

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended SEPTEMBER 30, 1997

OR

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

For the transition period from _____ to _____

Commission File Number 0-23486

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

DELAWARE
(State or other jurisdiction of
incorporation or organization)

62-1096725
(I.R.S. Employer
Identification Number)

800 TENNESSEE ROAD
ERWIN, TENNESSEE 37650
(Address of principal executive offices, including zip code)

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

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

As of November 12, 1997 there were 14,804,271 shares of the registrant's common
stock, par value \$0.01 per share, outstanding.

NN BALL & ROLLER, INC.

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PART I. FINANCIAL INFORMATION

NN BALL & ROLLER, INC.
 CONDENSED STATEMENTS OF INCOME
 (UNAUDITED)

THOUSANDS OF DOLLARS, EXCEPT PER SHARE DATA	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1996	1997	1996
Net sales	\$ 17,231	\$ 16,558	\$ 58,514	\$ 65,477
Cost of goods sold	12,386	10,828	40,531	43,759
Gross profit	4,845	5,730	17,983	21,718
Selling, general and administrative	1,519	1,263	4,051	3,527
Depreciation	1,060	826	3,164	2,530
Income from operations	2,266	3,641	10,768	15,661
Interest expense	2	87	21	274
Income before provision for income taxes	2,264	3,554	10,747	15,387
Provision for income taxes	965	1,359	4,077	5,440
Net income	\$ 1,299	\$ 2,195	\$ 6,670	\$ 9,947
Net income per common share:	\$ 0.09	\$ 0.15	\$ 0.45	\$ 0.66
Weighted average number of shares outstanding	14,811,381	14,961,082	14,805,067	15,072,547

SEE ACCOMPANYING NOTES.

NN BALL & ROLLER, INC.
CONDENSED BALANCE SHEETS

THOUSANDS OF DOLLARS	SEPTEMBER 30, 1997 (UNAUDITED)	DECEMBER 31, 1996
<hr style="border-top: 1px dashed black;"/>		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,875	\$ --
Accounts receivable, net	12,362	15,754
Inventories, net (Note 2)	10,788	10,408
Income taxes refundable	329	--
Other current assets	1,220	565
	-----	-----
Total current assets	26,574	26,727
Property, plant and equipment, net	36,143	32,419
Other	102	146
	=====	=====
Total assets	\$ 62,819	\$ 59,292
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,920	\$ 4,054
Revolving credit facility	--	2,308
Accrued vacation expense	474	370
Income taxes payable	--	96
Other current liabilities	2,600	1,546
	-----	-----
Total current liabilities	7,994	8,374
Deferred income taxes	2,208	2,208
	-----	-----
Total liabilities	10,202	10,582
Total stockholders' equity	52,617	48,710
	-----	-----
Total liabilities and stockholders' equity	\$ 62,819	\$ 59,292
	=====	=====

SEE ACCOMPANYING NOTES.

NN BALL & ROLLER, INC.
CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

THOUSANDS OF DOLLARS	COMMON STOCK NUMBER OF SHARES	PAR VALUE	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS (DEFICIT)	FOREIGN CURRENCY TRANSLATION	TOTAL
Balance, January 1, 1996	14,473	\$ 144	\$ 25,289	\$ 13,785	\$ -	\$ 39,218
Net income				9,947		9,947
Dividends				(3,497)		(3,497)
Stock options exercised (Note 3)	156	2	1,694			1,696
	=====	=====	=====	=====	=====	=====
Balance, September 30, 1996	14,629	\$ 146	\$ 26,983	\$ 20,235	\$ -	\$ 47,364
	=====	=====	=====	=====	=====	=====
Balance, January 1, 1997	14,629	\$ 146	\$ 26,983	\$ 21,581	\$ -	\$ 48,710
Net income				6,670		6,670
Dividends				(3,520)		(3,520)
Stock options exercised (Note 3)	361	4	2,918			2,922
Stock repurchased	(186)	(1)	(2,123)			(2,124)
Cummulative currency translation					(41)	(41)
	-----	-----	-----	-----	=====	-----
Balance, September 30, 1997	14,804	\$ 149	\$ 27,778	\$ 24,731	\$ (41)	\$ 52,617
	=====	=====	=====	=====	=====	=====

SEE ACCOMPANYING NOTES.

NN BALL & ROLLER, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

THOUSANDS OF DOLLARS	NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1996
OPERATING ACTIVITIES:		
Net income	\$ 6,670	\$ 9,947
Adjustments to reconcile net income:		
Depreciation	3,164	2,530
Changes in operating assets and liabilities:		
Accounts receivable	3,392	2,250
Inventories	(380)	(1,420)
Income taxes	(425)	(196)
Other current assets	(655)	(376)
Accounts payable	866	(4,284)
Other liabilities	1,158	1,210
	13,790	9,661
Net cash provided by operating activities		
INVESTING ACTIVITIES:		
Acquisition of plant, property, and equipment	(6,888)	(7,522)
Other assets	44	10
	(6,844)	(7,512)
Net cash used by investing activities		
FINANCING ACTIVITIES:		
Payments under revolving credit facility	(2,308)	(348)
Dividends	(3,520)	(3,497)
Stock options exercised (Note 3)	2,922	1,696
Stock repurchased	(2,124)	--
Cummulative effect of currency translation	(41)	--
	(5,071)	(2,149)
Net cash (used) provided by financing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,875	--
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	--	--
	=====	=====
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 1,875	\$ --
	=====	=====

SEE ACCOMPANYING NOTES.

NN BALL & ROLLER, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS

NOTE 1. INTERIM FINANCIAL STATEMENTS

The accompanying condensed financial statements of NN Ball & Roller, Inc. have not been audited by independent accountants, except for the balance sheet at December 31, 1996. In the opinion of the Company's management, the financial statements reflect all adjustments necessary to present fairly the results of operations for the three and nine month periods ended September 30, 1997 and 1996, the Company's financial position at September 30, 1997 and December 31, 1996, and the cash flows for the nine month periods ended September 30, 1997 and 1996. These adjustments, except for the adjustments described below in Note 2, are of a normal recurring nature, and are, in the opinion of management, necessary for fair presentation of the financial position and operating results for the interim periods.

In February 1997, the FASB issued Statement No. 128 "Earnings Per Share" (FAS 128), which requires the computation and presentation of earnings per share (EPS) for entities with publicly held common stock or potential common stock. FAS 128 requires (a) presentation of basic and diluted EPS, if applicable, on the face of the income statement and (b) reconciliation of the numerator and denominator for each basic EPS computation and the numerator and denominator of each diluted EPS computation. FAS 128 is effective for financial statements for both interim and annual periods ending after December 15, 1997. The Company will adopt FAS 128 in the fourth quarter of 1997. Had FAS 128 been effective for the third quarter of 1997, basic and diluted EPS would have been \$0.09 for the three months ended September 30, 1997, and \$0.15 for the three months ended September 30, 1996. Basic and diluted EPS would have been \$0.45 for the nine months ended September 30, 1997 and \$0.68 and \$0.66 respectively, for the nine months ended September 1996.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from the interim financial statements presented in this Quarterly Report on Form 10-Q.

The results for the first three quarters of 1997 are not necessarily indicative of future results.

NOTE 2. INVENTORIES

Inventories are stated at the lower of cost or market, with cost being determined by the first-in, first-out method.

Inventories are comprised of the following (in thousands):

	SEPTEMBER 30, 1997 (UNAUDITED)	DECEMBER 31, 1996
	-----	-----
Raw materials	\$ 1,360	\$ 1,452
Work in process	2,308	2,586
Finished goods	7,180	6,430
	-----	-----
	10,848	10,468
Less - Reserve for excess and obsolete inventory	60	60
	=====	=====
	\$ 10,788	\$ 10,408
	=====	=====

NOTE 3. STOCK OPTIONS EXERCISED

During the first nine months of 1997, certain employees exercised options to purchase the Company's common stock under the Company's Stock Incentive Plan. Options to purchase 358,404 shares were exercised at \$6.22 per share, options to purchase 1,125 shares were exercised at \$9.39 per share and options to purchase 1,500 shares were exercised at \$11.50 per share.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 1997 COMPARED TO THE THREE MONTHS ENDED
SEPTEMBER 30, 1996

Net Sales. Net sales increased by approximately \$673,000, or 4.1%, from \$16.6 million for the third quarter of 1996 to \$17.3 million for the third quarter of 1997. Although net sales in the third quarter of 1997 were marginally better than sales for the comparable period in 1996, the Company's current growth prospects continue to reflect weaker business conditions impacting a Korean customer, the fact that captive producers are ceasing to increase the outsourcing of ball production, the continuing strengthening of the U.S. dollar against foreign currencies, and an increasingly competitive marketplace. Foreign sales increased \$949,000, or 14.1%, from \$6.7 million in the third quarter of 1996 to \$7.7 million during the third quarter of 1997. The increase in foreign sales was due primarily to improved economic conditions in Europe. Also, sales in the third quarter of 1996 were negatively impacted by the over-building of inventories by customers in the first half of 1996. Similar over-building did not occur in the first half of 1997. Domestic sales decreased \$276,000, or 2.8%, from \$9.8 million in the third quarter of 1996 to \$9.6 million in the third quarter of 1997. This decrease was due primarily to decreased sales to one customer. With respect to 1998, according to preliminary estimates, which are subject to change, and taking into account both the negative factors that are driving the Company's short-term outlook as well as the commitments for increased roller production, the Company anticipates net sales will approximate \$81 million.

Gross Profit. Gross profit decreased \$885,000, or 15.4%, from \$5.7 million for the third quarter of 1996 to \$4.8 million for the third quarter of 1997. As a percentage of net sales, gross profit decreased from 34.6% in the third quarter of 1996 to 28.1% for the same period in 1997. This decrease is due primarily to costs related to the new facility start-up in Ireland and increased costs associated with excess capacity. Additionally, in the third quarter of 1996, the Company recorded \$300,000 of duty drawback associated with 1995 imports of raw material which had not been previously recorded. This amount is an offset to export fees paid.

Selling, General and Administrative. Selling, general and administrative expenses increased by 20.3%, from \$1.3 million in the third quarter of 1996 to \$1.5 million in the third quarter of 1997. This increase was due primarily to increased travel, legal, accounting and employee relocation expenses related to the Ireland facility start-up as well as increased legal and consulting expenses related to potential acquisitions and the Company's current strategic development process. As a percentage of net sales, selling, general and administrative expenses increased from 7.6% for the third quarter of 1996 to 8.8% for the same period in 1997.

Depreciation. Depreciation expense increased from \$826,000 for the third quarter of 1996 to \$1.1 million for the same period in 1997. This increase was due primarily to purchases of capital equipment. Also, new assets added in 1996 related to the new Mountain City facility were depreciated utilizing the half-year convention in the prior year versus a full year of depreciation taken during the current year. As a percentage of net sales, depreciation expense increased from 5.0% for in the third quarter of 1996 to 6.2% in the third quarter of 1997.

Net Income. Net income decreased by \$896,000, or 40.8%, from \$2.2 million for the third quarter of 1996 to \$1.3 million for the same period in 1997. As a percentage of net sales, net income decreased from 13.3% in the third quarter of 1996 to 7.5% for the third quarter of 1997. This decrease in net income as a percentage of net sales was due primarily to costs associated with the new Ireland facility start-up, excess capacity at the Company's plants, increased selling, general and administrative expenses and the increased

depreciation expenses discussed above. In addition, the Company increased the provision for income taxes due to the decrease in foreign sales as a percentage of total sales and the anticipated decrease in the level of tax benefit from the Company's participation in a shared foreign sales corporation.

NINE MONTHS ENDED SEPTEMBER 30, 1997 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 1996

Net Sales. Net sales decreased by approximately \$7.0 million, or 10.6%, from \$65.5 million for the first nine months of 1996 to \$58.5 million for the same period in 1997. Foreign sales decreased \$5.5 million, or 16.7%, from \$32.8 million in the first nine months of 1996 to \$27.3 million during the same period of 1997. This decrease was due primarily to a slowing in the overall rate of outsourcing of captive production by the Company's customers (including, as previously announced by the Company, one of the Company's major customers bringing in house a portion of its business that was previously outsourced to the Company) and general economic conditions in Europe. Domestic sales decreased \$1.5 million, or 4.6%, from \$32.7 million in the first nine months of 1996 to \$31.2 million in the same period of 1997. This decrease was due primarily to decreased sales to one customer.

Gross Profit. Gross profit decreased \$3.7 million, or 17.2%, from \$21.7 million for the first nine months of 1996 to \$18.0 million for the same period of 1997. As a percentage of net sales, gross profit decreased from 33.2% in the first nine months of 1996 to 30.7% in the same period of 1997. This decrease is due primarily to costs related to the new facility start-up in Ireland and increased costs associated with excess capacity. Additionally, in the third quarter of 1996, the Company recorded \$300,000 of duty drawback associated with 1995 imports of raw material which had not been previously recorded. This amount is an offset to export fees paid.

Selling, General and Administrative. Selling, general and administrative expenses increased by \$524,000, or 14.9%, from \$3.5 million in the first nine months of 1996 to \$4.1 million in the same period of 1997. This increase was due primarily to increased travel, legal, accounting and employee relocation expenses related to the Ireland facility start-up as well as increased legal and consulting expenses related to potential acquisitions and the Company's current strategic development process. As a percentage of net sales, selling, general and administrative expenses increased from 5.4% in the first nine months of 1996 to 6.9% for the same period in 1997.

Depreciation. Depreciation expense increased from \$2.5 million for the first nine months of 1996 to \$3.2 million for the same period in 1997. This increase was due primarily to purchases of capital equipment. Also, new assets added in 1996 related to the new Mountain City facility were depreciated utilizing the half-year convention in the prior year versus a full year of depreciation taken during the current year. As a percentage of net sales, depreciation expense increased from 3.9% for the first nine months of 1996 to 5.4% for the same period in 1997.

Net Income. Net income decreased by \$3.3 million, or 32.9%, from \$9.9 million for the first nine months of 1996 to \$6.7 million for the same period for 1997. As a percentage of net sales, net income decreased from 15.2% for the first nine months of 1996 to 11.4% for the same period for 1997. This decrease in net income as a percentage of net sales was due primarily to costs associated with the new Ireland facility start-up, excess capacity at the Company's plants, increased selling, general and administrative expenses and the increased depreciation expenses discussed above. In addition, the Company increased the provision for income taxes due to the decrease in foreign sales as a percentage of total sales and the anticipated decrease in the level of tax benefit from the Company's participation in a shared foreign sales corporation.

LIQUIDITY AND CAPITAL RESOURCES

In July 1997, the Company terminated its \$10.0 million revolving credit facility and entered into a loan agreement with First American National Bank ("First American"). This loan agreement provides for a revolving credit facility of up to \$25 million, which will expire on June 30, 2000.

Amounts outstanding under the revolving facility are unsecured and bear interest at a floating rate equal to, at the Company's option, either LIBOR plus 0.65% or the Fed Funds effective rate plus 1.5%. The loan agreement contains customary financial and operating restrictions on the Company, including covenants restricting the Company, without First American's consent, from incurring additional indebtedness from, or pledging any of its assets to, other lenders and from disposing of a substantial portion of its assets. In addition, the Company is prohibited from declaring any dividend if a default exists under the revolving credit facility at the time of, or would occur as a result of, such declaration. The loan agreement also contains customary financial covenants with respect to the Company, including a covenant that the Company's earnings will not decrease in any year by more than fifty percent of earnings in the Company's immediately preceding fiscal year. The Company, as of November 12, 1997, was in compliance with all such covenants.

The Company's arrangements with its domestic customers typically provide that payments are due within 30 days following the date of the Company's shipment of goods, while arrangements with foreign customers (other than foreign customers that have entered into an inventory management program with the Company) generally provide that payments are due within either 90 or 120 days following the date of shipment. Under the Company's inventory management program, payments typically are due within 30 days after the product is used by the customer. Due to the continuing expansion of the Company's foreign sales, management believes that the Company's working capital requirements will increase as a result of longer payment terms provided to foreign customers. The Company's net sales historically have not been of a seasonal nature. However, as foreign sales have increased as a percentage of total sales, seasonality has become a factor for the Company in that many foreign customers cease production during the month of August.

Currently, all foreign sales are billed and paid for in United States dollars. To date, the Company has not been materially adversely affected by currency fluctuations or foreign exchange restrictions, although a strengthening of the US dollar against foreign currencies could impair the ability of the Company to compete with international based competitors for foreign as well as domestic sales. The Company is expected to commence production and shipment of goods from its Kilkenny, Ireland facility in the fourth quarter of 1997. It is expected that goods sold from this facility will be billed and paid for in the customer's local currency, as opposed to U. S. dollars. As a result of these sales, the Company's foreign exchange risk will increase. The Company is currently considering various strategies to manage this risk.

Working capital, which consists principally of cash and cash equivalents, accounts receivable and inventories was \$18.6 million at September 30, 1997 as compared to \$18.4 million at December 31, 1996. The ratio of current assets to current liabilities increased slightly to 3.3:1 at September 30, 1997 from 3.2:1 at December 31, 1996. Cash flow from operations increased from \$9.7 million during the first nine months 1996 to \$13.8 million during the first nine months of 1997. This increase was primarily attributed to the decrease in accounts receivable of \$3.4 million and an increase in accounts payable of \$866,000 and \$1.2 million in other liabilities.

During 1997, the Company plans to spend approximately \$10.0 million on capital expenditures (of which \$6.9 million has been spent through September 30, 1997). Of the \$6.9 million spent through September 30, approximately \$3.9 million was spent on the purchase and renovation of, and installation of new equipment for the Ireland facility. Production is anticipated to begin at this facility in the fourth quarter of 1997. Capital expenditures in the fourth quarter will be made for the further renovation of the Kilkenny facility and the purchase of additional machinery and equipment for all four of the Company's facilities. The Company intends to finance these activities with cash generated from operations and funds available

under the credit facility described above. The Company believes that funds generated from operations and borrowings from the credit facility will be sufficient to finance the Company's working capital needs and projected capital expenditure requirements through December 1997.

CAUTIONARY STATEMENTS FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The Company wishes to caution readers that this report contains, and future filings by the Company, press releases and oral statements made by the Company's authorized representatives may contain, forward looking statements that involve certain risks and uncertainties. The Company's actual results could differ materially from those expressed in such forward looking statements due to important factors bearing on the Company's business, many of which already have been discussed in this filing and in the Company's prior filings.

The following paragraphs discuss the risk factors the Company regards as the most significant, although the Company wishes to caution that other factors that are currently not considered significant or that currently cannot be foreseen may in the future prove to be important in affecting the Company's results of operations. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

Industry Risks. The precision ball and roller industry is cyclical and tends to decline in response to overall declines in industrial production. The Company's sales in the past have been negatively affected, and in the future very likely would be negatively affected, by adverse conditions in the industrial production sector of the economy or by adverse global or national economic conditions generally.

Competition. The precision ball and roller market is highly competitive, and many of the ball and roller manufacturers in the market are larger and have substantially greater resources than the Company. The Company's competitors are continuously exploring and implementing improvements in technology and manufacturing processes in order to improve product quality, and the Company's ability to remain competitive will depend, among other things, on whether it is able, in a cost effective manner, to keep pace with such quality improvements. In addition, the Company competes with many of its customers that, in addition to producing bearings, also internally produce balls and rollers for sale to third parties. The Company faces a risk that its customers will decide to produce balls and rollers internally rather than outsourcing their needs to the Company.

Rapid Growth. The Company has significantly expanded its production facilities and capacity over the last several years, and during the third quarter of 1997 purchased an additional manufacturing plant in Kilkenny, Ireland. The Company currently is not operating at full capacity and faces risks of further under-utilization or inefficient utilization of its production facilities in future years. The Company also faces risks associated with start-up expenses, inefficiencies, delays and increased depreciation costs associated with its plant expansions.

Raw Material Shortages. Because the balls and rollers manufactured by the Company have highly-specialized applications, their production requires the use of very particular types of steel. Due to quality constraints, the Company obtains the majority of its steel from overseas suppliers. Steel shortages or transportation problems, particularly with respect to 52100 Steel, could have a detrimental effect on the Company's business.

Risks Associated with International Trade. Because the Company obtains a majority of its raw materials from overseas suppliers and sells to a large number of international customers, the Company faces risks associated with (i) adverse foreign currency fluctuations, (ii) changes in trade, monetary and fiscal policies, laws and regulations, and other activities of governments, agencies and similar organizations, (iii) the imposition of trade restrictions or prohibitions, (iv) the imposition of import or other duties or taxes,

and (v) unstable governments or legal systems in countries in which the Company's suppliers and customers are located. Currently, all foreign sales are billed and paid for in United States dollars. An increase in the value of the United States dollar relative to foreign currencies may adversely affect the ability of the Company to compete with its foreign-based competitors for international as well as domestic sales.

Dependence on Major Customers. During 1996, the Company's ten largest customers accounted for approximately 78% of its net sales. Sales to various US and foreign divisions of SKF, which is one of the largest bearing manufacturers in the world, accounted for approximately 37% of net sales in 1996, and sales to FAG accounted for approximately 10% of net sales. None of the Company's other customers accounted for more than 10% of its net sales in 1996, but sales to three of its customers each represented more than 5% of the Company's 1996 net sales. The loss of all or a substantial portion of sales to these customers would have a material adverse effect on the Company's business.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits Required by Item 601 of Regulation S-K

Exhibit Number	Description
10.14	Employment Agreement, dated August 1, 1997, between the Company and Roderick R. Baty
10.15	Severance Agreement, dated August 28, 1997, between the Company and James J. Mitchell
27	EDGAR Financial Data Schedules (for SEC use only).

(b) No reports on Form 8-K were filed during the quarter ended September 30, 1997

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 thereunto duly authorized.

NN Ball & Roller, Inc.

(Registrant)

Date: November 12, 1997

/s/ Roderick R. Baty

Roderick R. Baty, President
and Chief Executive
Officer
(Duly Authorized Officer)

Date: November 12, 1997

/s/ William C. Kelly, Jr.

William C. Kelly, Jr.,
Treasurer, Assistant Secretary
and
Chief Accounting Officer
(Principal Financial and
Accounting Officer)
(Duly Authorized Officer)

INDEX TO EXHIBITS

Exhibit Number	Description
10.14	Employment Agreement, dated August 1, 1997, between the Company and Roderick R. Baty
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27	EDGAR Financial Data Schedules (for SEC use only).

EMPLOYMENT AGREEMENT

This AGREEMENT is made as of August 1, 1997, by and between NN Ball & Roller, Inc., a Delaware corporation, having its principal place of business located at 800 Tennessee Road, Erwin, Tennessee 37650 (the "Company") and Roderick R. Baty (the "Executive").

W I T N E S S E T H :

WHEREAS, the Company's Board of Directors (the "Board") has determined that it is in the best interest of the Company and its shareholders to employ the Executive as President and Chief Executive Officer of the Company and the Executive desires to serve in that capacity;

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements of the parties herein contained, the parties hereto, intending to be legally bound, agree as follows:

1. Employment. The Company agrees to continue to employ the Executive and the Executive hereby agrees to continue to be employed for the period of time set forth in Paragraph 2, subject to the terms and conditions set forth herein.

2. Term. Subject to the terms hereof, Company agrees to employ the Executive for a period of two years commencing upon August 1, 1997 and expiring on July 31, 1999 (the "Employment Term") (unless sooner terminated as provided herein). The Employment Term shall be extended automatically from time to time, on a rolling basis, for additional one year periods, unless either party gives written notice of termination to the other at least six (6) months prior to the date that the Employment Term is scheduled to expire.

3. Position and Responsibilities. The Executive shall serve as the President and Chief Executive Officer of the Company, reporting only to the Board, and shall have supervision and control over, and responsibility for, the general management and operation of the Company. The Executive shall also have such other powers and duties as may from time to time be prescribed by the Board; provided, however, that such duties shall be consistent with the Executive's position as the senior executive officer in charge of the general management of the Company.

4. Diligence. Executive agrees to serve in the respective positions referred to in Paragraph 3 and to perform diligently the duties and services appertaining to each such office, as well as such additional duties and services appropriate to each such office which the parties mutually may agree upon from time to time.

5. Time. Executive agrees to devote his entire working time and efforts to the business and affairs of the Company and its affiliates and not to engage, directly or indirectly, in any other business or businesses, whether or not similar to that of the Company, except with the consent of the Board. The foregoing notwithstanding, the parties recognize and agree that Executive (i) may engage in personal investments, subject to any restrictions set forth in the Non-Competition and Confidentiality Agreement referenced in Paragraph 8 and (ii) subject to the prior consent of the Board, may serve on the board of directors of other companies, provided such service does not conflict with the business and affairs of the Company or interfere with Executive's performance of his duties hereunder.

7. Compensation.

(a) Salary. During the Employment Term, the Executive shall receive an annual salary of \$200,000 per year, which annual salary shall be subject to such increases as the Board in its sole discretion may from time to time determine (the "Annual Salary"). The Annual Salary shall be payable by the Company in accordance with its regular compensation policies and practices for paying executives.

(b) Expenses. During the term of his employment hereunder, the Executive shall be entitled to be reimbursed for all reasonable business expenses incurred by him in connection with his services hereunder, including but not limited to expenses for entertainment and travel, in accordance with the policies and procedures from time to time in effect for the Company's senior executive officers. The Company retains the right to establish limits on the types or amounts of business expenses that the Executive may incur.

(c) Employee Benefit Programs. The Executive shall be entitled to participate in all of the Company's employee benefit plans and programs (including life, disability, and health insurance plans and programs and savings plans and programs) to the extent his position, tenure, salary, age, health and other qualifications make him eligible to participate, subject to the rules and regulations applicable thereto. The Company retains the right to abolish or alter the terms of any employee benefit programs, plans or policies that it may establish, provided such abolition or amendment shall be applicable to the senior officers of the Company generally.

(d) Vacation and Other Absences. The Executive shall be entitled to the number of paid vacation days in each calendar year determined by the Company from time to time for its senior executive officers generally. The Executive shall also be entitled to all paid absences for holidays or illnesses in accordance with the Company's plans, policies or provisions applicable to senior executive employees.

8. Confidentiality and Non-Competition. As a material inducement to the Company entering into this Agreement, Executive hereby reconfirms and agrees to continue to be bound in all respects by the terms of that certain Non-Competition and Confidentiality

Agreement, dated December 5, 1995, between Executive and the Company, a copy of which is attached hereto as Exhibit A.

9. Termination of Employment.

(a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Term. The Company shall be entitled to terminate the Executive's employment because of the Executive's disability during the Employment Term if, as a result of the Executive's incapacity due to physical or mental illness (hereinafter "Disability"), the Executive shall have been absent from his duties hereunder for one hundred and twenty (120) days during any three hundred and sixty (360) day period.

(b) Termination by Company for Cause. (i) The Company may terminate the Executive's employment during the Employment Term for Cause. "Cause" means:

A. the failure of the Executive to perform the Executive's duties under this Agreement (other than as a result of physical or mental illness or injury), which failure, if correctable, and provided it does not constitute willful misconduct or gross negligence described in Subsection B below, remains uncorrected for 10 days following written notice to Executive by the Board of such breach;

B. willful misconduct or gross negligence by the Executive, in either case that results in material damage to the business or reputation of the Company;

C. a material breach by Executive of either this Agreement or that certain Non-Competition and Confidentiality Agreement referenced in Paragraph 8 which, if correctable, remains uncorrected for 10 days following written notice to Executive by the Board of such breach; or

D. the Executive is convicted of a felony or any other crime involving moral turpitude (whether or not in connection with the performance by Executive of his duties under this Agreement).

(c) Termination By Company Without Cause. The Company may terminate the employment of Executive under this Agreement for any reason at any time.

(d) Termination by Executive for Good Reason. (i) The Executive may terminate employment for Good Reason. "Good Reason" means:

A. assignment to the Executive of any duties inconsistent with Executive's position, duties, responsibilities, title or office, or any other action by the Company that results in a material diminution in the Executive's position, authority, duties or responsibilities, excluding in each case any assignment or action that is remedied by the Company within 10 days after receipt of notice thereof from the Executive; or

B. any material failure by the Company to comply with this Agreement, other than a failure that is remedied by the Company within 10 days after receipt of notice thereof from then Executive.

(e) Voluntary Termination by Executive Without Good Reason. Executive may at any time terminate his employment under this Agreement without Good Reason.

(f) Notice of Termination. If Company or Executive desires to terminate Executive's employment hereunder at any time, it or he shall do so by giving written notice to the other party (following the expiration of any applicable cure periods) that it or he has elected to terminate Executive's employment hereunder and stating the effective date and reason for such termination. Any termination by Executive of his employment without Good Reason shall be made on not less than 14 days' notice.

10. Effect of Termination.

(a) Voluntary Termination by Executive; Termination for Cause; Death or Disability. In the event that Executive's employment is terminated pursuant to Paragraphs 9(a), 9(b) or 9(e), on the date of termination, the Company shall be liable to Executive as follows:

(i) Executive shall be entitled to receive the Annual Salary due to him through the date of termination of his employment.

(ii) Any vested rights of Executive shall be paid to Executive in accordance with the Company's plans, programs or policies. Without limiting the foregoing, in the event of the termination of Executive's employment due to death or disability (Paragraph 9(a)), the rights and benefits of Executive (or his designated beneficiary or representatives, as applicable) under any Company life, health and long-term disability plans and policies shall be determined in accordance with the terms and provisions of such plans and policies.

(iii) The Company shall promptly reimburse Executive for any and all reimbursable business expenses (to the extent not already reimbursed) upon Executive's properly accounting for the same.

(b) Termination Without Cause; Termination by Executive for Good Reason. In the event that the Company terminates Executive's employment without Cause pursuant to Paragraph 9(c) or Executive terminates his employment with the Company pursuant to Paragraph 9(d), the Company shall be liable as follows:

(i) Executive shall be entitled to receive the Annual Salary due to him through the date of termination of his Employment. In addition, Executive shall be entitled to receive continued monthly payments of his a Annual Salary, based on the Annual Salary in effect, on the date of termination, until the first anniversary of the date of termination.

(ii) Any vested rights of Executive shall be paid to Executive in accordance with the Company's plans, programs or policies.

(iii) The Company shall promptly reimburse Executive for any and all reimbursable business expenses (to the extent not already reimbursed) upon Executive's properly accounting for the same.

(iv) Executive and/or the Executive's family shall be entitled to receive health benefits (as contemplated by Paragraph 7(c) hereof) until the first anniversary of the date of termination at least equal to those which would have been provided to them in accordance with this Agreement if Executive's employment had not been terminated provided that the Company's obligation to provide such benefits shall be reduced by any comparable benefits (or amounts received by Executive in respect thereof) received by Executive under the terms of new employment undertaken by Executive after termination and prior to the first anniversary of the date of termination; and provided further, that the terms of the Company's health insurance plans shall be subject to amendment during such period, to the extent that such amendments are applicable to the executive officers of the Company generally.

(c) Limit on Company Liability. Except as expressly set forth in this Paragraph 10, the Company shall have no obligation to Executive under this Agreement following a termination of Executive's employment with the Company. Without limiting the generality of the provision of the foregoing sentence, the Company shall not, following a termination of Executive's employment with the Company, have any obligation to provide any further benefit to Executive or make any further contribution for Executive's benefit except as provided in this Paragraph 10.

11. Company Proprietary Rights.

(a) Company to Retain Rights. Executive agrees that all right, title and interest of every kind and nature whatsoever in and to copyrights, patents, ideas, business or strategic plans and concepts, studies, presentations, creations, inventions, writings,

properties, discoveries and all other intellectual property conceived by Executive during the term of this Agreement and pertaining to or useful in or to (directly or indirectly) the activities of the Company (collectively, "Company Intellectual Property") shall become and remain the exclusive property of the Company, and Executive shall have no interest therein.

(b) Further Assurances. At the request of the Company, Executive shall, at the Company's expense but without additional consideration, execute such documents and perform such other acts as the Company may deem necessary or appropriate to vest in the Company or its designee such title as Executive may have to all Company Intellectual Property in which Executive may be able to claim any rights by virtue of his employment under this Agreement.

(c) Return of Material. Upon the termination of the Employment Term, including any termination of employment described in Paragraph 9, the Executive will promptly return to the Company all copies of information protected by Paragraph 11(a) hereof or by Paragraph 3(a) of the Non-Competition and Confidentiality Agreement referenced in Paragraph 8, which are in his possession, custody or control, whether prepared by him or others, and the Executive agrees that he shall not retain any of same.

12. Representation and Warranty of Executive. Executive represents and warrants to the Company that he is not now under any obligation, of a contractual nature or otherwise, to any person, partnership, company or corporation that is inconsistent or in conflict with this Agreement or which would prevent, limit or impair in any way the performance by him of his obligations hereunder.

13. Assignment. This Agreement, and the rights and obligations of the parties hereunder, are personal and neither this Agreement, nor any right, benefit or obligation of either party hereto, shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the prior written consent of the other party; provided, however, that Company may assign this Agreement in connection with a merger or consolidation involving Company or a sale of substantially all its assets to the surviving corporation or purchaser, as the case may be, so long as such assignee assumes Company's obligations hereunder.

14. Withholding. Payment of Executive's Annual Salary and payment or provision of other compensation to Executive pursuant hereto shall be subject to such reporting and withholding for applicable taxes as is required by law.

15. Certain Expenses. Company, on or before the date hereof, shall pay directly or reimburse Executive (at Executive's discretion) for the actual legal fees and other costs and expenses, if any, incurred by Executive in connection with the preparation, finalizing and execution of this Letter.

16. Severability. In the event that any provision or portion of this Agreement is determine to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement will be unaffected thereby and will remain in full force and effect to the fullest extent permitted by law.

17. Notices. For all purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given, in the case of a notice to the Company, when delivered to the Company at the following address, and in the case of a notice to Executive, when received by Executive, and in both cases addressed as follows:

If to Company, to: NN Ball & Roller
 800 Tennessee Road
 Erwin, Tennessee 37650
 Attention: Chairman of the Board

If to Executive, to: Mr. Roderick R. Baty
 2007 Millbrook Drive
 Johnson City, TN 37604

18. Modifications and Waivers. No provision of this Agreement may be modified or discharged unless such modification or discharge is authorized by the Board and is agreed to in writing, signed by the Executive and by an officer of the Company duly authorized by the Board. No waiver by either party hereto of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the time or at any prior or subsequent time.

19. Entire Agreement. This Agreement and the Non-Competition and Confidentially Agreement constitute the entire understanding of the parties hereto with respect to their subject matter. This Agreement and the Non-Competition and Confidentiality Agreement supersede all prior agreements between the parties hereto with respect to their subject matter. Without limiting the foregoing, this Agreement completely and entirely supersedes the Letter, dated June 30, 1997 from Executive to James J. Mitchell, pursuant to which Executive originally accepted employment with the Company, and the Letter, dated June 30, 1995, from James J. Mitchell to Executive, outlining the terms of the Executive's employment.

20. Governing Law. This Agreement will be governed by the laws of the State of Tennessee without regard for its conflict of laws rules.

21. Counterparts. This Agreement may be executed simultaneously in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same instrument.

22. Headings, Etc. The section headings contained in this Agreement are for convenience of reference only and will not be deemed to control or affect the meaning or construction of any provision of this Agreement. Reference to Paragraphs are to Paragraphs in this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

NN BALL & ROLLER, INC.

By: /s/ Richard D. Ennen

RODERICK R. BATY

By: /s/ Roderick R. Baty

NON-COMPETITION AND CONFIDENTIALITY AGREEMENT

THIS NON-COMPETITION AND CONFIDENTIALITY AGREEMENT ("Agreement") is made as of December 5, 1995, by Roderick R. Baty ("Employee") in favor of NN Ball & Roller, Inc., a Delaware corporation (the "Company").

WITNESSETH

WHEREAS, the Company manufactures and supplies precision steel balls and rollers to anti-friction bearing manufacturers, automotive original equipment manufacturers and the automotive aftermarket, the gas and mining industries, producers of drilling bits for oil, gas, and water wells and producers of stainless steel valves and pumps (the "Business"), and its customers are located in more than 25 different countries;

WHEREAS, Employee is an employee "at will" with the Company and currently holds a management or executive position with the Company;

WHEREAS, the Company is requiring that the Employee, as a condition to and in consideration of his continued employment, enter into this Agreement; and

WHEREAS, the Employee desires to enter into this Agreement in order to maintain his employment with the Company.

NOW, THEREFORE, in consideration of the foregoing premises, the continued employment of the Employee and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Employee hereby agrees with the Company as follows:

1. TERM. For purposes of this Agreement, the "Term" shall mean the period commencing on the date hereof and continuing through the second anniversary of the date of the Employee's termination of employment with the Company for any reason.

2. COVENANT NOT TO COMPETE.

2.1 EMPLOYEE'S KNOWLEDGE. Employee acknowledges and agrees that he occupies a position of trust and confidence with Company and, in the course of his engagement with the Company, has become and will continue to become familiar with proprietary and confidential information concerning the Company. Employee acknowledges and agrees that his services are of a special, unique and extraordinary value to the Company and that the Company would be irreparably damaged if Employee were to provide similar services to any person or entity in violation of the provisions of this Agreement.

2.2 NON-COMPETE. Employee hereby agrees that, during the Term, he shall not, directly or indirectly, as employee, agent, consultant, stockholder, director, co-partner or in any other individual or representative capacity, own, operate, manage, control, engage in, invest in or participate in any manner in, act as a consultant or advisor to, render services for (alone or in association with any person, firm, corporation or entity), or otherwise assist any person or entity that engages in or owns, invests in, operates, manages or controls any venture or enterprise that competes in the Business anywhere in the world (the "Territory"); provided, however, that nothing contained herein shall be construed to prevent Employee from investing in the stock of any competing corporation listed on a national securities exchange or traded in the over-the-counter market, but only if Employee is not involved in the business of said corporation and if Employee does not own more than an aggregate of two (2%) percent of the stock of such corporation.

2.3 NON-SOLICITATION. Without limiting the generality of the provisions of Section 2.2 above, Employee hereby agrees that during the Term he will not, directly or indirectly, solicit (or participate as employee, agent, consultant, stockholder, director, partner or in any other individual or representative capacity in any business which solicits), business from any person, firm, corporation or other entity that is a customer of the Company at the time of such solicitation, or from any successor in interest to any such person, firm, corporation or other entity, for the purpose of securing business or contracts relating to the Business.

2.4 INTERFERENCE WITH RELATIONSHIPS. During the Term, Employee shall not, directly or indirectly, as employee, agent, consultant, stockholder, director, co-partner or in any other individual or representative capacity: (a) employ or engage, or solicit for employment or engagement, any person employed or engaged by the Company, or otherwise seek to influence or alter any such person's relationship with the Company, or (b) solicit or encourage any customer of the Company to terminate or otherwise alter his, her or its relationship with the Company.

3. CONFIDENTIAL INFORMATION. (a) During the Term and at all times thereafter, Employee shall keep secret and retain in strictest confidence, and shall not, without the prior written consent of the Company, furnish, make available or disclose to any third party or use for the benefit of himself or any third party, any "Confidential Information." As used in this Agreement, Confidential Information shall mean any information held in confidence by the Company and not freely available to the public which gives the Company an advantage over competitors in the Business, including, without limitation, sales or earnings figures, personnel matters, supplier and customer data and information relating to the Company's manufacturing processes, equipment and customer servicing methods; provided, however, that Confidential Information shall not include any information which otherwise is in the public domain or becomes known in the ball and roller industry through no wrongful act on the part of Employee. Employee acknowledges that the Confidential Information is vital, sensitive, confidential and proprietary to the Company.

(b) Employee hereby represents and warrants to the Company that at all times prior to the date hereof he has kept secret and retained in strictest confidence, and has not furnished, made available or disclosed to any third party or used for the benefit of himself or any third party, any Confidential Information.

4. JUDICIAL MODIFICATION. If any court of competent jurisdiction shall at any time deem the Term or any covenant contained herein too lengthy, or the Territory too extensive, the other provisions of this Agreement shall nevertheless stand, the Term shall be deemed to be the longest period permissible by law under the circumstances and the Territory shall be deemed to comprise the largest territory permissible by law under the circumstances. The court in each case shall reduce the time period and/or Territory to permissible duration or size.

5. REMEDIES. Employee acknowledges and agrees that the covenants set forth in the Agreement are reasonable and necessary for the protection of the Company's business interests, that irreparable injury will result to the Company if Employee breaches any of the terms of said covenants, and that in the event of Employee's actual or threatened breach of any such covenant, the Company will have no adequate remedy at law. Employee accordingly agrees that in the event of any actual or threatened breach by him of any of the covenants contained herein, the Company shall be entitled to immediate temporary injunctive and other equitable relief, without bond and without the necessity of showing actual monetary damages, subject to hearing as soon thereafter as possible. Nothing contained herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for such breach or threatened breach, including the recovery of any damages which it is able to prove.

6. CONDITION OF EMPLOYMENT. The Company shall have no obligation to retain the Employee in its employ as a result of this Agreement, there shall be no inference as to the length of employment implied hereby, and the Company reserves the same rights to terminate the employment of the Employee as existed prior to the date hereof.

7. MISCELLANEOUS. This Agreement sets forth the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersedes any other agreements between the parties, written or oral, relating to the subject matter hereof. No amendment or modification of this Agreement and no waiver by any party of the breach of any covenant contained herein shall be binding unless executed in writing by the party against whom enforcement of such amendment, modification or waiver is sought. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original without production of the others. This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee, without regard to its choice of law provisions. In the event any provision or portion of any provision of this Agreement is held invalid or unenforceable by a court of competent jurisdiction as applied to any fact or circumstance, the remaining provisions and portions of this Agreement and the same

provision as applied to any other fact or circumstance shall not be affected or impaired thereby, and shall remain valid and enforceable. The terms "he", "his" and "him" are used herein generically for convenience only, and may, as appropriate, be considered to represent the terms "she", "hers" and "her".

IN WITNESS WHEREOF, the Employee has caused this agreement to be duly executed in favor of the Company on the day and year first above written.

By: /s/ Roderick R. Baty

Employee

ACKNOWLEDGED

NN BALL & ROLLER, INC.

By: /s/ William C. Kelly, Jr.

NN BALL & ROLLER
800 Tennessee Road
Erwin, TN 37650

August 28, 1997

Mr. James J. Mitchell
14 Sunsent View
Asheville, NC 28804

Dear Jim:

This letter sets forth the agreement between you and NN Ball & Roller, Inc. (the "Company") relating to your resignation as the President, Chief Operating Officer and a director of the Company effective July 28, 1997.

In consideration of your agreements set forth herein, the Company agrees to: (i) continue payment of your current salary of \$16,667 per month until January 31, 1998; (ii) continue to provide group health and dental insurance benefits to you and your wife under the terms of the Company's group plans until January 31, 1998, provided that the terms of any such plans shall be subject to amendment during such period to the extent such amendments apply to the Company's executive officers generally; and (iii) provide you with a lump sum payment of \$10,000 on the date hereof to be used by you, if you so choose, to retain an employment search firm. This letter agreement shall not amend or otherwise affect the provisions of, or your rights under, the Company's disability insurance plan, life insurance plan or 401(K) plan or under any options held by you under the Company's stock incentive plan and, for purposes of each of those plans, you shall be deemed to have resigned from the Company's employ as of July 28, 1997.

In partial consideration for the Company's promises in the preceding paragraph, you hereby reconfirm and agree to continue to be bound in all respects by and comply with the terms of that certain Non-Competition and Confidentiality Agreement, dated January 27, 1994, between you and the Company, a copy of which is attached as Exhibit A. You further agree that any public statements made by you with respect to the termination of your employment will be subject to the prior approval of the Company.

You represent and agree that, as of your execution hereof, you have returned to the Company all copies in your possession of written and other physical materials and computer files and software that were generated or acquired by you in connection with your employment with the Company. You agree that all inventions, know-how, ideas, improvements, trade secrets,

Mr. James J. Mitchell
August 28, 1997
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developments or confidential information (collectively, "Discoveries") that relate to the business, research or development of the Company and which arose in connection with, or of which you acquired knowledge during, your employment with the Company belong to the Company, whether or not patent applications have been filed thereon. You further agree that you have disclosed to the Company all such Discoveries and that, if requested by the Company, you shall execute appropriate documents assigning ownership of such Discoveries to the Company.

In exchange for and in partial consideration of the agreements of the Company set forth in this letter agreement, you hereby unconditionally release, acquit and discharge the Company and its past and present officers, directors, employees, agents and consultants of and from all actions, causes of action, claims, demands, obligations, liabilities, or controversies known or unknown, which you may have against the Company by reason of or relating to any cause, action or event whatsoever from the beginning of the world to the date hereof, including, without limitation, any actions, causes of action, claims, demands, obligations, liabilities or controversies arising out of, or relating to, your employment with the Company and the termination thereof. You understand and agree that this release shall bind and inure to the benefit of the assigns, heirs, executors, subsidiaries and affiliates of the Company and its directors, officers, employees, agents and consultants. This release shall not include any claims you may have due to the non-performance of the Company's obligations set forth in this letter agreement.

You understand that as a consequence of your signing this agreement you are giving up, with respect to your employment and the termination of that employment, any and all rights you might otherwise have under (1) the Age Discrimination in Employment Act of 1967, as amended; (2) all other federal, state or municipal laws prohibiting discrimination in employment on the basis of sex, race, national origin, religion, age, handicap or other invidious factor; and (3) any and all theories of contract or tort law, whether based on common law or otherwise. You acknowledge and agree that: (1) the Company advised you in writing to consult with an attorney prior to signing this agreement; (2) you were given a period of at least 21 days within which to consider this agreement; and (3) the Company has advised you of your statutory right to revoke your acceptance of this agreement at any time within seven (7) days of you signing of this agreement. In the event you decide to exercise your right to revoke within seven (7) days of your acceptance of this agreement, you warrant and represent that you will do the following: (1) notify the Company in writing of your intent to revoke the agreement, and (2) simultaneously return in full any

Mr. James J. Mitchell
August 28, 1997
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consideration previously received from the Company under this agreement (with no further consideration being payable by the Company to you pursuant to the terms hereof).

Upon your execution of this agreement, it will be binding upon you and the Company and your and the Company's respective successors and assigns; provided, however, that you shall not assign any of your rights hereunder without the Company's prior written consent. This letter agreement shall be construed and enforced according to the laws of the State of Tennessee (irrespective of its conflicts of law provisions). In the event that any provision of this letter agreement shall be invalid and legally unenforceable, such provision shall not affect in any respect the validity and enforceability of the remainder of this letter agreement.

The Company shall have the right to deduct from all amounts payable hereunder all federal, state, local and other taxes required by law to be withheld with respect to such payments. The Company also shall have the right to set-off against amounts payable hereunder cash advances previously made to you in the amount of \$1,957.08 with respect to travel which you did not ultimately undertake.

This letter agreement embodies the entire agreement and understanding between you and the Company with respect to the subject matter hereof and supersedes all prior agreements and understandings relating to the subject matter hereof. By execution of this letter agreement, you certify that you have read and fully understand the meaning and intent of its terms and have had the opportunity to review it with legal counsel. You agree that you have entered into this agreement voluntarily and knowingly, without coercion and with full knowledge of the nature and consequences of signing it.

If the foregoing is acceptable to you, please sign the enclosed copy of this letter and return it to me.

Very truly yours,

/s/ Richard D. Ennen

Richard D. Ennen
Chairman

Accepted:

/s/ James J. Mitchell

James J. Mitchell

NON-COMPETITION AND CONFIDENTIALITY AGREEMENT

THIS NON-COMPETITION AND CONFIDENTIALITY AGREEMENT ("Agreement") is made as of January 27, 1994, by James J. Mitchell ("Employee") in favor of NN Ball & Roller, Inc., a Delaware corporation (the "Company").

WITNESSETH

WHEREAS, the Company manufactures and supplies precision steel balls and rollers to anti-friction bearing manufacturers, automotive original equipment manufacturers and the automotive aftermarket, the gas and mining industries, producers of drilling bits for oil, gas, and water wells and producers of stainless steel valves and pumps (the "Business"), and its customers are located in more than 25 different countries;

WHEREAS, Employee is an employee "at will" with the Company and currently holds a management or executive position with the Company;

WHEREAS, the Company is requiring that the Employee, as a condition to and in consideration of his continued employment, enter into this Agreement; and

WHEREAS, the Employee desires to enter into this Agreement in order to maintain his employment with the Company.

NOW, THEREFORE, in consideration of the foregoing premises, the continued employment of the Employee and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Employee hereby agrees with the Company as follows:

1. TERM. For purposes of this Agreement, the "Term" shall mean the period commencing on the date hereof and continuing through the second anniversary of the date of the Employee's termination of employment with the Company for any reason.

2. COVENANT NOT TO COMPETE.

2.1 EMPLOYEE'S KNOWLEDGE. Employee acknowledges and agrees that he occupies a position of trust and confidence with Company and, in the course of his engagement with the Company, has become and will continue to become familiar with proprietary and

confidential information concerning the Company. Employee acknowledges and agrees that his services are of a special, unique and extraordinary value to the Company and that the Company would be irreparably damaged if Employee were to provide similar services to any person or entity in violation of the provisions of this Agreement.

2.2 NON-COMPETE. Employee hereby agrees that, during the Term, he shall not, directly or indirectly, as employee, agent, consultant, stockholder, director, co-partner or in any other individual or representative capacity, own, operate, manage, control, engage in, invest in or participate in any manner in, act as a consultant or advisor to, render services for (alone or in association with any person, firm, corporation or entity), or otherwise assist any person or entity that engages in or owns, invests in, operates, manages or controls any venture or enterprise that competes in the Business anywhere in the world (the "Territory"); provided, however, that nothing contained herein shall be construed to prevent Employee from investing in the stock of any competing corporation listed on a national securities exchange or traded in the over-the-counter market, but only if Employee is not involved in the business of said corporation and if Employee does not own more than an aggregate of two (2%) percent of the stock of such corporation.

2.3 NON-SOLICITATION. Without limiting the generality of the provisions of Section 2.2 above, Employee hereby agrees that during the Term he will not, directly or indirectly, solicit (or participate as employee, agent, consultant, stockholder, director, partner or in any other individual or representative capacity in any business which solicits), business from any person, firm, corporation or other entity that is a customer of the Company at the time of such solicitation, or from any successor in interest to any such person, firm, corporation or other entity, for the purpose of securing business or contracts relating to the Business.

2.4 INTERFERENCE WITH RELATIONSHIPS. During the Term, Employee shall not, directly or indirectly, as employee, agent, consultant, stockholder, director, co-partner or in any other individual or representative capacity: (a) employ or engage, or solicit for employment or engagement, any person employed or engaged by the Company, or otherwise seek to influence or alter any such person's relationship with the Company, or (b) solicit or encourage any customer of the Company to terminate or otherwise alter his, her or its relationship with the Company.

3. CONFIDENTIAL INFORMATION. (a) During the Term and at all times thereafter, Employee shall keep secret and retain in strictest confidence, and shall not, without the prior written consent of the Company, furnish, make available or disclose to any third party or use for the benefit of himself or any third party, any "Confidential Information." As used in this Agreement, Confidential Information shall mean any information held in confidence by the Company and not freely available to the public which gives the Company an advantage over competitors in the Business, including, without limitation, sales or earnings figures, personnel matters, supplier and customer data and information relating to the Company's manufacturing processes, equipment and customer servicing methods; provided, however, that Confidential Information shall not include any information which otherwise is in the public domain or becomes known in the ball and roller industry through no wrongful act on the part of Employee. Employee acknowledges that the Confidential Information is vital, sensitive, confidential and proprietary to the Company.

(b) Employee hereby represents and warrants to the Company that at all times prior to the date hereof he has kept secret and retained in strictest confidence, and has not furnished, made available or disclosed to any third party or used for the benefit of himself or any third party, any Confidential Information.

4. JUDICIAL MODIFICATION. If any court of competent jurisdiction shall at any time deem the Term or any covenant contained herein too lengthy, or the Territory too extensive, the other provisions of this Agreement shall nevertheless stand, the Term shall be deemed to be the longest period permissible by law under the circumstances and the Territory shall be deemed to comprise the largest territory permissible by law under the circumstances. The court in each case shall reduce the time period and/or Territory to permissible duration or size.

5. REMEDIES. Employee acknowledges and agrees that the covenants set forth in the Agreement are reasonable and necessary for the protection of the Company's business interests, that irreparable injury will result to the Company if Employee breaches any of the terms of said covenants, and that in the event of Employee's actual or threatened breach of any such covenant, the Company will have no adequate remedy at law. Employee accordingly agrees that in the event of any actual or threatened breach by him of any of the covenants contained herein, the Company shall be entitled to immediate temporary injunctive and other equitable relief, without bond and without

the necessity of showing actual monetary damages, subject to hearing as soon thereafter as possible. Nothing contained herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for such breach or threatened breach, including the recovery of any damages which it is able to prove.

6. CONDITION OF EMPLOYMENT. The Company shall have no obligation to retain the Employee in its employ as a result of this Agreement, there shall be no inference as to the length of employment implied hereby, and the Company reserves the same rights to terminate the employment of the Employee as existed prior to the date hereof.

7. MISCELLANEOUS. This Agreement sets forth the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersedes any other agreements between the parties, written or oral, relating to the subject matter hereof. No amendment or modification of this Agreement and no waiver by any party of the breach of any covenant contained herein shall be binding unless executed in writing by the party against whom enforcement of such amendment, modification or waiver is sought. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original without production of the others. This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee, without regard to its choice of law provisions. In the event any provision or portion of any provision of this Agreement is held invalid or unenforceable by a court of competent jurisdiction as applied to any fact or circumstance, the remaining provisions and portions of this Agreement and the same provision as applied to any other fact or circumstance shall not be affected or impaired thereby, and shall remain valid and enforceable. The terms "he", "his" and "him" are used herein generically for convenience only, and may, as appropriate, be considered to represent the terms "she", "hers" and "her".

IN WITNESS WHEREOF, the Employee has caused this agreement to be duly executed in favor of the Company on the day and year first above written.

By: /s/ James J. Mitchell

Employee

ACKNOWLEDGED

NN BALL & ROLLER, INC.

By: /s/ Leonard Bowman

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM NN BALL AND ROLLER, INC. FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

9-MOS	DEC-31-1997	JUL-01-1997	SEP-30-1997
			1,875
		0	
		12,362	
		240	
		10,788	
	26,574		36,143
		3,164	
		62,819	
	7,994		0
	0		0
		0	149
		52,468	
62,819			58,514
	58,514		40,531
		47,746	
		0	
		240	
		21	
		10,747	
		4,077	
	6,670		0
		0	
			0
		6,670	
		0.45	
		0.45	