalization, facility rationalization and shared services cost savings. We expect to achieve these synergies within one year following consummation of the Acquisition.

Exhibit 99.3

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Precision Engineered Products Holdings, Inc.
For the Six Month Periods Ended June 26, 2015 and June 27, 2014
(Unaudited)

Precision Engineered Products Holdings, Inc.

Condensed Consolidated Financial Statements

For the Six Month Periods Ended June 26, 2015 and June 27, 2014
(Unaudited)

Contents

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Review Report of Independent Auditors

The Shareholder
Precision Engineered Products Holdings, Inc.

We have reviewed the condensed consolidated financial information of Precision Engineered Products Holdings, Inc., which comprise the condensed consolidated balance sheet as of June 26, 2015, and the related condensed consolidated statements of income and cash flows for the six-month periods ended June 26, 2015 and June 27, 2014.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the condensed financial information in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in conformity with U.S. generally accepted accounting principles.

Auditor's Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial information referred to above for it to be in conformity with U.S. generally accepted accounting principles.

Report on Condensed Balance Sheet as of December 31, 2014

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of Precision Engineered Products Holdings, Inc. as of December 31, 2014, and the related consolidated statements of income, changes in shareholder's equity, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 15, 2015. In our opinion, the accompanying condensed consolidated balance sheet of Precision Engineered Products Holdings, Inc. as of December 31, 2014, is consistent, in all material respects, with the consolidated balance sheet from which it has been derived.

Ernst & Young LLP

Precision Engineered Products Holdings, Inc.

Condensed Consolidated Balance Sheets
(*In Thousands*)
(Unaudited)

	June 26, 2015	December 31, 2014
Assets		
Current assets:		
Cash	$ 7,504	$ 14,345
Accounts receivable, net of reserves of $837 and $787, respectively	33,708	28,095
Inventories	28,426	28,133
Other current assets	3,164	2,405
Total current assets	72,802	72,978
Property, plant, and equipment, net	52,198	39,311
Intangibles and deferred financing costs, net	146,040	140,268
Goodwill	149,067	132,372
Total assets	$420,107	$ 384,929
Liabilities and shareholder’s equity		
Current liabilities:		
Revolver	$ 18,900	$ —
Current portion of long-term debt	1,828	1,828
Trade accounts payable	11,006	10,015
Accrued expenses	9,568	8,975
Current portion of contingent consideration	2,200	—
Other current liabilities	3,820	5,826
Total current liabilities	47,322	26,644
Deferred tax liabilities	60,299	53,855
Long-term contingent consideration, less current portion	1,800	—
Long-term debt, less current portion	174,016	174,473
Other	1,487	1,377
Shareholder’s equity:		
Common stock	—	—
Additional paid-in capital	123,237	123,135
Retained earnings	11,946	5,445
Total shareholder’s equity	135,183	128,580
Total liabilities and shareholder’s equity	$420,107	$ 384,929

See accompanying notes to condensed consolidated financial statements.

Precision Engineered Products Holdings, Inc.

Condensed Consolidated Statements of Income
(In Thousands)
(Unaudited)

	Six Month Periods Ended June 26, 2015	Six Month Periods Ended June 27, 2014
Net sales	$ 117,070	$ 95,521
Cost of goods sold	76,576	64,034
Gross profit	40,494	31,487
Selling, general, and administrative expenses	22,191	19,808
Operating income	18,303	11,679
Other expenses:		
Interest expense, net	(4,614)	(4,329)
Management fees	(500)	(500)
Income before income taxes	13,189	6,850
Income tax expense	(6,688)	(4,758)
Net income	$ 6,501	$ 2,092

See accompanying notes to condensed consolidated financial statements.

Precision Engineered Products Holdings, Inc.

Condensed Consolidated Statements of Cash Flows
(In Thousands)
(Unaudited)

	Six Month Periods Ended June 26, 2015	June 27, 2014
Operating activities		
Net income	$ 6,501	$ 2,092
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	2,046	1,617
Amortization expense	12,309	10,787
Change in fair valuation of contingent consideration	(2,000)	—
Amortization of deferred financing costs	531	531
Increase to cost of goods sold for inventory acquired in business combinations	666	—
Share-based compensation expense	102	155
Deferred income taxes	(2,203)	(1,044)
Changes in assets and liabilities:		
Accounts receivable	(4,776)	(5,250)
Inventories	(630)	(1,668)
Trade accounts payable	234	3,523
Other	1,865	3,183
Net cash provided by operating activities	14,645	13,926
Investing activities		
Acquisitions, net of cash acquired	(38,561)	(14,000)
Capital expenditures	(1,369)	(1,549)
Net cash used in investing activities	(39,930)	(15,549)
Financing activities		
Payment of debt	(457)	(457)
Proceeds from borrowing under revolver	18,900	—
Other	1	203
Net cash provided by (used in) financing activities	18,444	(254)
Net decrease in cash	(6,841)	(1,877)
Cash at beginning of period	14,345	31,324
Cash at end of period	$ 7,504	$ 29,447
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	$ 3,248	$ 3,158
Income taxes	$ 10,184	$ 5,752

See accompanying notes to condensed consolidated financial statements.

Precision Engineered Products Holdings, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements
(Dollars in Thousands, Except per Unit Amounts)

1. Business and Basis of Presentation

Business Description

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.

Basis of Presentation

The unaudited condensed consolidated financial statements at June 26, 2015 and December 31, 2014 and for the six month periods ended June 26, 2015 and June 27, 2014 are unaudited, but in the opinion of management includes all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results for the interim periods. The results reported in these financial statements should not necessarily be taken as indicative of results that may be expected for any other interim period or for the entire year. The financial information included herein should be read in conjunction with the annual audited financial statements and notes, which also includes a description of the companies significant accounting policies and estimates.

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.

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.

2. Acquisitions

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 consideration of $14,000 exceeded the amounts recognized for the tangible net assets and identified intangible assets acquired in the acquisition transaction by $4,987. 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. Assets acquired in the transaction primarily consisted of intangible assets of $7,160, machinery and equipment of $1,166, and accounts receivable of $687. Total costs incurred related to the acquisition were $184 in 2014. As of June 26, 2015, $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.

On August 29, 2014, the Company acquired all the capital stock of Advance Precision Products, Inc., (APP), a business that designs and manufactures machined components and assemblies for the medical, aerospace, and oil and gas markets. The purchase consideration of $31,215 exceeded the amounts recognized for the tangible net assets and identified intangible assets acquired in the acquisition transaction by $16,980. 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. Assets acquired and liabilities assumed in the transaction primarily consisted of intangible assets of $10,130; cash of $241; property, plant, and equipment of $6,304; inventories of $3,901; accounts receivable of $2,560; accounts payable and accrued expenses of $2,841; and deferred tax liabilities of $6,060. Total costs incurred related to the acquisition were $738 in 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. The definite-lived intangible assets are being amortized on a straight-line basis over their respective estimated useful lives.

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 includes $38,561 paid in cash and a contingent earn-out. If certain EBITDA targets are achieved, the Company would be obligated to pay additional consideration of $6,611 in 2016, $2,500 in 2017 and $1,500 in 2018. As a part of the Company’s accounting for this acquisition, the estimated fair value of this contingent consideration on April 29, 2015 was determined to be $6,000. As of June 26, 2015, the estimated fair market value of the contingent earnout decreased to approximately $4,000, based upon changes in forecast of the acquired business. The total purchase consideration exceeded the amounts recognized for the tangible net assets and identified intangible assets acquired in the acquisition transaction by $26,815. 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. Assets acquired and liabilities assumed in the transaction primarily consisted of intangible assets of $10,130, property, plant, and equipment of $13,561; inventories of $2,863; accounts receivable of $837; prepaid assets of $18; ,accounts payable and accrued expenses of $954 and deferred taxes of $8,711. 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. Total costs incurred related to the acquisition were $627 and are included in selling, general, and administrative expenses in the condensed consolidated statements of income for the period ended June 26, 2015. As of June 26, 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. 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 June 26, 2015.

(Dollars in Thousands, Except per Unit Amounts)

3. Inventories

Components of inventories are as follows at June 26, 2015 and December 31, 2014:

	2015	2014
Raw materials	$10,768	$11,739
Work in process	5,812	5,408
Finished goods	11,846	10,986
Total inventories	$28,426	$28,133

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 June 26, 2015 and December 31, 2014, the Company had $5,697 and $6,366, 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.

(Dollars in Thousands, Except per Unit Amounts)

4. Goodwill

The Company accounts for acquired goodwill in accordance with applicable accounting guidance for business combinations, and intangible assets – goodwill and other, which involves judgment with respect to the determination of the purchase consideration 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.

The Company elected to adopt Accounting Standards Update (ASU) 2014-02, *Accounting for Goodwill (a consensus of the Private Company Council)*, effective January 1, 2013. ASU 2014-02 allows private companies to elect to amortize goodwill on a straight-line basis over ten years and perform a simpler one-step impairment test at either the entity level or the reporting unit level. Accordingly, the Company began amortizing its acquired goodwill from past acquisitions over a ten-year period effective January 1, 2013, and recorded amortization expense of $12,309 and $10,787 for the period ended June 26, 2015 and June 27, 2014, respectively. Amortization expense of goodwill for each of the five succeeding fiscal years is expected to be $15,450. Further, the Company has evaluated the carrying value of goodwill and determined that no impairment existed.

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.

The changes in the carrying amount of goodwill for the period ended June 26, 2015 and December 31, 2014, are as follows:

Balance at January 1, 2014	$123,007
Acquisition of CT Plastics and APP	23,877
Amortization expense	(14,512)
Balance at December 31, 2014	$132,372
Balance at January 1, 2015	$132,372
Acquisition of Trigon	26,815
APP settlement	(1,640)
Amortization expense	(8,480)
Balance at June 26, 2015	$149,067

Notes to unaudited Condensed Consolidated Financial Statements (continued)
(Dollars in Thousands, Except per Unit Amounts)

The adjustment to goodwill related to the acquisition of APP includes a reduction in the purchase price of $1,910 as a result of a settlement of working capital and other matters and an increase in the acquired deferred tax liability of $270.

The weighted average amortization period as of June 27, 2015, is 7.9 years.

5. Intangible Assets and Deferred Financing Costs

Intangibles and related amortization at June 26, 2015 and December 31, 2014 are as follows:

June 26, 2015	Gross	Accumulated Amortization	Net	Estimated Lives in Years
Trade names	$ 30,215	$ —	$ 30,215	Indefinite
Business process	22,585	(9,173)	13,412	*20*
Customer relationships	123,461	(25,593)	97,868	*20-25*
Deferred financing costs	7,150	(5,629)	1,521	*6*
Other	5,220	(2,196)	3,024	*5*
	$188,631	$ (42,591)	$146,040	

December 31, 2014	Gross	Accumulated Amortization	Net	Estimated Lives in 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 weighted average amortization period as of June 26, 2015, by intangible asset class, is presented in the table below:

Intangible Asset Class	Average Amortization Period in years
Trade names	Indefinite
Business process	20
Customer relationships	23
Deferred financing costs	6
Other	5

6. 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 2). 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 Unit Amounts)

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of June 26, 2015, aggregated by the level in the fair value hierarchy within which those measurements fell:

	June 26, 2015		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities			
Contingent Consideration	$ —	$ —	$ 4,000
Total	$ —	$ —	$ 4,000

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.

Changes in the fair value of the Company's contingent consideration liability were recorded in Selling, general, and administrative expenses , Net in the Consolidated Statements of Income and were as follows:

Beginning Balance – April 29, 2015	$ 6,000
Change in Fair Value	$(2,000)
Ending Balance – June 26, 2015	$ 4,000

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

(Dollars in Thousands, Except per Unit Amounts)

7. Debt

Debt consists of the following at June 26, 2015 and December 31, 2014:

	2015	2014
Term loan	$175,844	$176,301
Less current portion	(1,828)	(1,828)
	$174,016	$174,473
Revolver	$ 18,900	$ —

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. The weighted average interest rates during the period June 26, 2015 and June 27, 2014 were approximately 4.00%.

The revolver includes a $12,000 sublimit for letters of credit and a $5,000 sublimit for swingline loans.

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 Company did not make any voluntary principal payments on the term loan in 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 2015, 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.

(Dollars in Thousands, Except per Unit Amounts)

During the six month periods ended June 26, 2015 and June 27, 2014, the Company incurred interest expense relating to the term loan of $4,085 and $3,798, respectively, and interest expense relating to deferred financing fees of $531 and $531, 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 June 26, 2015.

Future Payments

The aggregate amounts of mandatory scheduled payments on debt beginning on June 26, 2015 are as follows:

2015	$ 1,828
2016	174,016
	$175,844

8. 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.

We recorded a provision for income taxes for the six months ended June 27, 2015 and June 26, 2014 of $6,688 and $4,758, respectively. For the periods ended June 27, 2015 and June 26, 2014, the Company's effective tax rate is higher than the statutory rate primarily due to goodwill that is being amortized for financial reporting purposes that is not deductible for tax purposes.

9. Related-Party Transactions

Leases

The Company's headquarters building is leased from a related party. Rent expense amounted to $50 for each period ended June 26, 2015 and June 27, 2014, 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. 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. For each of the periods ended June 26, 2015 and June 27, 2014, the Company has recognized $500 of management fees in other expenses in the consolidated statements of income. As of June 26, 2015 and December 31, 2014, the Company had accrued management fees of $250 and $125 included within other current liabilities.

10. Shareholder's Equity

The Company has 100 shares of common stock, all of which are authorized, issued, and outstanding at June 26, 2015 and December 31, 2014. 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 June 26, 2015 and December 31, 2014.

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.

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

Class B Units. As of June 26, 2015 and December 31, 2014, 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 June 26, 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 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 $102 and $155 for the period ended June 26, 2015 and June 27, 2014. The unrecognized compensation expense pertaining to the unvested Tier 1 Promote Units at June 26, 2015, is $102 and will be recognized over a weighted average period of 6 months. The number of Tier 1 Promote Units that vested during the year ended December 31, 2014, was 432,394. As of June 26, 2015, no further units have vested.

Tier 2 Promote Units. At June 26, 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 consolidated financial statements as of June 26, 2015 and December 31, 2014.

Tier 3 Promote Units. At June 26, 2015 and December 31, 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 consolidated financial statements as of June 26, 2015 and December 31, 2014.

11. Subsequent Events

On August 17, 2015, the Company executed a Stock Purchase Agreement with NN, Inc. to acquire all of the issued and outstanding capital stock of the Company for $615 million. The transaction is expected to close by the end of October 2015. The sale is subject to customary closing conditions, including regulatory approvals.

Aside from the above-mentioned subsequent event, there were no events subsequent to June 26, 2015, and through the condensed consolidated financial statements issuance date of August 28, 2015, that would have a material effect on our condensed consolidated financial statements as of June 26, 2015, or are of such significance that would require mention as a subsequent event in order to make the condensed consolidated financial statements not misleading.

Consolidated Financial Statements

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

Precision Engineered Products Holdings, Inc.

Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

Contents

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Report of Independent Auditors

The Shareholder
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, shareholder's equity, and cash flows for the years then ended, 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 then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

May 15, 2015

Precision Engineered Products Holdings, Inc.

Consolidated Balance Sheets
(*In Thousands*)

	December 31 2014	2013
Assets		
Current assets:		
Cash	**$ 14,345**	$ 31,324
Accounts receivable, net of reserves of $787 and $598, respectively	**28,095**	23,410
Inventories *(Note 3)*	**28,133**	21,819
Income tax receivable	—	1,717
Other current assets	**2,405**	3,628
Total current assets	**72,978**	81,898
Property, plant, and equipment, net *(Note 4)*	**39,311**	32,262
Intangibles and deferred financing costs, net *(Note 6)*	**140,268**	133,471
Goodwill *(Note 6)*	**132,372**	123,007
Total assets	**$384,929**	$370,638
Liabilities and shareholder's equity		
Current liabilities:		
Overdrafts	**$ 2,542**	$ 858
Current portion of long-term debt *(Note 7)*	**1,828**	15,971
Trade accounts payable	**10,015**	7,781
Accrued expenses	**8,975**	7,619
Other current liabilities	**3,284**	771
Total current liabilities	**26,644**	33,000
Deferred tax liability	**53,855**	51,061
Supplemental executive retirement plan (*Note 10*)	**856**	657
Other	**521**	—
Long-term debt, less current portion *(Note 7)*	**174,473**	162,158
Shareholder's equity:		
Common stock	—	—
Additional paid-in capital	**123,135**	122,825
Retained earnings	**5,445**	937
Total shareholder's equity	**128,580**	123,762
Total liabilities and shareholder's equity	**$384,929**	$370,638

See accompanying notes to consolidated financial statements.

Precision Engineered Products Holdings, Inc.

Consolidated Statements of Income
(In Thousands)

	Year Ended December 31 2014	2013
Net sales	**$203,967**	$ 178,441
Cost of goods sold	**134,420**	122,642
Gross profit	**69,547**	55,799
Selling, general, and administrative expenses	**41,041**	35,263
Operating income	**28,506**	20,536
Other expenses:		
Interest expense, net	**(9,144)**	(8,752)
Management fees *(Note 9)*	**(1,000)**	(1,000)
Other, net	**(2,480)**	(695)
Income before income taxes	**15,882**	10,089
Income tax expense *(Note 8)*	**(11,366)**	(9,152)
Net income	**$ 4,516**	$ 937

See accompanying notes to consolidated financial statements.

Precision Engineered Products Holdings, Inc.

Consolidated Statements of Shareholder's Equity
(In Thousands, Except per Share Amounts)

Years Ended December 31, 2014 and 2013

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Shareholder's Equity
	Shares	Amount			
Balance at January 1, 2013	100	$ —	$ 162,785	$ 25,938	$ 188,723
Net income	—	—	—	937	937
Dividend *(Note 7)*	—	—	(40,062)	(25,938)	(66,000)
Share-based compensation expense *(Note 11)*	—	—	310	—	310
Other	—	—	(208)	—	(208)
Balance at December 31, 2013	100	—	122,825	937	123,762
Net income	**—**	**—**	**—**	**4,516**	**4,516**
Dividend *(Note 7)*	**—**	**—**	**—**	**(8)**	**(8)**
Share-based compensation expense *(Note 11)*	**—**	**—**	**310**	**—**	**310**
Balance at December 31, 2014	**100**	**$ —**	**$ 123,135**	**$ 5,445**	**$ 128,580**

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
Operating activities		
Net income	**$ 4,516**	$ 937
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	**3,488**	3,795
Amortization expense	**23,943**	21,110
Amortization of deferred financing costs	**1,062**	1,026
Increase to cost of goods sold for inventory acquired in business combinations	**635**	—
Share-based compensation expense	**310**	310
Deferred income taxes	**(3,439)**	(2,418)
Changes in assets and liabilities:		
Accounts receivable	**(1,451)**	1,961
Inventories	**(2,413)**	726
Trade accounts payable	**151**	568
Other	**6,329**	1,673
Net cash provided by operating activities	**33,131**	29,688
Investing activities		
Acquisitions, net of cash acquired	**(46,885)**	—
Payment of contingent earn-out	—	(300)
Capital expenditures	**(3,073)**	(1,377)
Net cash used in investing activities	**(49,958)**	(1,677)
Financing activities		
Payment of debt	**(1,828)**	(657)
Changes in overdraft	**1,684**	351
Incremental term loan	—	40,000
Dividend	**(8)**	(66,000)
Other	—	(208)
Net cash used in financing activities	**(152)**	(26,514)
Net (decrease) increase in cash	**(16,979)**	1,497
Cash at beginning of year	**31,324**	29,827
Cash at end of year	**$ 14,345**	$ 31,324
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	**$ 8,082**	$ 7,720
Income taxes	**$ 11,479**	$ 10,263

See accompanying notes to consolidated financial statements.

1. Business, Acquisition, and Basis of Presentation

Business and Acquisition

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 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 $4,987. 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. Assets acquired in the transaction primarily consisted of intangible assets of $7,160, machinery and equipment of $1,166, and accounts receivable of $687. Total costs incurred related to the acquisition were $184 and are included in other expenses in the consolidated statement of income for the year ended December 31, 2014. As of December 31, 2014, $1,500 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.

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 $33,125 exceeded the amounts recognized for the tangible net assets and identified intangible assets

1. Business, Acquisition, and Basis of Presentation (continued)

acquired in the acquisition transaction by $18,890. 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. Assets acquired and liabilities assumed in the transaction primarily consisted of intangible assets of $10,130; cash of $241; property, plant, and equipment of $6,304; inventories of $3,901; accounts receivable of $2,560; accounts payable and accrued expenses of $2,841; and deferred tax liabilities of $6,060. 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. The definite-lived intangible assets are being amortized on a straight-line basis over their respective estimated useful lives.

2. Summary of Significant Accounting Policies and Practices

Principles of Consolidation

The consolidation comprises Precision Engineered Products Holdings, Inc. and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Estimates

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual amounts could differ from those estimates.

2. Summary of Significant Accounting Policies and Practices (continued)

Reclassifications

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform with the current year presentation.

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.

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 and $6,799 for the years ended December 31, 2014 and 2013, 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.

2. Summary of Significant Accounting Policies and Practices (continued)

Inventories

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

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Depreciation is computed using the straight-line method.

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.

The Company elected to adopt Accounting Standards Update (ASU) 2014-02, *Accounting for Goodwill (a consensus of the Private Company Council)*, effective January 1, 2013. ASU 2014-02 allows private companies to elect to amortize goodwill on a straight-line basis over ten years and perform a simpler one-step impairment test at either the entity level or the reporting unit level. Accordingly, the Company began amortizing its acquired goodwill from past acquisitions over a ten-year period effective January 1, 2013, and recorded amortization expense of $14,512 and $13,667 for the years ended December 31, 2014 and 2013, respectively. Amortization expense of goodwill for each of the five succeeding fiscal years is expected to be $15,450. Further, 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.

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.

(Dollars in Thousands, Except per Unit Amounts)

2. Summary of Significant Accounting Policies and Practices (continued)

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.

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 11.

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

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.

(Dollars in Thousands, Except per Unit Amounts)

4. Property, Plant, and Equipment

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

	2014	2013	Estimated Lives
Land	**$ 5,450**	$ 5,450	—
Building and improvements	**16,807**	16,415	4–24
Machinery and equipment	**34,704**	25,616	2–12
Furniture and fixtures and other	**3,941**	3,377	2–8
	60,902	50,858	
Less accumulated depreciation	**(21,591)**	(18,596)	
	$ 39,311	$ 32,262	

5. Leases

The Company has several noncancelable operating leases with renewal options, primarily for buildings. In 2014 and 2013, rental expense for operating leases was $1,341 and $983, respectively.

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:

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

(Dollars in Thousands, Except per Unit Amounts)

6. Goodwill, Intangible Assets, and Deferred Financing Costs

Goodwill

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

Balance at January 1, 2013	$136,674
Amortization expense	(13,667)
Balance at December 31, 2013	123,007
Acquisitions	**23,877**
Amortization expense	**(14,512)**
Balance at December 31, 2014	**$132,372**

The weighted average amortization period as of December 31, 2014, is 8.3 years. The total amount of goodwill that is expected to be deductible for tax purposes at December 31, 2014, is $14,940.

Intangible Assets and Deferred Financing Costs

Intangibles and related amortization at December 31 are as follows:

2014	Gross	Accumulated Amortization	Net	Estimated Lives
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 Lives
Trade names	$ 25,215	$ —	$ 25,215	Indefinite
Business process	22,585	(6,569)	16,016	20
Customer relationships	106,261	(17,170)	89,091	25
Deferred financing costs	7,150	(4,001)	3,149	6
	$161,211	$ (27,740)	$133,471	

(Dollars in Thousands, Except per Unit Amounts)

6. Goodwill, Intangible Assets, and Deferred Financing Costs (continued)

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

2015	$23,921
2016	23,105
2017	22,843
2018	22,567
2019	22,107

The weighted average amortization period as of December 31, 2014, by intangible asset class, is presented in the table below:

Intangible Asset Class	Average Amortization Period (in years)
Trade names	Indefinite
Business process	20
Customer relationships	23
Deferred financing costs	6
Other	5

7. 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)
	$174,473	$162,158
Revolver	**$ —**	$ —

7. Debt (continued)

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 and 2013 were approximately 4.00%.

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 did not make any voluntary principal payments on the term loan in 2014 and 2013. 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. 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 13 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

(Dollars in Thousands, Except per Unit Amounts)

7. Debt (continued)

the excess cash flow payment for 2014 that was due in May 2015. In 2014 and 2013, the Company incurred interest expense relating to the term loan of $8,082 and $7,726, respectively, and interest expense relating to deferred financing fees of $1,062 and $1,026, 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:

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

8. 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.

(Dollars in Thousands, Except per Unit Amounts)

8. Income Taxes (continued)

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

	2014	2013
Current:		
Federal	**$11,580**	$ 8,795
State	**2,754**	2,194
Foreign	**471**	581
	14,805	11,570
Deferred:		
Federal	**(2,750)**	(1,848)
State	**(664)**	(494)
Foreign	**(25)**	(76)
	(3,439)	(2,418)
Total provision for income taxes	**$11,366**	$ 9,152

For the years ended December 31, 2014 and 2013, the Company's effective tax rate is higher than the statutory rate primarily due to goodwill that is being amortized for financial reporting purposes that is not deductible for tax purposes.

The Company and its subsidiaries file income tax returns in U.S federal, state, and foreign jurisdictions.

(Dollars in Thousands, Except per Unit Amounts)

8. Income Taxes (continued)

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	**1,450**	1,187
Foreign tax credits	**1,022**	563
Total deferred tax assets	**3,725**	2,636
Valuation allowance	**(1,022)**	(563)
Net deferred tax assets	**2,703**	2,073
Deferred tax liabilities:		
Intangibles	**(49,126)**	(47,456)
Fixed assets	**(6,192)**	(4,611)
Total deferred tax liabilities	**(55,318)**	(52,067)
Total net deferred tax liabilities	**$(52,615)**	$(49,994)

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

8. Income Taxes (continued)

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. The Company accounts for interest and penalties related to uncertain tax positions as part of its provision for income taxes. As of December 31, 2014 and 2013, total unrecognized tax benefits, including interest and penalties of $62 and $7, respectively, net of federal benefit, was $137 and $115, respectively, which if recognized, all would affect income tax expense (benefit).

9. Related-Party Transactions

Leases

The Company's headquarters building is leased from a related party. Rent expense amounted to $100 for each year ended December 31, 2014 and 2013, 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. 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.

10. 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 and $632 for the years ended December 31, 2014 and 2013, respectively.

10. Pension and Other Postretirement Benefits (continued)

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 and $200 for the years ended December 31, 2014 and 2013, respectively.

11. Shareholder's Equity

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.

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.

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

11. Shareholder's Equity (continued)

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 and 2013. 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 and 2013, were 432,394 and 636,302, respectively. The weighted average grant-date fair value related to the non-vested and vested Tier 1 Promote Units was $0.54 per unit.

11. Shareholder's Equity (continued)

- *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.

12. Fair Value of Financial Instruments

Cash and Cash Equivalents

The fair value amounts of cash and cash equivalents approximate the carrying amounts on the consolidated balance sheet date due to the short-term maturities of these instruments.

Debt

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.

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 revenue 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 May 15, 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.

Exhibit 99.5

CONSOLIDATED FINANCIAL STATEMENTS

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

Precision Engineered Products Holdings, Inc.

Consolidated Financial Statements

Year Ended December 31, 2013 and 2012

Contents

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Report of Independent Auditors

The Shareholder
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, 2013 and 2012, and the related consolidated statements of income, shareholder's equity and cash flows for the years then ended, 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 consolidated 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, 2013 and 2012, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2013, the Company adopted Accounting Standards Update (ASU) No. 2014-02 (the alternative), Intangibles-Goodwill and Other.

Ernst & Young LLP

May 1, 2014

Precision Engineered Products Holdings, Inc.

Consolidated Balance Sheets
(In Thousands)

	December 31, 2013	2012
Assets		
Current assets:		
Cash	**$ 31,324**	$ 29,827
Accounts receivable, net of reserves of $598 and $555	**23,410**	25,371
Inventories *(Note 3)*	**21,819**	22,545
Income tax receivable	**1,717**	3,343
Other current assets	**3,628**	2,878
Total current assets	**81,898**	83,964
Property, plant and equipment, net *(Note 4)*	**32,262**	34,680
Intangibles and deferred financing costs, net *(Note 6)*	**133,471**	141,104
Goodwill	**123,007**	136,674
Total assets	**$370,638**	$396,422
Liabilities and shareholder’s equity		
Current liabilities:		
Overdrafts	**$ 858**	$ 507
Current portion of long-term debt *(Note 7)*	**15,971**	657
Trade accounts payable	**7,781**	7,213
Accrued expenses	**7,619**	5,599
Other current liabilities	**771**	1,580
Total current liabilities	**33,000**	15,556
Deferred tax liability	**51,061**	53,557
Supplemental executive retirement plan *(Note 10)*	**657**	457
Long-term debt, less current portion *(Note 7)*	**162,158**	138,129
Shareholder’s equity:		
Common stock	—	—
Additional paid-in capital	**122,825**	162,785
Retained earnings	**937**	25,938
Total shareholder’s equity	**123,762**	188,723
Total liabilities and shareholder’s’ equity	**$370,638**	$396,422

See accompanying notes.

Precision Engineered Products Holdings, Inc.

Consolidated Statements of Income
(In Thousands)

	Year Ended December 31 2013	2012
Net sales	**$178,441**	$ 201,478
Cost of goods sold	**122,642**	140,407
Gross profit	**55,799**	61,071
Selling, general and administrative expenses	**35,263**	21,877
Operating income	**20,536**	39,194
Other expenses:		
Interest expense	**(8,752)**	(10,640)
Management fees *(Note 9)*	**(1,000)**	(1,000)
Other, net	**(695)**	(632)
Income before income taxes	**10,089**	26,922
Income tax expense *(Note 8)*	**(9,152)**	(10,250)
Net income	**$ 937**	$ 16,672

See accompanying notes.

Precision Engineered Products Holdings, Inc.

Consolidated Statements of Shareholder's Equity
(In Thousands, Except Per Share Amounts)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Shareholder's Equity
	Shares	Amount			
Balance at December 31, 2011	100	$ —	$162,475	$ 9,266	$ 171,741
Net income	—	—	—	16,672	16,672
Share-based compensation expense (Note 11)	—	—	310	—	310
Balance at December 31, 2012	100	—	162,785	25,938	188,723
Net income				**937**	**937**
Dividend (Note 7)	—		**(40,062)**	**(25,938)**	**(66,000)**
Share-based compensation expense (Note 11)	—		**310**		**310**
Other	—		**(208)**		**(208)**
Balance at December 31, 2013	**100**	**$ —**	**$122,825**	**$ 937**	**$ 123,762**

See accompanying notes.

Precision Engineered Products Holdings, Inc.

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended December 31 2013	2012
Operating activities		
Net income	**$ 937**	$ 16,672
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	**3,795**	5,020
Amortization expense	**21,110**	7,798
Amortization of deferred financing costs	**1,026**	2,016
Share-based compensation expense	**310**	310
Deferred income taxes	**(2,418)**	(3,581)
Changes in assets and liabilities:		
Inventories	**726**	5,642
Accounts receivable	**1,961**	3,536
Trade accounts payable	**568**	(5,959)
Other	**1,673**	(5,724)
Net cash provided by operating activities	**29,688**	25,730
Investing activities		
Change in cash held in escrow	**—**	2,000
Payment of contingent earn-out	**(300)**	(2,000)
Capital expenditures	**(1,377)**	(1,675)
Net cash used in investing activities	**(1,677)**	(1,675)
Financing activities		
Changes in overdraft	**351**	(3,607)
Payment of debt	**(657)**	(16,614)
Incremental term loan	**40,000**	—
Dividend	**(66,000)**	—
Other	**(208)**	(776)
Net cash used in financing activities	**(26,514)**	(20,997)
Net increase in cash	**1,497**	3,058
Cash at beginning of period	**29,827**	26,769
Cash at end of period	**$ 31,324**	$ 29,827
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	**$ 7,720**	$ 10,647
Income taxes	**$ 10,263**	$ 18,880

See accompanying notes.

1. Business, Acquisition and Basis of Presentation

Business and Acquisition

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, specialty and clad metals, and engineered plastic components and also provides surface finishing technologies to its customers, primarily in the medical/surgical, energy management and transportation markets.

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.

Subsequent to the Company's fiscal year end, on March 17, 2014, the Company acquired certain assets and assumed certain liabilities of Connecticut Plastics, Inc., for $14,000. Connecticut Plastics is a leader and innovator of plastic machining and polishing, headquartered in Wallingford, Connecticut. As the acquisition took place subsequent to year end, the Company has not completed the purchase price allocation as the third-party valuations of certain acquired assets of Connecticut Plastics, Inc. have not been finalized.

2. Summary of Significant Accounting Policies and Practices

Principles of Consolidation

All significant intercompany balances and transactions have been eliminated in consolidation.

The consolidation comprised the following entities:

1. Precision Engineered Products Holdings, Inc. – Attleboro, Massachusetts, USA

2. Precision Engineered Products LLC – Attleboro, Massachusetts, USA
3. Brainin-Advance Industries LLC – Attleboro, Massachusetts, USA

2. Summary of Significant Accounting Policies and Practices (continued)

4. Brainin (Foshan) Precision Engineered Products Co., Ltd (Brainin – China). – Foshan City, China
5. Brainin de Mexico, S.A. de C.V. (Brainin – Mexico) – Naucalpan, Mexico
6. Polymetallurgical LLC (a/d/b/a Brainin-Advance Industries) – North Attleboro, Massachusetts, USA
7. Lacey Manufacturing Company LLC (a/d/b/a BE-ST & Connecticut Plastics) – Bridgeport, Connecticut, USA
8. Wauconda Tool & Engineering LLC – Algonquin, Illinois, USA
9. General Metal Finishing LLC – Attleboro, Massachusetts, USA
10. Matrix Incorporated LLC (a/d/b/a MicroPEP) – East Providence, Rhode Island, USA

Estimates

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual amounts could differ from those estimates.

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, 2013 and 2012.

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.

2. Summary of Significant Accounting Policies and Practices (continued)

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 approximately $6,799 and $5,603 for the year ended December 31, 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. The majority of 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.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method.

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 acquired assets and assumed liabilities in order to determine the final 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.

2. Summary of Significant Accounting Policies and Practices (continued)

The Company elected to adopt Accounting Standards Update (ASU) No. 2014-02 (the alternative) (ASU 2014-02) during the current year. ASU 2014-02 allows private companies to elect to amortize goodwill on a straight-line basis over ten years and perform a simpler one-step impairment test at either the entity level or the reporting unit level. Accordingly, the Company began amortizing its acquired goodwill from past acquisitions over a ten year period effective January 1, 2013 and recorded amortization expense of $13,667 for the year ended December 31, 2013. Amortization expense for each of the five succeeding fiscal years is expected to be $13,667. Further, the Company has evaluated the carrying value of goodwill and determined that no impairment existed at its annual evaluation dates at December 31, 2013 and 2012.

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, 2013 and 2012.

The Company reviews long-lived assets for impairment, in accordance with the applicable accounting guidance. If facts and circumstances indicate that the Company’s long-lived assets might be impaired, the estimated future undiscounted cash flows associated with the long-lived asset would be compared to its carrying amount to determine if a write-down to fair value is necessary. If a write-down is required, the amount is determined by estimation of the present value of net discounted cash flows in accordance with applicable accounting guidance. 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.

Derivatives

The guidance for the accounting of derivatives and hedging transactions requires that all derivative instruments be recognized on the balance sheet at fair value. In addition, it establishes criteria for designation and effectiveness of hedging relationships. Changes in the fair value of derivative financial instruments are either recognized periodically in the statements of income or in shareholder’s equity as a component of accumulated other comprehensive income, depending on whether the derivative financial instrument qualifies for hedge accounting, and, if so, whether it qualifies as a fair value hedge or cash flow hedge.

(In thousands, Except Per Unit Amounts)

2. Summary of Significant Accounting Policies and Practices (continued)

In 2011, the Company entered into an interest-rate cap agreement to reduce exposure to interest rate fluctuations. The cap does not qualify for hedge accounting pursuant to applicable accounting guidance, and accordingly, any mark-to-market fair value adjustments on the derivative instrument will be recorded on the consolidated balance sheets with changes being recorded through the consolidated statements of income. The fair value of the interest-rate cap and the related mark-to-market adjustment for the year ended December 31, 2013 and 2012 was not material. The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

Share-Based Compensation

The guidance for the accounting of share-based payments requires that new, modified and unvested unit-based or 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 11.

3. Inventories

Components of inventories are as follows at December 31:

	2013	**2012**
Raw materials	**$ 9,557**	$ 9,935
Work in process	**3,848**	4,421
Finished goods	**8,414**	8,189
Total inventories	**$21,819**	$22,545

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, 2013 and 2012, the Company has $8,444 and $11,553 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.

(In thousands, Except Per Unit Amounts)

4. Property, Plant and Equipment

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

	2013	2012	Estimated Lives
Land, building and improvements	**$ 21,865**	$ 21,875	0-24
Machinery and equipment	**25,616**	23,808	2-12
Furniture and fixtures and other	**3,377**	3,798	2-8
	50,858	49,481	
Less accumulated depreciation	**(18,596)**	(14,801)	
	$ 32,262	$ 34,680	

5. Leases

The Company has several non-cancelable operating leases with renewal options, primarily for buildings. In 2013 and 2012, rental expense for operating leases was $983 and $969, respectively.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2013 are:

2014	$ 899
2015	431
2016	325
2017	286
2018	182
Thereafter	144
Total minimum lease payments	$2,267

(In thousands, Except Per Unit Amounts)

6. Goodwill, Intangible Assets and Deferred Financing Costs

Goodwill

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

Balance at December 31, 2012	$136,674
Amortization expense	(13,667)
Balance at December 31, 2013	$123,007

6. Goodwill, Intangible Assets and Deferred Financing Costs (continued)

The total amount of goodwill that is expected to be deductible for tax purposes at December 31, 2013 is approximately $3,968.

Intangible Assets and Deferred Financing Costs

Intangibles and related amortization at December 31 are as follows:

2013	**Gross**	**Accumulated Amortization**	**Net**	**Estimated Lives**
Trade names	**$ 25,215**	**$ —**	**$ 25,215**	**Indefinite**
Business process	**22,585**	**(6,569)**	**16,016**	**20**
Customer relationships	**106,261**	**(17,170)**	**89,091**	**25**
Deferred financing costs	**7,150**	**(4,001)**	**3,149**	**6**
	$161,211	**$ (27,740)**	**$133,471**	

2012	**Gross**	**Accumulated Amortization**	**Net**	**Estimated Lives**
Trade names	$ 25,215	$ —	$ 25,215	Indefinite
Business process	22,585	(4,604)	17,981	20
Customer relationships	106,240	(11,692)	94,548	25
Deferred financing costs	6,335	(2,975)	3,360	6
	$160,375	$ (19,271)	$141,104	

(In thousands, Except Per Unit Amounts)

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

2014	$21,811
2015	21,499
2016	21,159
2017	19,897
2018	19,645

6. Goodwill, Intangible Assets and Deferred Financing Costs (continued)

The weighted-average amortization period as of December 31, 2013, by intangible asset class, is presented in the table below:

Intangible Asset Class	Average Amortization Period (in years)
Trade names	Indefinite
Business process	17
Customer relationships	22
Deferred financing costs	3

7. Debt

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

	2013	2012
Term loan	**$178,129**	$138,786
Less amounts due within one year	**(15,971)**	(657)
	162,158	$138,129
Revolver	**$ —**	$ —

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. The term loan was priced at London Interbank Offered Rate (LIBOR) plus 400 basis points (bps), with a 1.5% LIBOR floor and a step down to LIBOR plus 375 bps, with a 1.5% LIBOR floor, if the consolidated leverage ratio is 2.75 times or less. In September 2012, the Company entered into an amendment which lowered the spread and the related LIBOR floor on this credit facility. As a result of this amendment, the term loan was re-priced to 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

7. Debt (continued)

if total leverage is greater than 2.0 times. The weighted-average interest rates during 2013 and 2012 were approximately 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, 2013 and 2012, includes a $12,000 sublimit for letters of credit and a $5,000 sublimit for swing line loans. The unused fee on the revolving credit facility is 50 bps, which would reduce to 37.5 bps if the leverage ratio is 2.75 times or less.

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. 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. During fiscal 2012, the Company voluntarily prepaid mandatory principal payments on the term loan for future periods of $7,500. No such payments were made in 2013. In accordance with the Credit Agreement, this voluntary prepayment of the mandatory principal payments in fiscal 2012 for the future periods reduced the mandatory principal payments in each of the years from 2013 through 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 approximately $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 fiscal 2013. The amended debt agreement also modified the Company's financial covenant as it relates to the consolidated leverage ratio.

7. Debt (continued)

The Company did not make any voluntary principal payments on the term loan in 2013, aside from the mandatory principal payments made during the year. 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, due in May 2014 has been estimated at $14,290 and is included in the current portion of long-term debt on the consolidated balance sheet. In 2013 the Company incurred interest expense relating to the term loan of $7,726 and interest expense relating to deferred financing fees of $1,026.

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, 2013.

Future Payments

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

2014	$ 15,971
2015	1,681
2016	160,477
	$178,129

8. 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.

(In thousands, Except Per Unit Amounts)

8. Income Taxes (continued)

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

	2013	2012
Current:		
Federal	**$ 8,795**	$10,657
State	**2,194**	2,761
Foreign	**581**	413
	11,570	13,831
Deferred:		
Federal	**(1,848)**	(3,040)
State	**(494)**	(541)
Foreign	**(76)**	—
	(2,418)	(3,581)
Total provision for income taxes	**$ 9,152**	$10,250

For the year ended December 31, 2013, the Company's effective tax rate is higher than the statutory rate primarily due to goodwill that is being amortized for financial reporting purposes that is not deductible for tax purposes. For the year ended December 31, 2012, the Company's effective tax rate is higher than the statutory rate primarily due to the impact of state income taxes offset by the domestic manufacturing deductions.

The Company and its subsidiaries file income tax returns in U.S federal, state and foreign jurisdictions.

(In thousands, Except Per Unit Amounts)

8. Income Taxes (continued)

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

	2013	2012
Deferred tax assets:		
Allowance for doubtful accounts	**$ 195**	$ 179
Inventory reserves	**691**	512
Accrued expenses	**1,187**	999
Foreign tax credits	**563**	—
Total deferred tax assets	**2,636**	1,690
Valuation allowance	**(563)**	—
Net deferred tax assets	**2,073**	1,690
Deferred tax liabilities:		
Intangibles	**(47,456)**	(49,218)
Fixed assets	**(4,611)**	(4,886)
Total deferred tax liabilities	**$(52,067)**	$(54,104)
Total net deferred tax liabilities	**$(49,994)**	$(52,414)

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. The Company accounts for interest and penalties related to uncertain tax positions as part of its provision for income taxes that amounted to $38 and $89 for the year ended December 31, 2013 and 2012, respectively. The Company has $10 and $126 accrued for interest and penalties at December 31, 2013 and 2012, respectively.

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, 2013, the Company has not provided deferred U.S. income taxes on $3,183 of unremitted earnings.

9. Related-Party Transactions

Leases

The Company's headquarters building is leased from a related party. Rent expense amounted to approximately $100 for the years ended December 31, 2013 and 2012, respectively, 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. Pursuant to this agreement, the Company pays a management fee of approximately $500 to both The Jordan Company and Nautic Partners, for a total of $1,000 annually. At December 31, 2012, accrued management fees of $125 are included in other current liabilities. The management fees are included in other expenses. All management fees were paid in full as of December 31, 2013.

10. Pension and Other Postretirement Benefits

401(k) Defined Contribution Plan

The Company has a defined contribution 401(k) savings plan which 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 $632 and $664 for the year ended December 31, 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 $200 and $198 for the year ended December 31, 2013 and 2012, respectively.

11. Shareholder's Equity

The Company has 100 shares of common stock, all of which are authorized, issued and outstanding at December 31, 2013 and 2012. 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, 2013 and 2012.

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.

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

- ***Class B Units***. As of December 31, 2013 and 2012, 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, 2013 and 2012, there were 2,861,735 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 Practice Aid on 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

11. Shareholder's Equity (continued)

impact on the Tier 1 Promote Units. The most likely exit event for the Tier 1 Promote Units would be either an 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 Practice Aid on 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, 2013 and 2012. The unrecognized compensation expense pertaining to the unvested Tier 1 Promote Units at December 31, 2013 is approximately $500 and will be recognized over a weighted-average period of 2 years. The number of Tier 1 Promote Units that vested during the year ended December 31, 2013 and December 31, 2012 were 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, 2013 and 2012, there were 459,717 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, 2013 and 2012.
- ***Tier 3 Promote Units***. At December 31, 2013 and 2012, there were 238,268 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 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 LLC 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, 2013 and 2012.

12. Fair Value of Financial Instruments

Cash and Cash Equivalents

The fair value amounts of cash and cash equivalents approximate the carrying amounts on the consolidated balance sheet date due to the short-term maturities of these instruments.

Debt

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.

13. Subsequent Events

On March 17, 2014, the Company acquired certain assets and assumed certain liabilities of Connecticut Plastics, Inc., for $14,000. Connecticut Plastics is a leader and innovator of plastic machining and polishing, headquartered in Wallingford, Connecticut. Aside from the above mentioned subsequent event, there were no events subsequent to December 31, 2013, and through the consolidated financial statement issuance date of May 1, 2014, that would have a material effect on our consolidated financial statements as of December 31, 2013, or are of such significance that would require mention as a subsequent event in order to make the consolidated financial statements not misleading.