SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2001
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, INC.
(Exact name of registrant as specified in its charter)

Delaware	**62-1096725**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2000 Waters Edge Drive Johnson City, Tennessee	37604
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value $.01
(Title of class)

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 and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes |X| No |_|

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. |X|

The number of shares of the registrant's common stock outstanding on March 25, 2002 was 15,340,806.

The aggregate market value of the voting stock held by non-affiliates of the registrant at March 25, 2002, based on the closing price on the NASDAQ National Market System on that date was approximately $158,010,302.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement with respect to the 2002 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

Part 1

Item 1. Business

Overview

NN, Inc. (the "Company") is an independent manufacturer and supplier of high quality, precision components to domestic and international anti-friction bearing manufacturers, other original equipment manufactures, the automotive industry, and other aftermarkets. The Company supplies high quality, precision steel balls and rollers, both directly and indirectly through its sales to bearing manufacturers, to automotive original equipment manufacturers ("OEMs") and the automotive aftermarket, to the gas and mining industries, and to producers of water, gas and oil well drilling bits and stainless steel valves and pumps. Precision steel balls and rollers are critical moving parts of anti-friction bearings, which in turn, are integral components of machines with moving parts. In addition to balls and rollers, the Company provides full-service design and manufacture of plastic injection molded components to the bearing, automotive, electronic, leisure and consumer markets with an emphasis on value-added products that take advantage of its capabilities in product development, tool design and tight tolerance molding processes. With the acquisition of The Delta Rubber Co. ("Delta") on February 16, 2001 the Company now also provides precision bearing seals and other precision molded rubber products to the bearing, automotive, industrial, agricultural, and aerospace markets.

The Company was organized in October 1980 by a group of senior managers of the ball and roller division of Hoover Precision Products, Inc. (formerly Hoover Universal, Inc.), led by Richard Ennen, the Company's former Chairman. The Company was founded in order to meet the bearings industry's need for a dependable source of high quality, precision balls and rollers. During 2001, the Company sold its products to over 500 customers located in over 24 different countries. Its primary customers include AB SKF ("SKF"), FAG Kugelfisher Georg Shafer AG ("FAG"), SNR Roulements, and the Torrington Company.

On July 4, 1999, the Company acquired substantially all of the assets of Earsley Capital Corporation, formerly known as Industrial Molding Corporation ("IMC"). The Company currently operates the business under the name Industrial Molding Corporation. Formed in 1947, IMC provides full-service design and manufacture of plastic injection molded components to the bearing, automotive, electronic, leisure and consumer markets with an emphasis on value-added products that take advantage of its capabilities in product development, tool design and tight tolerance molding processes. IMC operates two manufacturing facilities in Lubbock, Texas.

On July 31, 2000, the Company formed a majority owned stand-alone company in Europe, NN Euroball ApS ("Euroball"), for the manufacture and sale of chrome steel balls used for ball bearings and other products. The Company owns 54% of Euroball. AB SKF and FAG Kugelfisher Georg Shafer AG, the parent companies of SKF and FAG respectively each own 23%. As part of the transaction, Euroball acquired the ball factories located in Pinerolo, Italy (previously owned by SKF), Eltmann, Germany (previously owned by FAG), and Kilkenny, Ireland (previously owned by the Company).

On August 31, 2000, the Company acquired a 51% ownership interest in NN Mexico, LLC ("NN Mexico"), a Delaware limited liability company. NN Mexico holds a 100% ownership interest in NN Arte, a manufacturer of plastic components located in Guadalajara, Mexico.

On February 16, 2001, the Company acquired of all of the outstanding stock of The Delta Rubber Company ("Delta"), a Connecticut corporation, for $22.5 million in cash. Delta provides high quality engineered bearing seals and other precision-molded rubber products to bearing and other original equipment manufacturers. Delta operates two facilities in Danielson, Connecticut.

On September 11, 2001, the Company announced the closing of its Walterboro, South Carolina ball manufacturing facility effective December 2001. The closing was made as part of the Company's strategy to redistribute its global production in order to better utilize capacity and serve the needs of its worldwide customers. The precision ball production of the Walterboro facility has been fully absorbed by the Company's remaining U.S. ball and roller manufacturing facilities located in Erwin and Mountain City, Tennessee. The Company recorded before tax charges associated with the closing of $1.9 million. This amount includes a $1.1 million before-tax charge for the recording of impairment on the Company's manufacturing facility located in Walterboro, South Carolina and $0.8 million related to employee severance costs. These amounts are reflected as restructuring and impairment costs in the accompanying Consolidated Statements of Income. The building along with certain machinery and equipment are held for sale as of December 31, 2001. These assets have an

aggregate net book value of $4.3 million. The financial results of this operation have been reflected in the Balls and Rollers Segment. See Note 10 of the Notes to Consolidated Financial Statements for additional financial information.

Effective December 21, 2001, the Company sold its minority interest in Jiangsu General Ball & Roller Company, LTD, a Chinese ball and roller manufacturer located in Rugao City, Jiangsu Province, China. To effect the transaction, the Company sold its 50% ownership in NN General, LLC, which owns a 60% interest in the Jiangsu joint venture to its partner, General Bearing Corporation for cash of $0.6 million and notes of $3.3 million. The notes are due on December 21, 2006 with annual installments of $0.2 million. The notes bear interest at average LIBOR (1.88% at December 31, 2001) plus 1.5%. In 2001, the Company recorded a non-cash after-tax loss on sale of the investment in this joint venture of $144,000.

For managerial and financial analysis purposes, management views the Company's operations in three segments. The domestic ball and roller operations of Erwin, Tennessee and Mountain City, Tennessee ("Domestic Ball and Roller Segment"), the Euroball facilities of Kilkenny, Ireland, Eltmann, Germany and Pinerolo, Italy ("Euroball Segment") and the "Plastics Segment" which consists of IMC, Delta Rubber and NN Arte.

Products

At its ball and roller facilities in Erwin, Tennessee and Mountain City, Tennessee, the Company produces and sells high quality, precision steel balls in sizes ranging in diameter from 3/16 of an inch to 2 1/2 inches and rollers in a limited variety of sizes. At its Euroball facilities, the Company produces and sells high quality steel balls in sizes ranging from 1/8 of an inch to 12 1/2 inches in diameter. The Company produces and sells balls in a variety of grades ranging from grade 3 to grade 1000 and rollers in a variety of grades ranging from grade 50 to grade 1000. The grade number for a ball or a roller indicates the degree of spherical or cylindrical precision of the ball or roller; for example, grade 3 balls are manufactured to within three millionths of an inch of roundness and grade 50 rollers are manufactured to within fifty millionths of an inch of roundness. At its Domestic Ball and Roller Segment, sales of steel balls accounted for approximately 92%, 92% and 89% of the segment's net sales in 1999, 2000 and 2001, respectively. Sales of rollers accounted for the balance of the segment's sales in these years.

Precision Steel Balls. The Company manufactures high quality, precision balls in three different types of steel: 52100 steel, 440C stainless steel and S2 rock bit steel. Each of the different types of steel has unique characteristics that make it suitable for particular applications.

During 2001, approximately 98% of the balls produced by the Company's domestic ball and roller operations were made from 52100 steel ("52100 Steel"). 100% of the balls produced by the Company's Euroball joint venture were made from 52100 Steel. See also "Business--Raw Materials." The 52100 Steel balls have a high degree of hardness and provide excellent resistance to wear and deformation. The 52100 Steel balls are used primarily by manufacturers of anti-friction ball bearings where precise spherical and tolerance accuracy are required. The Company produces and sells 52100 Steel balls in eleven grades ranging from grade 1000 to grade 3 (highest precision), and in sizes ranging in diameter from 1/8 of an inch to 12 1/2 inches. The primary grades of the 52100 Steel balls are grade 16, grade 10, and grade 5 and grade 3.

Precision Steel Rollers. The Company manufactures rollers at its Erwin, Tennessee facility in three types of steel: 52100 Steel, 440C stainless steel and S2 rock bit steel. Rollers are the primary components of anti-friction bearings, which are subjected to heavy load conditions. The Company's roller products are used primarily for applications similar to those of its ball product lines, plus hydraulic pumps and motors.

Bearing Seals. Delta manufactures and sells a wide range of precision bearing seals. Delta utilizes a variety of compression, transfer and injection molding processes and adhesion technologies to create rubber to metal bonded bearing seals. The seals are used in applications for automotive, industrial, agricultural, mining and aerospace markets. In 2001, 45% of Delta's sales were to the automotive industry.

Precision Plastic Components. IMC manufactures and sells a wide range of plastic molded products through its two facilities in Lubbock, Texas. IMC's products can be classified into three primary market segments - bearing retainers, automotive under the hood components and other precision components which include automotive components, electronic instrument cases and precision electronic connectors and lenses as well as a variety of other specialized parts.

Bearing Retainers. IMC manufactures and sells high precision plastic retainers for ball and roller bearings used in a wide variety of applications, including industrial automotive products. During 2001, sales of bearing retainers accounted for approximately 38% of IMC's sales.

Automotive Components. IMC manufacturers and sells high precision plastic automotive under the hood parts. These parts utilize high performance engineered polymers that draw upon IMC's ability to mold highly technical dimension parts. These components include hydraulic cylinders, clutch systems, seat belts, gears and transmission components. During 2001, sales of automotive parts accounted for approximately 33% of IMC's sales.

Other. IMC also manufactures and sells a variety of high precision molded parts including plastic instrument cases, precision end connectors and lenses for fiber optics as well as other specialized parts. During 2001, sales for these items accounted for 29% of IMC's sales.

NN Arté manufactures and sells a variety of precision and molded components including gearing, gearing assemblies and automotive components to office automation manufacturers and the automotive industry.

Sales and Marketing

The Company markets balls and rollers in the United States and abroad primarily through seven salaried sales employees. Additional internal sales employees handle customer orders and provide sales support.

The Plastics Segment markets its products through commissioned sales representatives or directly through salaried marketing and sales employees. Additional internal customer service employees handle customer orders and provide sales and design support. Additionally, certain engineers and manufacturing employees provide sales and design support due to the technical nature of the products.

The following table presents a breakdown of the Company's net sales for fiscal years 1999 through 2001:

(In Thousands)

	2001	**2000**	**1999**
Domestic Ball and Roller Segment	$52,692	$67,637	$67,736
	29.3%	51.2%	79.4%
Euroball Segment	86,719	33,988	--
	48.1%	25.7%	--
Plastics Segment	40,740	30,504	17,558
	22.6%	23.1%	20.6%
Total	$ 180,151	$ 132,129	$85,294
	100%	100%	100%

The Company's marketing strategy relative to the Domestic Ball and Roller Segment is to increase its share of the domestic and international market for bearing components by offering a wide variety of high quality, precision balls and rollers to existing and prospective customers on a timely basis and in a cost-effective manner. In marketing its products, the Company has focused its efforts on bearing manufacturers with their own ball and/or roller manufacturing capabilities. The Company's sales staff traditionally emphasizes the potential quality advantages and cost savings associated with the outsourcing of such bearing manufacturers' needs by purchasing precision components from the Company instead of manufacturing such components internally.

The Plastics Segment's marketing strategy is to increase its share of the market by offering custom manufactured, high quality, precision parts in a cost-effective manner. This strategy focuses on relationships with key customers that require technically difficult parts, which enable the Plastics Segment to take advantage of its strengths in product development, tool design and tight tolerance molding processes. The Plastics Segment has historically focused on the North American market. However, management believes certain synergies exist between its various segments that will allow the Company to further penetrate the North American market as well as broaden its European and Asian presence by working with the Company's global customer base.

The Company's arrangements with its domestic customers typically provide that payments are due within 30 days following the date of shipment of goods. With respect to foreign customers (other than foreign customers that participate in the Company's inventory management program), payments generally are due within 90 to 120 days following the date of shipment in order to allow for additional freight time and customs clearance. For customers that participate in the Company's inventory management program, sales are recorded when the customer uses the product, and payments typically

are due 30 days thereafter. See "Business -- Customers" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

Customers

During 2001, the Company's ten largest customers accounted for approximately 73% of its consolidated net sales. Sales to various U.S. and foreign divisions of SKF, which is one of the largest bearing manufacturers in the world, accounted for approximately 35% of net sales in 2001 and sales to FAG accounted for approximately 19% of net sales in 2001. None of the Company's other customers accounted for more than 5% of its net sales in 2001.

During 2001, the Domestic Ball and Roller Segment sold its products to more than 500 customers located in more than 20 different countries. Approximately 50% of ball and roller net sales in 2001 were to customers outside the United States. Sales to the Domestic Ball & Roller Segment's top ten customers accounted for approximately 74% of the segments' net sales in 2001. Sales to SKF and FAG accounted for approximately 35% and 14% of the segment's net sales in 2001 respectively. Sales to SKF and FAG are made pursuant to the terms of the sales agreements which expire in 2006.

During 2001, the Euroball Segment sold its products to more than 40 customers located in 28 different countries. Approximately 87% of its net sales in 2001 were to customers within Europe. Sales to the segment's top ten customers accounted for approximately 94% of the segment's net sales in 2001. Sales to SKF and FAG accounted for approximately 49% and 27% of the segment's net sales in 2001, respectively. Sales to SKF and FAG are made pursuant to the terms of sales agreements which expire in 2006.

During 2001, the Plastics Segment sold its products to more than 100 customers located in more than 10 different countries. Approximately 8% of plastic net sales were to customers outside the United States. Sales to the segment's top ten customers accounted for approximately 74% of the segments' net sales in 2001. See Note 4 of the Notes to Consolidated Financial statements for additional financial information.

See Note 10 of the Notes to Financial Statements and "Management's

Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations" for additional segment financial information. In both the foreign and domestic markets, the Company principally sells its products directly to manufacturers and not to distributors.

The Company ordinarily ships its products directly to customers within 60 days, and in some cases, during the same calendar month, of the date on which a sales order is placed. Accordingly, the Company generally has an insignificant amount of open (backlog) orders from customers at month end. Certain of the Company's customers have entered into contracts with the Company pursuant to which they have agreed to purchase all of their requirements of specified balls and rollers and plastic molded products from the Company, but under which they are not obligated to purchase any specific amounts. While firm orders generally are received only monthly, the Company normally is aware of reasonably anticipated future orders well in advance of the placement of a firm order. Certain agreements are in effect with some of the Company's largest customers, which provide for targeted, annual cost adjustments that may be offset by material cost fluctuations. The Company has installed a computerized, bar coded inventory management system with most of its major ball and roller customers pursuant to which the Company, through a direct computer link, automatically monitors the customer's ball and roller inventories. This system permits the Company to determine on a day-to-day basis the amount of balls and/or rollers remaining in a customer's inventory. When such inventories fall below certain levels, the Company automatically ships additional goods. The Company follows industry practice in handling its inventory, which is a first in, first out policy.

Employees

As of December 31, 2001, the Company had 1,316 full-time employees of whom 1,173 were engaged in production/maintenance. Of these 1,316 employees, 235 were employed at the Domestic Ball and Roller Segment facilities, 677 at the Euroball Segment, 399 at the Plastics Segment and 5 are considered Corporate. The Company believes that relations with its employees are good.

Competition

The precision ball and roller industry is intensely competitive, and many of the Company's competitors have greater financial resources than the Company. The Company's primary domestic competitor is Hoover Precision Products, Inc., a division of Tsubakimoto Precision Products Co. Ltd. The Company's primary foreign competitors are Amatsuji Steel Ball Manufacturing Company, Ltd. and Tsubakimoto Precision Products Co. Ltd.

The Company believes that competition within the precision ball and roller market is based principally on quality, price and the ability to consistently meet customer delivery requirements. Management believes that the Company's competitive strengths are its precision manufacturing capabilities, its reputation for consistent quality and reliability, and the productivity of its workforce.

The markets for IMC's and NN Arte's products are intensely competitive. Since the industry is currently very fragmented, IMC and NN Arte must compete with numerous companies in each of their marketing segments. Many of these companies have substantially greater financial resources than the Company and many currently offer competing products nationally and internationally. IMC's primary competitor in the bearing retainer segment is Nakanishi Manufacturing Corporation. Domestically, Nypro, Inc. and Key Plastics are the main competitors in the automotive segment. NN Arte primarily competes with various suppliers in Mexico.

The Company believes that competition within the plastic injection molding industry is based principally on quality, price, design capabilities and speed of responsiveness and delivery. Management believes that IMC's competitive strengths are product development, tool design and fabrication and tight tolerance molding processes, as well as its reputation in the marketplace as a quality producer of technically difficult products.

The markets for Delta's products are also intensely competitive. The bearing seal market is comprised of approximately six major competitors that range from small privately held companies to Fortune 500 global enterprises. Bearing seal manufacturers compete on the design, service, quality and price. Delta's primary competitors in the United States bearing seal market are Freindenburg-NOK, Chicago Rawhide Industries and Trostel, LTD.

Raw Materials

The primary raw material used by the Company in its Domestic Ball and Roller Segment and Euroball Segment is 52100 Steel. During 2001, approximately 98% and 100% of the steel used by these two segments, respectively, was 52100 Steel. The Company's other steel requirements include type 440C stainless steel and type S2 rock bit steel. The Domestic Ball and Roller Segment purchases substantially all of its 52100 Steel requirements from foreign mills because of the lack of domestic producers of such steel at the quality level required by the Company. The Euroball Segment purchases all of its 52100 Steel requirements from European mills. The other steel requirements of the Company also are purchased principally from foreign steel manufacturers.

The Company allocates its steel purchases among suppliers on the basis of price and quality. Generally, the Domestic Ball & Roller Segment does not enter into written supply agreements among its suppliers or commit itself to maintain minimum monthly purchases of steel, except for the consignment arrangements among Ascometal and Euroball (see Note 14). The Company's pricing arrangements with its suppliers typically are subject to adjustment once every six months.

Because 52100 Steel is principally produced by foreign manufacturers, the Company's operating results would be negatively affected in the event that the U.S. or European governments imposes any significant quotas, tariffs or other duties or restrictions on the import of such steel or if the United States dollar decreases in value relative to foreign currencies. On March 6, 2002, the U.S. government adopted legislation that imposed certain tariffs on the import of certain foreign produced steel into the United States. The Company continues to evaluate the impacts of this legislation, but believes at this time, any impact to the Company's operations or financial conditions will be immaterial.

The primary raw materials used by IMC and NN Arte are engineered resins. Injection grade nylon is utilized in bearing retainers, gears, automotive and other industrial products. The Company purchases substantially all of its resin requirements from domestic manufacturers and suppliers. The majority of these suppliers are international companies with resin manufacturing facilities located throughout the world.

Delta uses certified vendors to provide a customer mix of proprietary rubber compounds. Delta also procures metal stampings from several domestic suppliers.

The Company bases purchase decisions on price, quality and service. Generally, the Company does not enter into written supply contracts with its suppliers or commit itself to maintain minimum monthly purchases of resins. The pricing arrangements with its suppliers typically can be adjusted at anytime.

Patents, Trademarks and Licenses

The Company does not own any U.S. or foreign patents, trademarks or licenses that are material to its business. The Company does rely on certain data and processes, including trade secrets and know-how, and the success of its business depends, to some extent, on such information remaining confidential. Each executive officer of the Company is subject to a non-competition and confidentiality agreement that seeks to protect this information.

Seasonal Nature of Business

Historically, due to a substantial portion of sales to foreign customers, seasonality has been a factor for the Company in that some foreign customers typically cease their production activities during the month of August.

Environmental Compliance

The Company's operations and products are subject to extensive federal, state and local regulatory requirements both domestically and abroad relating to pollution control and protection of the environment. The Company maintains a compliance program to assist in preventing and, if necessary, correcting environmental problems. Based on information compiled to date, management believes that the Company's current operations are in substantial compliance with applicable environmental laws and regulations, the violation of which would have a material adverse effect on the Company. There can be no assurance, however, that currently unknown matters, new laws and regulations, or stricter interpretations of existing laws and regulations will not materially affect the Company's business or operations in the future. More specifically, although management believes that the Company disposes of its wastes in material compliance with applicable environmental laws and regulations, there can be no assurance that the Company will not incur significant liabilities in the future in connection with the clean-up of waste disposal sites.

In the past, the Company has incurred certain expenses in complying with applicable environmental laws associated with the removal of four underground storage tanks containing kerosene and waste oil, the remediation of soil and groundwater contamination resulting from a leak in one of the tanks, and the closing of a sludge disposal area at one of its ball and roller facilities. The remediation project is now complete, but the Company has certain ongoing monitoring responsibilities. The amounts expended by the Company in connection with this remediation project have not been material, and based upon information currently available to the Company, management does not believe that the future costs associated with the project will have a material adverse effect on the Company's results of operations or financial condition.

Executive Officers of the Registrant

The executive officers of the Company consist of the following persons:

Name	Age	Position
Roderick R. Baty	48	Chairman of the Board, Chief Executive Officer, President and Director

Frank T. Gentry, III	46	Vice President - Manufacturing
Robert R. Sams	44	Vice President - Market Services
David L. Dyckman	37	Vice President - Corporate Development and Chief Financial Officer
William C. Kelly, Jr.	43	Treasurer, Secretary and Chief Accounting Officer

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Biographical Information. Set forth below is certain additional information with respect to each executive officer of the Company.

Roderick R. Baty was elected Chairman of the Board in September 2001 and continues to serve as Chief Executive Officer and President. He has served as President and Chief Executive Officer since July 1997. He joined the Company in July 1995 as Vice President and Chief Financial Officer and was elected to the Board of Directors in 1995. Prior to joining the Company, Mr. Baty served as President and Chief Operating Officer of Hoover Precision Products from 1990 until January 1995, and as Vice President and General Manager of Hoover Precision Products from 1985 to 1990.

Frank T. Gentry, III, was originally appointed Vice President - Manufacturing in August 1995. Mr. Gentry is responsible for the global operations of the Ball and Roller and Euroball Segments. Mr. Gentry's responsibilities include purchasing, inventory control and transportation. Mr. Gentry joined the Company in 1981 and held various production control positions within the Company from 1981 to August 1995.

Robert R. Sams joined the Company in 1996 as Plant Manager of the Mountain City, Tennessee facility. In 1997, Mr. Sams served as Managing Director of the Kilkenny facility and in 1999 was elected to the position of Vice President - Market Services. Prior to joining the Company, Mr. Sams held various positions with Hoover Precision Products from 1980 to 1994 and most recently as Vice President of Production for Blum, Inc. from 1994 to 1996.

David L. Dyckman was appointed Vice President of Corporate Development and Chief Financial Officer in April 1998. Prior to joining the Company, Mr. Dyckman served from January 1997 until April 1998 as Vice President--Marketing and International Sales for the Veeder-Root Division of the Danaher Corporation. From 1987 until 1997, Mr. Dyckman held various positions with Emerson Electric Company including General Manager and Vice President of the Gearing Division of Emerson's Power Transmission subsidiary.

William C. Kelly, Jr. joined the Company in 1993 as Assistant Treasurer and Manager of Investor Relations. In July 1994, Mr. Kelly was elected to serve as the Company's Chief Accounting Officer, and in February 1995, was elected Treasurer and Assistant Secretary. In March 1999 he was elected Secretary of the Company. Prior to joining the Company, Mr. Kelly served from 1988 to 1993 as a Staff Accountant and as a Senior Auditor with the accounting firm of PricewaterhouseCoopers LLP.

Item 2. Properties

The Company has two operating domestic ball manufacturing facilities located in Erwin, Tennessee and Mountain City, Tennessee. Rollers are only produced at the Erwin, Tennessee facility. Production began in early 1996 at the Mountain City facility. During December 2001, the Company ceased production and closed its facility in Walterboro, South Carolina. The Walterboro, South Carolina facility is classified as held for sale at December 31, 2001.

The Erwin and Mountain City plants currently have approximately 125,000 and 58,000 square feet of manufacturing space, respectively. The Erwin plant is located on a 12 acre tract of land owned by the Company and the Mountain City plant is located on an 8 acre tract of land owned by the Company.

Through Euroball the Company manufactures high precision steel balls in three manufacturing facilities located in Kilkenny, Ireland, Eltmann, Germany and Pinerolo, Italy. The facilities currently have approximately 125,000, 175,000 and 330,000 square feet of manufacturing space, respectively. The Kilkenny facility is located on a two acre tract owned by Euroball, the Eltmann facility is leased from FAG and the Pinerolo facility is located on a 9 acre tract owned by Euroball.

IMC manufactures a wide range of plastic molded products through two facilities located in Lubbock, Texas. The Slaton facility, located on a 6.5 acre tract of land owned by the Company, contains approximately 193,000 square feet of manufacturing, warehouse and office space. The Cedar facility is situated on a 2.5 acre tract of land which is also owned by the Company and contains approximately 35,000 square feet of manufacturing and warehouse space.

NN Arté leases a single 18,000 square foot facility in Guadalajara, Mexico.

Delta's operations are located in two facilities on a 12-acre site in Danielson, Connecticut, owned by the Company. The two facilities encompass over

50,000 square feet of rubber seal manufacturing and administrative functions.

During 2001, the Company added new machinery and equipment at all of its facilities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

Item 3. Legal Proceedings

All legal proceedings and actions involving the Company are of an ordinary and routine nature and are incidental to the operations of the Company. Management believes that such proceedings should not, individually or in the aggregate, have a material adverse effect on the Company's business or financial condition or on the results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted for a vote of stockholders during the fourth quarter of 2001.

Part II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

Since the Company's initial public offering in 1994, the Common Stock has been traded on the Nasdaq National Market under the trading symbol "NNBR." Prior to such time there was no established market for the Common Stock. As of March 25, 2002, there were approximately 1,750 holders of record of the Common Stock.

The following table sets forth the high and low sales prices of the Common Stock, as reported by Nasdaq, and the dividends paid per share on the Common Stock during each calendar quarter of 2000 and 2001.

	Price		
	High	**Low**	**Dividend**
2000			
First Quarter	$10.88	$6.75	$0.08
Second Quarter	11.38	8.03	$0.08
Third Quarter	10.50	7.50	$0.08
Fourth Quarter	9.50	7.13	$0.08
2001			
First Quarter	$9.17	$6.53	$0.08
Second Quarter	10.81	6.50	$0.08
Third Quarter	10.84	7.25	$0.08
Fourth Quarter	11.30	7.75	$0.08

The declaration and payment of dividends are subject to the sole discretion of the Board of Directors of the Company and depend upon the Company's profitability, financial condition, capital needs, future prospects and other factors deemed relevant by the Board of Directors. The terms of the Company's revolving credit facility restrict the payment of dividends by prohibiting the Company from declaring or paying any dividend if an event of default exists at the time of, or would occur as a result of, such declaration or payment. For further description of the Company's revolving credit facility, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" herein.

Item 6. Selected Financial Data

The following selected financial data of the Company are qualified by reference to and should be read in conjunction with the Consolidated Financial Statements and the Notes thereto included as Item 8. The data set forth below as of December 31, 2001 and for the periods ended December 31, 2001 and December 31, 2000 have been derived from the Consolidated Financial Statements of the Company which have been audited by KPMG LLP, independent accountants, whose report thereon is included as part of Item 8. The data below as of December 31, 1999 and for the periods ended December 31, 1999, 1998 and 1997 have been derived from the Consolidated Financial Statements of the Company, which have been audited by PricewaterhouseCoopers LLP, independent accountants. These historical results are not necessarily indicative of the results to be expected in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(In Thousands, Except Per Share Data)			**Year Ended December 31,**		
	2001	**2000**	**1999**	**1998**	**1997**

Statement of Income Data:					
Net sales	$180,151	$132,129	$85,294	$73,006	$75,252
Cost of products sold	137,591	93,926	59,967	50,353	51,707
Gross profit	42,560	38,203	25,327	22,653	23,545
Selling, general and administrative expenses	16,382	11,571	6,854	5,896	5,518
Depreciation and amortization	13,340	9,165	6,131	4,557	4,106
Restructuring and impairment costs	2,312	--	--	--	--
Income from operations	10,526	17,467	12,342	12,200	13,921
Interest expense	4,006	1,773	523	64	29
Equity in earnings of unconsolidated affiliate	--	(48)	--	--	--
Net gain on involuntary conversion	(3,901)	(728)	--	--	--
Other income	(186)	(136)	--	--	--
Income before provision for income taxes	10,607	16,606	11,819	12,136	13,892
Provision for income taxes	4,094	5,959	4,060	4,480	5,382
Minority interest in income of consolidated subsidiary	1,753	660	--	--	--
Income before cumulative effect of change in accounting principle	4,760	9,987	7,759	7,656	8,510
Cumulative effect of change in accounting principle, net of income tax benefit of $112 and related minority interest impact of $84	98	--	--	--	--
Net income	$4,662	$9,987	$7,759	$7,656	$8,510
Basic income per share:					
Income before cumulative effect of change in accounting principle	$ 0.31	$0.66	$0.52	$0.52	$0.57
Cumulative effect of change in accounting principle	(0.01)	--	--	--	--
Net income	$0.31	$0.66	$0.52	$0.52	$0.57
Diluted income per share:					
Income before cumulative effect of change in accounting principle	$0.31	$0.64	$0.52	$0.52	$0.57
Cumulative effect of change in accounting principle	(0.01)	--	--	--	--
Net income	$0.30	$0.64	$0.52	$0.52	$0.57
Operating income per share	$0.69	$1.15	$0.82	$0.82	$0.94
Dividends declared	$0.32	$0.32	$0.32	$0.32	$0.32
Weighted average number of shares outstanding - Basic	15,259	15,247	15,021	14,804	14,804
Weighted average number of shares outstanding - Diluted	15,540	15,531	15,038	14,804	14,809

(In Thousands, Except Per Share Data)

	Year Ended December 31,				
	2001	**2000**	**1999**	**1998**	**1997**
Balance Sheet Data:					
Current assets	$ 55,617	$ 63,866	$ 34,397	$ 28,571	$ 26,185
Current liabilities	37,736	33,840	10,478	7,638	7,471
Total assets	188,135	187,808	91,363	66,860	63,273
Long-term debt	47,661	50,515	17,151	--	--
Stockholders' equity	62,039	65,246	60,128	56,242	52,971

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with, and is qualified in its entirety by, the Consolidated Financial Statements and the Notes thereto and Selected Financial Data included elsewhere in this Form 10-K. Historical operating results and percentage relationships among any amounts included in the Consolidated Financial Statements are not necessarily indicative of trends in operating results for any future period.

Overview

The Company's core business is the manufacture and sale of high quality, precision steel balls and rollers. In 2001, sales of balls and rollers accounted for approximately 77% of the Company's total net sales with 74% and 3% of sales from balls and rollers, respectively. Sales of precision molded plastic and rubber parts accounted for the remaining 23%. See Note 10 of the Notes to Consolidated Financial Statements.

Since the Company was formed in 1980 it has grown primarily through the displacement of captive ball manufacturing operations of domestic and international bearing manufacturers resulting in increased sales of high precision balls for quiet bearing applications. As a result, sales of high precision balls produced by the Company for use in quiet bearing applications has grown to approximately 85% of total net ball sales. Management believes that the Company's core business sales growth since its formation has been due to its ability to capitalize on opportunities in global markets and provide precision products at competitive prices, as well as its emphasis on product quality and customer service.

In 1997, the Company recognized changing dynamics in the marketplace, and as a result, developed and implemented an extensive long-term growth strategy involving its core business and complementary opportunities that are built upon the Company's strengths and culture enabling the Company to better serve its global customer base. As part of this strategy, the Company sought to augment its intrinsic growth with complementary acquisitions that fit specific criteria.

On July 4, 1999, the Company acquired substantially all of the assets of Earsley Capital Corporation, formerly known as Industrial Molding Corporation ("IMC"). Formed in 1947, IMC provides full-service design and manufacture of plastic injection molded components to the bearing, automotive, electronic, leisure and consumer markets with an emphasis on value-added products that take advantage of its capabilities in product development, tool design and tight tolerance molding processes. IMC operates two manufacturing facilities in Lubbock, Texas. During 2001, IMC sold its products to more than 60 customers in 12 different countries.

On July 31, 2000, the Company formed a majority owned stand-alone company in Europe, NN Euroball ApS ("Euroball"), for the manufacture and sale of chrome steel balls used for ball bearings and other products. The Company owns 54% of Euroball. AB SKF and FAG Kugelfisher Georg Shafer AG, the parent companies of SKF and FAG respectively each own 23% of Euroball. As part of the transaction, Euroball acquired the ball factories located in Pinerolo,

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Italy (previously owned by SKF), Eltmann, Germany (previously owned by FAG), and Kilkenny, Ireland (previously owned by the Company). Acquisition financing of approximately 31.5 million euro (approximately $29.7 million) was drawn at closing, and the credit facility provides for additional working capital expenditure financing. The Company is required to consolidate Euroball due to its majority ownership and has accounted for the acquisitions of the Pinerolo, Italy and Eltmann, Germany ball factories using the purchase method of accounting. Goodwill arising from this acquisition is being amortized since formation on a straight-line basis over 20 years. Under the terms of the Shareholder Agreement among the Company, SKF, and FAG both SKF and FAG have the right, beginning January 2003, to exercise their respective put option regarding their interest in Euroball to the Company on a formula buy-out.

On August 31, 2000, the Company acquired a 51% ownership interest in NN Mexico, LLC ("NN Mexico"), a Delaware limited liability company. NN Mexico holds as its sole investment a 100% ownership interest in NN Arte, a manufacturer of plastic components located in Guadalajara, Mexico. The Company is required to consolidate NN Mexico due to its majority ownership and has accounted for this acquisition using the purchase method of accounting.

On February 16, 2001, the Company completed the acquisition of all of the outstanding stock of The Delta Rubber Company, a Connecticut corporation ("Delta") for $22.5 million in cash. Delta provides high quality engineered bearing seals and other precision-molded rubber products to original equipment manufacturers. Delta operates two manufacturing facilities in Danielson, Connecticut. The Company's credit facility with AmSouth Bank was renegotiated to provide financing for the transaction. The Company has accounted for this acquisition using the purchase method of accounting.

On September 11, 2001, the Company announced the closing of its Walterboro, South Carolina ball manufacturing facility effective December 2001. The closing was made as part of the Company's strategy to redistribute its global production in order to better utilize capacity and serve the needs of its worldwide customers. The precision ball production of the Walterboro facility has been fully absorbed by the Company's remaining U.S. ball & roller manufacturing facilities located in Erwin and Mountain City, Tennessee. The Company recorded before tax charges associated with the closing of $1.9 million. This amount includes a $1.1 million before-tax charge for the recording of impairment on the Company's manufacturing facility located in Walterboro, South Carolina and $0.8 million related to employee severance costs. These amounts are reflected as restructuring and impairment costs in the accompanying Consolidated Statements of Income. The building along with certain machinery and equipment are held for sale as of December 31, 2001. These assets have an aggregate carrying value of $4.3 million. The financial results of this operation have been reflected in the Domestic Ball and Roller Segment. See Note 10 of the Notes to Consolidated Financial Statements

Effective December 21, 2001, the Company sold its minority interest in Jiangsu General Ball & Roller Company, LTD, a Chinese ball and roller manufacturer located in Rugao City, Jiangsu Province, China. To effect the transaction, the Company sold its 50% ownership in NN General, LLC, which owns a 60% interest in the Jiangsu joint venture to its partner, General Bearing Corporation for cash of $0.6 million and notes of $3.3 million. In 2001, the Company recorded a non-cash after-tax loss on sale of the investments in this joint venture of $0.2 million.

The implementation and successful execution of this acquisition strategy to date has allowed the Company to expand its global presence and positions the Company for continued global growth and expansion into core served markets.

Critical Accounting Policies

NN, Inc.'s (the "Company") critical accounting policies, including the assumptions and judgment underlying them, are disclosed in the Notes to the Consolidated Financial Statements. These policies have been consistently applied in all material respects and address such matters as revenue recognition, useful lives of depreciable assets, inventory valuation, asset impairment recognition, business combination accounting and pension and postretirement benefits. Due to the estimation processes involved, management considers the following summarized accounting policies and their application to be critical to understanding the Company's business operations, financial condition and results of operations. There can be no assurance that actual results will not significantly differ from the estimates used in these critical accounting policies.

Accounts Receivable

Substantially all of the Company's accounts receivable are due primarily from the core served markets: bearing manufacturers, automotive industry, electronics, industrial agricultural and aerospace. Due to the Chapter 7 voluntary bankruptcy of one IMC customer and other write-offs, the Company experienced $1,668 of bad debt expense during 2001 versus $0 during 2000. The Company continuously performs credit evaluations of its customers, considering numerous inputs when available including the customers' financial position, past payment history, relevant industry trends, cash flows, management capability, historical loss experience and economic conditions and prospects. While management believes that

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adequate allowances for doubtful accounts have been provided in the Consolidated Financial Statements, it is possible that the Company could experience additional unexpected credit losses.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. The Company's inventories are not generally subject to obsolescence due to spoilage or expiring product life cycles. The Company operates generally as a make-to-order business, however, the Company also stocks products for certain customers in order to meet delivery schedules. While management believes that adequate write-downs for inventory obsolescence have been made in the Consolidated Financial Statements, the Company could experience additional inventory write-downs in the future.

Acquisitions and Acquired Intangibles

The Company's business acquisitions typically result in goodwill which may effect the amount of future period amortization expense and possible impairment expense that we may incur. The determination of the value of such intangible assets and goodwill as well as the determination of their useful lives require that management make estimates that effect our consolidated financial statements.

Impairment of Long-Lived Assets

The Company's long-lived assets include property, plant and equipment and goodwill. The recoverability of the long-term investments is dependent on the performance of the companies which the Company has acquired, as well as volatility inherent in the external markets for these acquisitions. In assessing potential impairment for these investments the Company will consider these factors as well as forecasted financial performance. Future adverse changes in market conditions or adverse operating results of the underlying investments could result in the Company having to record additional impairment charges not previously recognized.

Pension and Postretirement Obligations

The Company utilizes significant assumptions in determining its periodic pension and postretirement expense and obligations which are included in the consolidated financial statements. These assumptions include determining an appropriate discount rate, rate of compensation increase as well as the remaining service period of active employees. The Company utilizes a qualified actuary to calculate the periodic pension and postretirement expense and obligations based upon these assumptions and actual employee census data.

Useful Lives of Depreciable Assets

The Company utilizes judgment in determining the estimated useful lives of its depreciable long-lived assets which are included in the consolidated financial statements. The estimate of useful lives is determined by the Company's historical experience with the type of asset purchased which is impacted by the Company's preventative maintenance programs. The Company begins depreciation on its long-lived assets when they are substantially put into service.

Results of Operations

The following table sets forth for the periods indicated selected financial data and the percentage of the Company's net sales represented by each income statement line item presented.

	As a percentage of Net Sales Year Ended December 31,		
	2001	2000	1999
Net sales	100.0%	100.0%	100.0%
Cost of product sold	76.4	71.1	70.3
Gross profit	23.6	28.9	29.7
Selling, general and administrative expenses	9.1	8.8	8.0
Depreciation and amortization	7.4	6.9	7.2
Restructuring and impairment costs	1.3	--	--
Income from operations	5.9	13.2	14.5
Interest expense	2.2	1.3	0.6
Equity in earnings of unconsolidated affiliates	--	--	--
Net gain on involuntary conversion	(2.2)	(0.6)	--
Other income	0.1	(0.1)	--
Income before provision for income taxes	5.9	12.6	13.9
Provision for income taxes	2.3	4.5	4.8
Minority interest in income of consolidated subsidiary	1.0	0.5	--
Income before cumulative effect of change in accounting principle	2.6	7.6	9.1
Cumulative effect of change in accounting principle, net of income tax benefit of $112 and related minority interest impact of $84	--	--	--
Net income	2.6%	7.6%	9.1%

Year Ended December 31, 2001 Compared to the Year Ended December 31, 2000

Net Sales. The Company's net sales increased $48.0 million or 36.3%, from $132.1 million in 2000 to $180.2 million in 2001. The inclusion of a full year of Euroball sales contributed $46.1 million of the increase, excluding the performance of the Ireland facility, which was consolidated into the results of the Company prior to the formation of Euroball. Additionally, the inclusion of 10.5 months of Delta's net sales in 2001 contributed $14.0 million. Offsetting this increase were decreased sales in the Domestic Ball and Roller and Plastics Segments in the last half of the year due to slowing demand related to the overall economic environment in the United States. Decreased sales during the year for the Plastics Segment were also due to decreased sales to one customer.

Gross Profit. Gross profit increased by $4.4 million, or 11.4% from $38.2 million in 2000 to $42.6 million in 2001. Adjusting for the performance of the Ireland facility, the Euroball joint venture contributed an additional $10.1 million of gross profit. The inclusion of 10.5 months of Delta's results contributed an additional $3.3 million in gross profit, while the sales volume deterioration in the Domestic Ball and Roller and Plastics Segments decreased gross profit $9.0 million. Gross profit decreased from 28.9% of net sales in 2000 to 23.6% of net sales in 2001.

Restructuring and Impairment Costs. Restructuring and impairment costs increased by $2.3 million from $0.0 million in 2000 to $2.3 million in 2001. The increase includes a $1.1 million charge for the recording of impairment on the Company's manufacturing facility located in Walterboro, South Carolina, a $0.8 million charge related to employee severance costs related to the closing of the Walterboro, South Carolina facility and a $0.4 million charge related to Euroball. Restructuring and impairment costs were 1.3% of net sales during 2001.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $4.8 million, or 41.6% from $11.6 million in 2000 to $16.4 million in 2001. The inclusion of a full year of Euroball results, adjusting for the Ireland facility, accounted for $3.5 million of the increase. The inclusion of 10.5 months of Delta's results accounted for $1.2 million of the increase. Additionally, bad debt expense primarily related to the bankruptcy filing of a major Plastics Segment customer contributed $0.8 million. Offsetting these increases were decreased spending related to cost reduction and cost containment efforts throughout the Company. As a percentage of net sales, selling, general and administrative expenses increased from 8.8% in 2000 to 9.1% in 2001.

Depreciation and Amortization. Depreciation and amortization expenses increased $4.2 million, or 45.6% from $9.2 million in 2000 to $13.3 million in 2001. The inclusion of a full year of Euroball results, adjusting for the Ireland facility, accounted for $2.8 million of the increase. The inclusion of 10.5 months of Delta's results accounted for $1.1 million of the increase. As a percentage of net sales, depreciation and amortization increased from 6.9% in 2000 to 7.4% in 2001.

Interest Expense. Interest expense increased by $2.2 million from $1.8 million in 2000 to $4.0 million in 2001. Interest expense related to the purchase of Delta accounted for $1.0 million of the increase. Additionally, the inclusion of a full year of interest expense related to the debt incurred by Euroball accounted for approximately $1.0 million of the increase. As a percentage of net sales, interest expense increased from 1.3% in 2000 to 2.2% in 2001. See "Management's Discussion and Analysis of Financial Condition - Liquidity and Capital Resources."

Equity in Earnings of Unconsolidated Affiliates. Equity in earnings of unconsolidated affiliates decreased $48,000 from $48,000 in 2000 to $0. The decrease is due to the Company's share of earnings from the NN General joint venture with General Bearing Corporation. Effective December 21, 2001, the Company sold its minority interest in Jiangsu General Ball & Roller Company, LTD, a Chinese ball and roller manufacturer located in Rugao City, Jiangsu Province, China. To effect the transaction, the Company sold its 50% ownership in NN General, LLC, which owns a 60% interest in the Jiangsu joint venture to its partner, General Bearing Corporation for cash of $622,000 and notes of $3,305,000. In 2001, the Company recorded a non-cash after-tax loss on the sale of its investment in this joint venture of $144,000. See Note 3 of the Notes to Consolidated Financial Statements for additional financial information.

Net Gain on Involuntary Conversion. The Company had a net gain on involuntary conversion of $3.9 million in 2001 related to insurance proceeds as a result of the March 12, 2000 fire at the Erwin facility.

Minority Interest in Consolidated Subsidiary. Minority interest of consolidated subsidiary increased $1.1 million from $0.7 million in 2000 to $1.8 million in 2001. This increase is due entirely to the Euroball joint venture which has been consolidated since its formation, August 1, 2000. The Company is required to consolidate Euroball in its Consolidated Financial Statements due to its majority ownership. The Company owns 54% of the shares of the joint venture with the minority partners owning the remaining 46%. Minority interest in consolidated subsidiary represents the combined 46% interest in Euroball's earnings of the minority partners and the 49% interest in NN Arte's earnings of the minority partners.

Net Income. Net income decreased $5.2 million, or 52.3%, from $10.0 million in 2000 to $4.7 million in 2001. As a percentage of net sales, net income decreased from 7.6% in 2000 to 2.6% in 2001.

Year Ended December 31, 2000 Compared to the Year Ended December 31, 1999

Net Sales. The Company's net sales increased $46.8 million or 54.9%, from $85.3 million in 1999 to $132.1 million in 2000. The formation of Euroball in August of 2000 contributed $30.4 million of the increase, adjusting for the third and fourth quarter sales of the Ireland facility, which were consolidated into the results of the Company prior to the formation of Euroball. Additionally the inclusion of a full year of IMC's net sales contributed $12.9 million. The Company acquired IMC on July 4, 1999, thus six months of IMC's results were included in the Company's 1999 results. The remainder of the increase is due to increased ball and roller sales in the first half of the year, offset by slowing domestic demand for balls and rollers in the second half of the year. The Company experienced decreased sales in the second half of the year for the Plastics Segment due primarily to decreased sales to one customer.

Gross Profit. Gross profit increased by $12.9 million, or 50.8% from $25.3 million in 1999 to $38.2 million in 2000. Adjusting for the Ireland facility's third and fourth quarter gross profit, the Euroball joint venture accounted for $7.5 million of the increase. The inclusion of a full year of IMC's gross profit contributed an additional $4.0 million in gross profit. The remainder of the increase is primarily attributed to increased sales at the Domestic Ball and Roller Segment. To a lesser degree, decreased costs as a percentage of sales at the Domestic Ball and Roller Segment contributed to the increase in gross profit. This was due mainly to inventory builds during the fourth quarter of 2000. As a percentage of net sales, gross profit decreased from 29.7% in 1999 to 28.9% in 2000.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $4.7 million, or 68.8% from $6.9 million in 1999 to $11.6 million in 2000. The Euroball Segment, adjusting for the Ireland facility, accounted for $2.4 million of the increase. The inclusion of a full year of IMC's results accounted for $1.6 million of the increase. The remainder of the increase is primarily attributed to increased administrative expenses associated with the Company's business development activity during the year. As a percentage of net sales, selling, general and administrative expenses increased from 8.0% in 1999 to 8.8% in 2000.

Depreciation and Amortization. Depreciation and amortization expenses increased $3.0 million, or 49.5% from $6.1 million in 1999 to $9.2 million in 2000. The addition of Euroball, adjusting for the Ireland facility, accounted for $2.4 million of the increase. The inclusion of a full year of IMC's results accounted for the remainder of the increase. As a percentage of net sales, depreciation and amortization decreased from 7.2% in 1999 to 6.9% in 2000.

Interest Expense. Interest expense increased by $1.3 million from $523,000 in 1999 to $1.8 million in 2000. Interest expense related to the debt incurred by Euroball to finance the joint venture transaction accounted for $622,000 of the increase. Additionally, the inclusion of a full year of interest expense related to the purchase of the IMC business accounted for approximately $500,000 of the increase. The remainder of the increase is due to increased expenditures associated with the Company's business development activity during 2000. Additionally, the timing of expenditures associated with the March 12, 2000 fire and the reimbursement of insurance proceeds caused an increase in the levels outstanding under the Company's domestic line of credit. As a percentage of net sales, interest expense increased from 0.6% in 1999 to 1.3% in 2000. See "Management's Discussion and Analysis of Financial Condition - Liquidity and Capital Resources."

Equity in Earnings of Unconsolidated Affiliates. Equity in earnings of unconsolidated affiliates increased $48,000 from $0 in 1999 to $48,000. The increase is due to the Company's share of earnings from the NN General joint venture with General Bearing Corporation. Earnings from this venture were offset by losses incurred from the start-up of the marketing arm of this venture and losses sustained from start-up expenses from the investment in NN Mexico LLC.

Net Gain on Involuntary Conversion. The Company had a gain on involuntary conversion of $728,000 in 2000 related to the excess of insurance proceeds over the net book value of assets destroyed and direct costs incurred as a result of the March 12, 2000 fire at the Erwin facility.

Minority Interest in Consolidated Subsidiary. Minority interest of consolidated subsidiary increased $660,000 from $0 in 1999 to $660,000 in 2000. This increase is due entirely to the Euroball joint venture. The Company is required to consolidate Euroball due to its ability to exercise control over the operations. The Company owns 54% of the shares of the joint venture with the minority partners owning the remaining 46%. Minority interest in consolidated subsidiary represents the combined 46% interest in Euroball earnings of the minority partners.

Net Income. Net income increased $2.2 million, or 28.7%, from $7.8 million in 1999 to $10.0 million in 2000. As a percentage of net sales, net income decreased from 9.1% in 1999 to 7.6% in 2000.

Liquidity and Capital Resources

In July 2000, NN Euroball ApS, and its subsidiaries entered into a loan agreement with HypoVereinsbank Luxembourg S.A. as agent for Bayerische Hypo-und Vereinsbank AG of Munich, Germany for a senior secured revolving credit facility of Euro 5,000,000, expiring on July 15, 2006 and a senior secured term loan of Euro 36,000,000, expiring on July 15, 2006. On July 31, 2000, upon closing of the joint venture, NN Euroball ApS borrowed a total of Euro 31,500,000 against these facilities for acquisition financing. Additional working capital and capital expenditure financing are provided for under the facility. Amounts outstanding under the facilities accrue interest at a floating rate equal to EURIBOR (3.30% at December 31, 2001) plus an applicable margin of between 1.175% to 2.25% based upon calculated financial ratios. The loan agreement contains various restrictive financial and non financial covenants. Restrictive covenants which specify, among other things, restrictions on the incurrence of indebtedness and the maintenance of certain financial ratios. These

facilities also include certain negative pledges. Euroball, as of December 31, 2001, was in compliance with all such covenants. At December 31, 2001, Euro 34,953,000 was available to Euroball under these facilities.

On July 20, 2001, the Company entered into a syndicated loan agreement with AmSouth Bank ("AmSouth") as the administrative agent for the lenders, for a senior non-secured revolving credit facility of up to $25 million, expiring on July 25, 2003 and a senior non-secured term loan for $35 million expiring on July 1, 2006. This credit facility replaces the $25 million revolving credit facility that was temporarily extended and restated in February of 2001 to $50 million and the additional $2 million of availability extended in March of 2001. Amounts outstanding under the revolving facility and the term loan facility bear interest at a floating rate equal to LIBOR (1.88% at December 31,2001) plus an applicable margin of 0.75% to 2.00% based upon calculated financial ratio. The loan agreement contains customary financial and non-financial covenants. Restrictive covenants specify, among other things, restrictions on the incurrence of indebtedness , payment of dividends, capital expenditures, and the maintenance of certain financial ratios. The Company, as of December 31, 2001 was in compliance with all such covenants. At December 31, 2001, $15.2 million was available to the Company under these facilities.

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 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. The Company's sales and receivables can be influenced by seasonality due to the Company's relative percentage of European business coupled with many foreign customers ceasing production during the month of August. For information concerning the Company's quarterly results of operations for the years ended December 31, 2001 and 2000, see Note 14 of the Notes to Consolidated Financial Statements.

The Company bills and receives payment from some of its foreign customers in Euro as well as other currencies. To date, the Company has not been materially adversely affected by currency fluctuations or foreign exchange restrictions. Nonetheless, as a result of these sales, the Company's foreign exchange transaction risk has increased. Various strategies to manage this risk are available to management including producing and selling in local currencies and hedging programs. As of December 31, 2001 no currency hedges were in place. In addition, a strengthening of the U.S. dollar against foreign currencies could impair the ability of the Company to compete with international competitors for foreign as well as domestic sales.

Working capital, which consists principally of accounts receivable and inventories, was $17.9 million at December 31, 2001 as compared to $30.0 million at December 31, 2000. The ratio of current assets to current liabilities decreased from 1.89:1 at December 31, 2000 to 1.47:1 at December 31, 2001. Cash flow from operations decreased to $24.6 million during 2001 from $26.9 million during 2000.

During 2002, the Company plans to spend approximately $6.8 million on capital expenditures related primarily to equipment and process upgrades and replacements. The Company intends to finance these activities with cash generated from operations and funds available under the credit facilities 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 2002.

Beginning in January 2003 FAG and SKF may each exercise their right under the Shareholders Agreement to cause the Company to purchase their respective interest in Euroball based on the Put Formula in the Shareholders Agreement. The Company anticipates that if such purchase becomes necessary, it may need to borrow additional funds. Because the purchase price is based on a formula using Euroball's historical cash flow, the exact amount of the put cannot be determined until the put right is exercised.

The Euro

The treaty on European Union provided that an economic and monetary union be established in Europe whereby a single European currency, the Euro, was introduced to replace the currencies of participating member states. The Euro was introduced on January 1, 1999, at which time the value of participating member state currencies were irrevocably fixed against the Euro and the European Currency Unit. For the three year transitional period ending December 31, 2001, the national currencies of member states continued to circulate but were in sub-units of the Euro. At the end of the transitional period, Euro bank notes and coins were issued, and the national currencies of the member states will be legal tender no later than June 30, 2002.

The Company currently has operations in Ireland, Germany and Italy, which are Euro participating countries, and each facility sells product to customers in many of the participating countries. The functional currency of the Company's Euroball operations is the Euro.

Seasonality and Fluctuation in Quarterly Results

The Company's net sales historically have been seasonal in nature. Due to a significant portion of the Company's sales being to foreign customers that cease or significantly slow production during the month of August. For information concerning the Company's quarterly results of operations for the years ended December 31, 2001 and 2000, see Note 14 of the Notes to Consolidated Financial Statements.

Inflation and Changes in Prices

While the Company's operations have not been affected by inflation during recent years, prices for 52100 Steel, engineered resins and other raw materials purchased by the Company are materially subject to change. For example, during 1995, due to an increase in worldwide demand for 52100 Steel and the decrease in the value of the United States dollar relative to foreign currencies, the Company experienced an increase in the price of 52100 Steel and some difficulty in obtaining an adequate supply of 52100 Steel from its existing suppliers. Domestically, the Company's pricing arrangements with its suppliers are subject to adjustment once every six months. The Company's Euroball Segment has entered into long term agreements with its primary steel supplier which provide for standard terms and conditions and annual pricing adjustments to offset material price fluctuations in steel. The Company typically reserves the right to increase product prices periodically in the event of increases in its raw material costs. Certain sales agreements are in effect with SKF and FAG, which provide for minimum purchase quantities and specified, annual sales price ajustments that may be modified up or down for changes in material costs. These agreements expire during 2006. The Company has been able to minimize the impact on its operations resulting from the 52100 Steel price fluctuations by taking such measures.

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. Readers can identify these forward-looking statements by the use of such verbs as expects, anticipates, believes or similar verbs or conjugations of such verbs. 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 differences could be caused by a number of factors or combination of factors including, but not limited to, the risk factors described below. Readers are strongly encouraged to consider these factors when evaluating any such forward-looking statement.

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 as 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 update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Industry Risks. Both the precision ball and roller, bearing seals, and precision plastics industries are cyclical and tend 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, the precision bearing seal market, and the precision plastics market are highly competitive, and many of manufacturers in each of the markets 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 to keep pace with such quality improvements in a cost effective manner. In addition, the Company competes with many of its ball and roller 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 ball and roller production facilities and capacity over the last several years. During 1997, the Company purchased an additional manufacturing plant in Kilkenny, Ireland. The

Company continued this expansion in 2000 through its 54% ownership of Euroball with SKF and FAG. The Company's Ball and Roller Segment 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 these joint ventures and 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's domestic Ball and Roller Segment 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 (a) obtains a majority of its raw materials for the manufacture of balls and rollers from overseas suppliers, (b) now actively participates in overseas manufacturing operations and (c) 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, manufacturing operations, and customers are located. An increase in the value of the United States dollar and/or Euro relative to other 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 2001, the Company's ten largest customers accounted for approximately 73% 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 35% of net sales in 2001, and sales to FAG accounted for approximately 19% of net sales. None of the Company's other customers accounted for more than 5% of its net sales in 2001. The loss of all or a substantial portion of sales to these customers would have a material adverse effect on the Company's business.

Acquisitions. The Company's growth strategy includes growth through acquisitions. In 1999, the Company acquired the IMC businesses as part of that strategy. In 2000, the Company formed Euroball with SKF and FAG and began operating two new ball manufacturing facilities. Additionally, in 2000, the Company formed the NN Arte joint venture and began operations in Mexico during 2001. In 2001, the Company acquired Delta as a continuation of that strategy. Although the Company believes that it will be able to continue to integrate the operations of IMC, NN Euroball, Delta and other companies acquired in the future into its operations without substantial cost, delays or other problems, its ability to do so will depend on, among other things, the adequacy of its implementation plans, the ability of its management to effectively oversee and operate the combined operations of the Company and the acquired businesses and its ability to achieve desired operating efficiencies and sales goals. If the Company is not able to successfully integrate the operations of acquired companies into its business, its future earnings and profitability could be materially and adversely affected.

Recently Issued Accounting Standards

In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activity, an Amendment of SFAS 133." SFAS No. 133 and SFAS No. 138 require that all derivative instruments be recorded on the balance sheet at their respective fair values. SFAS No. 133 and SFAS No. 138 are effective for all fiscal quarters of all fiscal years beginning after June 30, 2000, which for the Company was effective January 1, 2001.

In July 2001, the FASB issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (Statement No. 141), and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (Statement No. 142). Statement No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Statement No. 141 also specifies criteria for intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. Statement No. 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment. The effective date of Statement No. 142 is January 1, 2002. As of the date of adoption, the Company expects to have unamortized goodwill of approximately $39.8 million, which will be subject to the provisions of Statement No. 142. Amortization expense related to goodwill was $1.8 million, $0.9 million, and $0.4 million for the years ended December 31, 2001, 2000, and 1999 respectively. The Company is currently evaluating the impact of adoption of Statement No. 142.

In July 2001, the FASB issued Statement of Financial Accounting Standards No. 143, "Accounting For Asset Retirement Obligations." This Statement requires capitalizing any retirement costs as part of the total cost of the related long-lived asset and subsequently allocating the total expense to future periods using a systematic and rational method. Adoption of the Statement is required for fiscal years beginning after June 15, 2002. The Company is currently evaluating the impact of adoption of Statement No. 143.

In October 2001, The FASB issued Statement of Financial Accounting Standards No. 144, "Accounting For The Impairment or Disposal of Long-lived Assets." This Statement supercedes Statement No. 121 but retains many of its fundamental provisions. Additionally, this Statement expands the scope of discontinued operations to include more disposal transactions. The provisions of this Statement are effective for financial statements issued for fiscal years beginning after December 15, 2001. The Company is currently evaluating the impact of Statement No. 144.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to changes in financial market conditions in the normal course of its business due to its use of certain financial instruments as well as transacting in various foreign currencies. To mitigate its exposure to these market risks, the Company has established policies, procedures and internal processes governing its management of financial market risks.The Company is exposed to changes in interest rates primarily as a result of its borrowing activities. Domestically, these borrowings which include a $31.5 million floating rate, unsecured term loan and a $25 million floating rate revolving credit facility which are used to maintain liquidity and fund its business operations domestically. In Europe, Euroball has a 5 million euro floating rate credit facility, and a 36.0 million euro floating rate secured term loan. At December 31, 2001, the Company had $41.3 million outstanding under the domestic revolving credit facility and Euroball had $13.4 million outstanding under the Euroball credit facility. A one-percent increase in the interest rate charged on the Company's outstanding borrowings under both credit facilities would result in interest expense increasing by approximately $547,000 during 2001 and $564,000 during 2000. In connection with a variable EURIBOR rate debt financing in July 2000 the Company's 54% owned subsidiary, NN Euroball ApS entered into an interest rate swap with a notional amount of Euro 12.5 million for the purpose of fixing the interest rate on a portion of their debt financing. The interest rate swap provides for the Company to receive variable

Euribor interest payments and pay 5.51% fixed interest. The interest rate swap agreement expires in July 2006 and the notional amount amortizes in relation to principal payments on the underlying debt over the life of the swap. The nature and amount of the Company's borrowings may vary as a result of future business requirements, market conditions and other factors.

The Company's operating cash flows denominated in foreign currencies are exposed to changes in foreign exchange rates. The Company, mainly at its Euroball Segment, bills and receives payment from some of its foreign customers in their own currency. To date, the Company has not been materially adversely affected by currency fluctuations of foreign exchange restrictions. However, to help reduce exposure to foreign currency of fluctuation, management has implemented a foreign currency hedging program. This program allows management to hedge currency exposures when these exposures meet certain discretionary levels. The Company did not hold a position in any foreign currency hedging instruments as of December 31, 2001.

Item 8. Financial Statements and Supplementary Data

Index to Financial Statements

Independent Auditors' Report

The Board of Directors
NN, Inc.:

We have audited the accompanying consolidated balance sheets of NN, Inc. as of December 31, 2001 and 2000 and the related consolidated statements of income and comprehensive income, consolidated statements of changes in stockholders' equity, and consolidated statements of cash flows of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for derivative instruments and hedging activities in 2001.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NN, Inc. as of December 31, 2001 and 2000 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP
Charlotte, North Carolina
February 28, 2002

Report of Independent Accountants

To the Board of Directors and Stockholders of NN, Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of NN, Inc. (formerly known as NN Ball & Roller, Inc.) and its subsidiaries at December 31, 1999, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion.

/s/ PriceWaterhouseCoopers LLP
PriceWaterhouseCoopers LLP
Charlotte, North Carolina
February 4, 2000

NN, Inc.
Consolidated Balance Sheets
December 31, 2001 and 2000
(In thousands, except per share data)

Assets	**2001**	**2000**
Current assets:		
Cash and cash equivalents	$ 3,024	$ 8,273
Accounts receivable, net	24,832	29,549
Inventories, net	23,418	23,742
Other current assets	3,034	1,512
Current deferred tax asset	1,309	790
Total current assets	55,617	63,866
Property, plant and equipment, net	82,770	91,693
Assets held for sale	4,348	--
Goodwill, net of accumulated amortization of $3,009 in 2001 and $1,297 in 2000	39,805	27,865
Other non-current assets	4,862	4,212
Non-current deferred tax asset	733	172
Total assets	$ 188,135	$ 187,808
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 15,829	$ 16,883
Bank overdraft	1,141	454
Accrued salaries, wages and benefits	3,813	2,248
Income taxes payable	2,074	1,341
Payable to affiliates	1,277	1,762
Short-term loans	--	2,000
Short term portion of long term debt	7,000	--
Other liabilities	6,5522	9,038
Current deferred tax liability	50	114
Total current liabilities	37,736	33,840
Minority interest in consolidated subsidiaries	30,932	30,257
Non-current deferred tax liability	6,499	5,239
Long-term debt	47,661	50,515
Accrued Pension	2,390	2,133
Other	878	578
Total liabilities	126,096	122,562
Stockholders' equity:		
Common stock - $0.01 par value, authorized 45,000 shares, issued and outstanding 15,317 shares in 2001 and 15,247 shares in 2000	154	153
Additional paid-in capital	30,841	30,414
Retained earnings	36,139	36,364
Accumulated other comprehensive loss	(5,095)	(1,685)
Total stockholders' equity	62,039	65,246
Total liabilities and stockholders' equity	$ 188,135	$ 187,808

See accompanying notes to consolidated financial statements

NN, Inc.
Consolidated Statements of Income and Comprehensive Income
Years ended December 31, 2001, 2000 and 1999
(In thousands, except per share data)

	2001	2000	1999
Net sales	$ 180,151	$ 132,129	$ 85,294
Cost of products sold	137,591	93,926	59,967
Gross profit	42,560	38,203	25,327
Selling, general and administrative	16,382	11,571	6,854
Depreciation and amortization	13,340	9,165	6,131
Restructuring and impairment costs	2,312	--	--
Income from operations	10,526	17,467	12,342
Interest expense	4,006	1,773	523
Equity in earnings of unconsolidated affiliates	--	(48)	--
Net gain on involuntary conversion	(3,901)	(728)	--
Other income	(186)	(136)	--
Income before provision for income taxes	10,607	16,606	11,819
Provision for income taxes	4,094	5,959	4,060
Minority interest in consolidated subsidiaries	1,753	660	--
Income before cumulative effect of change in accounting principle	4,760	9,987	7,759
Cumulative effect of change in accounting principle, net of income tax benefit of $112 and related minority interest impact of $84	98	--	--
Net income	4,662	9,987	7,759
Other comprehensive income (loss):			
Additional minimum pension liability, net of tax of $31	(53)	--	--
Foreign currency translation	(3,357)	(7)	(1,563)
Comprehensive income	$ 1,252	$ 9,980	$ 6,196
Basic income per share:			
Income before cumulative effect of change in accounting principle	$ 0.31	$ 0.66	$ 0.52
Cumulative effect of change in accounting principle	(0.01)	--	--
Net income	$ 0.31	$ 0.66	$ 0.52
Weighted average shares outstanding	15,259	15,247	15,021
Diluted income per share:			
Income before cumulative effect of change in accounting principle	$ 0.31	$ 0.64	$ 0.52
Cumulative effect of change in accounting principle	(0.01)	--	--
Net income	$ 0.30	$ 0.64	$ 0.52
Weighted average shares outstanding	15,540	15,531	15,038

See accompanying notes to consolidated financial statements

NN, Inc.
Consolidated Statements of Changes in Stockholders' Equity
Years ended December 31, 2001, 2000 and 1999
(In thousands)

	Common Stock					
	Number of shares	Par Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 1998	14,804	$ 149	$ 27,902	$ 28,306	$ (115)	$ 56,242
Shares Issued	440	4	2,496	--	--	2,500
Net income	--	--	--	7,759	--	7,759

Dividends paid	--	--	--	(4,810)	--	(4,810)
Cumulative translation loss	--	--	--	--	(1,563)	(1,563)
Balance, December 31, 1999	15,244	$ 153	$ 30,398	$ 31,255	$ (1,678)	$ 60,128
Shares Issued	3	--	16	--	--	16
Net income	--	--	--	9,987	--	9,987
Dividends paid	--	--	--	(4,878)	--	(4,878)
Cumulative translation loss	--	--	--	--	(7)	(7)
Balance, December 31, 2000	15,247	$ 153	$ 30,414	$ 36,364	$ (1,685)	$ 65,246
Shares Issued	70	1	427	--	--	428
Net income	--	--	--	4,662	--	4,662
Dividends paid	--	--	--	(4,887)	--	(4,887)
Additional minimum pension liability	--	--	--	--	(53)	(53)
Cumulative translation loss	--	--	--	--	(3,357)	(3,357)
Balance, December 31, 2001	15,317	$ 154	$ 30,841	$ 36,139	$ (5,095)	$ 62,039

See accompanying notes to consolidated financial statements

NN, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2001, 2000 and 1999
(In Thousands)

	2001	2000	1999
Cash flows from operating activities:			
Net Income	$ 4,662	$ 9,987	$ 7,759
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	13,340	9,165	6,131
Cumulative effect of change in accounting principle	98	--	--
Loss on disposals of property, plant and equipment	--	1,194	43
Loss on sale of NNG	222	--	--
Equity in earnings of unconsolidated affiliates	--	(48)	--
Deferred income tax	433	1,185	(369)
Interest income on receivable from unconsolidated affiliates	(104)	(159)	--
Minority interest in consolidated subsidiary	1,753	660	--
Restructuring costs and impairment costs	2,312	--	--
Changes in operating assets and liabilities:			
Accounts receivable	6,838	1,955	(641)
Inventories	1,175	(3,021)	5,121
Other current assets	(1,461)	(106)	471
Other assets	(618)	(1,719)	19
Accounts payable	(2,846)	5,544	(1,439)
Other liabilities	(1,187)	2,227	750
Net cash provided by operating activities	24,617	26,864	17,845
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired	(23,496)	(57,788)	(27,535)
Acquisition of property, plant and equipment	(6,314)	(17,910)	(2,394)
Sale of NNG	622	--	--
Long-term note receivable	--	(3,440)	--
Investment in unconsolidated affiliates	--	(172)	--
Proceeds from disposals of property, plant and equipment	106	--	46
Net cash used by investing activities	(29,082)	(79,310)	(29,883)
Cash flows from financing activities:			
Net proceeds under revolving line of credit	--	7,547	17,151
Minority shareholders contributions	--	29,600	--
Proceeds from long-term debt	71,430	25,817	--
Bank overdrafts	687	(785)	1,239
Repayment of long-term debt	(65,946)	--	--
Proceeds (repayment) of short-term debt	(2,000)	2,000	--
Proceeds from issuance of stock	428	16	--
Cash dividends	(4,887)	(4,878)	(4,810)
Net cash provided (used) by financing activities	(288)	59,317	13,580
Effect of exchange rate changes	(496)	(7)	(1,563)
Net change in cash and cash equivalents	(5,249)	6,864	(21)
Cash and cash equivalents at beginning of period	8,273	1,409	1,430

(In thousands, except per share data)

Cash and cash equivalents at end of period	$ 3,024	$ 8,273	$ 1,409

Supplemental schedule of non-cash investing and financing activities:

Note received related to sale of NNG	$ 3,300	$ --	$ --
Stock issued related to acquisition of IMC	$ --	$ --	$ 2,500

See accompanying notes to consolidated financial statements

(Continued)

(1) Summary of Significant Accounting Policies and Practices

(a) Description of Business

The Company is a manufacturer of precision balls, rollers, plastic injection molded products, and precision bearing seals. The Company's balls, rollers, and bearing seals are used primarily in the domestic and international anti-friction bearing industry. The Company's plastic injection molded products are used in the bearing, automotive, instrumentation and fiber optic industries. The Domestic Ball and Roller Segment is comprised of two manufacturing facilities located in the eastern United States. The Company's Euroball Segment, which was acquired in July 2000, (see Note 2) is comprised of manufacturing facilities located in Kilkenny, Ireland, Eltmann, Germany, and Pinerolo, Italy. All of the facilities in the Euroball Segment are engaged in the production of precision balls and rollers. The Plastics Segment consists of IMC, acquired in July 1999, NN Arte, formed in August 2000 and Delta Rubber, acquired in February 2001. IMC has two production facilities in Texas, NN Arte has one production facility in Guadalajara, Mexico and Delta Rubber has two production facilities in Connecticut (see Note 2). All of the Company's segments sell to foreign and domestic customers.

(b) Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less as cash equivalents.

(c) Inventories

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

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Assets held for sale are stated at lower of cost or fair market value less selling cost. Expenditures for maintenance and repairs are charged to expense as incurred. Major renewals and betterments are capitalized. When a major property item is retired, its cost and related accumulated depreciation or amortization are removed from the property accounts and any

(Continued)

gain or loss is recorded in income or expense, respectively. The Company reviews the carrying values of long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. During the year ended December 31, 2001, the Company incurred an impairment charge of $1,083 to write-down the land and building at the Walterboro, SC production facility to its net realizable value, which was based upon fair market value appraisals. The carrying value of this land and building of $1,692 has been classified as a component of assets held for sale in the accompanying financial statements. During the year ended December 31, 2000, the Company did not incur any impairment charges.

Depreciation is provided principally on the straight-line method over the estimated useful lives of the depreciable assets for financial reporting purposes. Accelerated depreciation methods are used for income tax purposes.

(e) Revenue Recognition

The Company generally recognizes a sale when goods are shipped and ownership is assumed by the customer. The Company has an inventory management program for certain major ball and roller customers whereby sales are recognized when products are used by the customer from consigned stock, rather than at the time of shipment.

(f) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(g) Net Income Per Common Share

Basic earnings per share reflect reported earnings divided by the weighted average number of common shares outstanding. Diluted earnings per share include the effect of dilutive stock options outstanding during the year.

(h) Stock Incentive Plan

The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations including Financial Accounting Standards Board (FASB) Interpretation No. 44, "Accounting for Certain Transactions involving Stock Compensation (an interpretation of APB Opinion No. 25)" issued in March 2000, to account for its fixed plan stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. The Company also applies the provision of APB Opinion No. 25 to its variable stock options. Compensation expense is recognized for these awards if the current market price of the underlying stock exceeds $10.50. Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123.

(i) Principles of Consolidation

The Company's consolidated financial statements include the accounts of NN, Inc. and subsidiaries in which the Company owns more than 50% voting interest. Unconsolidated subsidiaries and investments where ownership is between 20% and 50% are accounted for under the equity method. All significant intercompany profits, transactions, and balances have been eliminated in consolidation. The ownership interests of other

(Continued)

shareholders in companies that are more than 50% owned, but less than 100% owned, are reflected as minority interests. Minority interest represents the minority shareholders interest of NN Euroball ApS and NN Arte.

(j) Foreign Currency Translation

Assets and liabilities of the Company's foreign subsidiary are translated at current exchange rates, while revenue and expenses are translated at average rates prevailing during the year. Translation adjustments are reported as a component of other comprehensive income.

(k) Goodwill

Goodwill, which represents the excess of purchase price over the fair value of net assets acquired, is amortized on a straight-line basis over the expected periods to be benefited, generally 20 years. The Company assesses the recoverability of this intangible asset by determining whether the amortization of the goodwill balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired operation. The amount of goodwill impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds.

(l) Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(m) Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) Reclassifications

Certain 2000 and 1999 amounts have been reclassified to conform with the 2001 presentation.

(o) Recently Issued Accounting Standards

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Certain Hedging Activities." In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activity, an Amendment of SFAS 133." SFAS No. 133 and SFAS No. 138 require that all derivative instruments be recorded on the balance sheet at their respective fair values. SFAS No. 133 and SFAS No. 138 are effective for all fiscal quarters of all fiscal years beginning after June 30, 2000, which for the Company was effective January 1, 2001.

In July 2001, the FASB issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (Statement No. 141), and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (Statement No. 142). Statement No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Statement No. 141 also specifies criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. Statement No. 142 requires that goodwill and intangible assets

(Continued)

with indefinite useful lives no longer be amortized, but instead tested for impairment. The effective date of Statement No. 142 is January 1, 2002. As of the date of adoption, the Company expects to have unamortized goodwill of approximately $39.8 million, which will be subject to the provisions of Statement No. 142. Amortization expense related to goodwill was $1.8 million, $0.9 million and $0.4 million for the years ended December 31, 2001, 2000 and 1999, respectively. The Company is currently evaluating the impact of adoption of Statement No. 142.

In July 2001, the FASB issued Statement of Financial Accounting Standards No. 143, "Accounting For Asset Retirement Obligations." This Statement requires capitalizing any retirement costs as part of the total cost of the related long-lived asset and subsequently allocating the total expense to future periods using a systematic and rational method. Adoption of the Statement is required for fiscal years beginning after June 15, 2002. The Company is currently evaluating the impact of adoption of Statement No. 143.

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting For The Impairment or Disposal of Long-lived Assets." This Statement supercedes Statement No. 121 but retains many of its fundamental provisions. Additionally, this Statement expands the scope of discontinued operations to include more disposal transactions. The provisions of this Statement are effective for financial statements issued for fiscal years beginning after December 15, 2001. The Company is currently evaluating the impact of Statement No. 144.

(q) Derivative Financial Instruments

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Certain Hedging Activities." In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activity, an Amendment of SFAS 133." SFAS No. 133 and SFAS No. 138 require that all derivative instruments be recorded on the balance sheet at their respective fair values. SFAS No. 133 and SFAS No. 138 are effective for all fiscal quarters of all fiscal years beginning after June 30, 2000, which for the Company was effective January 1, 2001.

The Company has an interest rate swap accounted for in accordance with Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." The Company adopted SFAS No. 133 on January 1, 2001, which establishes accounting and reporting standards for derivative instruments and for hedging activities. The Standard requires the recognition of all derivative instruments on the balance sheet at fair value. The Standard allows for hedge accounting if certain requirements are met including documentation of the hedging relationship at inception and upon adoption of the Standard.

In connection with a variable EURIBOR rate debt financing in July 2000 the Company's 54% owned subsidiary, NN Euroball ApS entered into an interest rate swap with a notional amount of Euro 12.5 million for the purpose of fixing the interest rate on a portion of their debt financing. The interest rate swap provides for the Company to receive variable Euribor interest payments and pay 5.51% fixed interest. The interest rate swap agreement expires in July 2006 and the notional amount amortizes in relation to principal payments on the underlying debt over the life of the swap.

The cumulative effect of a change in accounting principles for the adoption of SFAS No. 133 effective January 1, 2001 resulted in a transition adjustment net loss of $98 which is net of an income tax benefit of $112 and the related minority interest impact of $84. The interest rate swap does not qualify for hedge accounting under the provisions of SFAS No. 133; therefore, the transition adjustment for adoption of SFAS No. 133 and any subsequent periodic changes in fair value of the interest rate swap are recorded in earnings.

As of December 31, 2001, the fair value of the swap is a before tax loss of approximately $374 which is recorded in other non-current liabilities. The change in fair value during the year ended December 31, 2001 was a loss of approximately $80 which has been included as a component of other (income) expense.

(2) Acquisitions

On February 16, 2001, the Company completed the acquisition of all of the outstanding stock of The Delta Rubber Company, ("Delta") a Connecticut corporation for $22,500 in cash, of which $500 was to be held in escrow for one year from the date of closing. Delta provides high quality engineered bearing seals and other precision-molded rubber products to original equipment manufacturers. The Company plans to continue the operation of the Delta business, which operates a manufacturing facility in Danielson, Connecticut. The excess of the purchase price over the fair value of the net identifiable

(Continued)

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assets acquired of $14,107 has been recorded as goodwill and is being amortized on a straight-line basis over twenty years.

(In thousands, except per share data)

Effective July 31, 2000, the Company completed its Euroball transaction. Completion of the transaction required the Company to start a majority owned stand-alone company in Europe, NN Euroball ApS, for the manufacture and sale of precision steel balls used for ball bearings and other products. The Company owns 54% of the shares of NN Euroball, ApS, AB SKF (SKF), a Swedish Company, and FAG Kugelfischer Georg Schager AG (FAG), a German Company, own 23% each. NN Euroball ApS subsequently acquired the steel ball manufacturing facilities located in Pinerolo, Italy (previously owned by SKF), Eltmann, Germany (previously owned by FAG) and Kilkenny, Ireland (previously owned by the Company). NN Euroball ApS paid approximately $57,788 for the net assets acquired from SKF and FAG. The acquisitions of the Pinerolo, Italy and Eltmann, Germany ball manufacturing facilities have been accounted for by the purchase method of accounting and, accordingly, the results of operations of Euroball have been included in the Company's consolidated financial statements from July 31, 2000. The excess of the purchase price over the fair value of the net identifiable assets acquired of $15,507 has been recorded as goodwill and is being amortized on a straight-line basis over twenty years.

Under the terms of a Shareholder Agreement between the Company, SKF and FAG, at any time after December 31, 2002, SKF and FAG can require the Company to purchase their shares of NN Euroball ApS. The purchase price of the shares is to be calculated using a purchase price formula specified in the Shareholder Agreement.

The following unaudited pro forma summary presents the financial information as if the Company's Euroball transaction and Delta acquisition had occurred on January 1, 2001 and 2000. These proforma results have been prepared for comparative purposes and do not purport to be indicative of what would have occurred had the acquisitions been made on January 1, 2001 and 2000, nor is it indicative of future results.

	(Unaudited) December 31, 2001	**(Unaudited) December 31, 2000**
Net sales	$ 182,700	$ 200,500
Net income	4,800	11,800
Basic earnings per share	0.31	0.77
Diluted earnings per share	0.31	0.76

Effective July 4, 1999, the Company acquired substantially all of the assets and assumed certain liabilities of Earsley Capital Corporation, a Nevada corporation and successor to and formerly known as Industrial Molding Corporation ("IMC"). IMC, located in Lubbock, Texas, operates as a premier full-service designer and manufacturer of precision plastic injection molded components. The Company paid consideration of approximately $30,000, consisting of $27,500 in cash and 440 shares of its common stock, for the net assets acquired from IMC. The Company has accounted for the IMC acquisition using the purchase method of accounting and, accordingly, the results of operations of IMC have been included in the Company's consolidated financial statements from July 4, 1999. The excess of the purchase price over the fair value of the net identifiable assets acquired of $13,200 has been recorded as goodwill, which is being amortized, on a straight-line basis over twenty years.

(Continued)

The following unaudited pro forma summary presents the financial information as if the Company's acquisition of IMC had occurred on January 1, 1999. This unaudited pro forma summary does not include Euroball or Delta. These proforma results have been prepared for comparative purposes and do not purport to be indicative of what would have occurred had the acquisition been made on January 1, 1999, nor is it indicative of future results.

	(Unaudited) December 31, 1999
Net sales	$ 101,562
Net income	7,558
Basic earnings per share	0.50
Dilutive earnings per share	0.50

(3) Restructuring and Impairment Charges

(In thousands, except per share data)

In September 2001, the Company announced the closure of its Walterboro, South Carolina ball manufacturing facility as a part of its ongoing strategy to locate manufacturing capacity in closer proximity to its customers. This facility is included in the Company's Domestic Ball and Roller Segment (see Note 10). The closure was substantially completed by December 31, 2001.

Prior to December 31, 2001, production capacity and certain machinery and equipment was transferred from the Walterboro facility to the Company's two domestic ball facilities in Erwin, Tennessee and Mountain City, Tennessee. The plant closing resulted in the termination of approximately 80 full time hourly and salaried employees located at the Walterboro facility. The Company has recorded restructuring costs of $750 during the year ended December 31, 2001 for the severance payments. Additionally, prior to December 31, 2001, the Company decided to sell the Walterboro land, building and certain machinery. The Company incurred an impairment charge of $1,083 during 2001 to write-down the land and building at the Walterboro facility to its net realizable value of $1,697, which was based upon fair market value appraisals. The remaining equipment with a historical net book value of $2,656 is also held for sale. The amounts the Company will ultimately realize upon disposition of these assets could differ materially from the amounts assumed in arriving at the 2001 impairment loss. The Company anticipates selling the land, building and machinery during 2002. Approximately $290 of the severance payments were paid in 2001 and the remaining is expected to be paid in 2002.

Accrued restructuring costs of $460 are included in other current liabilities as of December 31, 2001. The Company has charged expenses for moving machinery, equipment and inventory to other production facilities and other costs to close the facility, which will benefit future operations in the period they are incurred.

In addition to this restructuring charge, the Company's Euroball subsidiary incurred restructuring charges of $479 for severance payments as a result of the termination of 15 hourly employees and 3 salaried employees at its Italy production facility. Approximately $426 of the severance payments were paid during 2001 and remaining accrued restructuring costs of $53 are included in other current liabilities as of December 31, 2001.

The following summarizes the 2001 restructurings:

	Charges	Non-Cash Writedowns	Paid in 2001	Reserve Balance at 12/31/01
Asset impairments	$1,083	$1,083	$ --	$ --
Severance and other employee costs	1,229	--	716	513
Total	$2,312	$1,083	$ 716	$ 513

(Continued)

(4) Investments in Affiliated Companies

Investments in affiliated companies at December 31, 2000 consist of 50% of the member interest of NN General, LLC. NN General, LLC was formed in March 2000 between the Company and General Bearing Corporation. NN General, LLC owns 60% of the Jiangsu General Ball and Roller, Company, Ltd., a Chinese precision ball and roller manufacturer located in Rugao City, Jiangsu, Province, China. The Company's investment in NN General, LLC includes $215 of member equity and a note receivable of $3,440 at December 31, 2000 which are included in other non-current assets in the accompanying consolidated balance sheet. The note receivable bears interest at variable rates (6.24% at December 31, 2000) and is due December 31, 2020. Accrued interest income on this note is $159 at December 31, 2000 and is included in other current assets in the accompanying consolidated balance sheet.

Effective December 21, 2001, the Company sold its 50% ownership in NN General, LLC to its partner, General Bearing Corporation for cash of $622 and notes of $3,300. The notes are due in annual installments of $200 with the balance due on December 21, 2006. The notes bear interest at an average LIBOR (1.88% at December 31, 2001) plus 1.5%. In 2001, the Company recorded a non-cash loss on the sale of its investment in this joint venture of $144.

(5) Accounts Receivable

(In thousands, except per share data)

	December 31, 2001	December 31, 2000
Trade	$26,613	$29,028
Other	10	1,297
	26,623	30,325
Less - Allowance for doubtful accounts	1,791	776
	$24,832	$29,549

Allowance for doubtful accounts is as follows:

Description	Balance at beginning of year	Additions	Write-offs	Balance at end of year
December 31, 1999				
Allowance for doubtful accounts	$ 586	$ 320	$ --	$ 906
December 31, 2000				
Allowance for doubtful accounts	$ 906	$ --	$ 130	$ 776
December 31, 2001				
Allowance for doubtful accounts	$ 776	$ 1,668	$ 653	$1,791

(Continued)

On November 6, 2001, a customer of IMC filed for voluntary Chapter 7 bankruptcy. As of December 31, 2001, the Company had a trade accounts receivable balance of approximately $829 with this customer. For the year ended December 31, 2001, the Company recorded sales of approximately $1,900 to this customer. As of December 31, 2001, the Company has increased its allowance for doubtful accounts by approximately $829 as a result of this bankruptcy filing.

(6) Inventories

	December 31, 2001	December 31, 2000
Raw materials	$ 5,494	$ 4,431
Work in process	5,016	5,265
Finished goods	13,065	14,106
Less-inventory reserve	(157)	(60)
	$ 23,418	$ 23,742

Inventory on consignment at December 31, 2001 and 2000 was approximately $ 2,908 and $4,083, respectively.

(7) Property, Plant and Equipment

	Estimated Useful Life	December 31, 2001	December 31, 2000
Land		$ 1,830	$ 2,202
Buildings and improvements	10-25 years	20,286	26,463
Machinery and equipment	3-10 years	103,363	92,810
Construction in process		1,577	6,138
		127,056	127,613
Less - accumulated depreciation		44,286	35,920
		$ 82,770	$ 91,693

(In thousands, except per share data)

On September 11, 2001, the Company announced the closing of its Walterboro, South Carolina ball manufacturing facility effective December 2001. As a result of that closing land and building with a carrying value of $1,692 and certain machinery and equipment with a carrying value of $2,656 are held for sale as of December 31, 2001.

(8) Debt

(a) Short Term

At December 31, 2000, the Company had outstanding $2,000 of unsecured notes payable to banks bearing interest at 7.29%. These notes were repaid during 2001.

(Continued)

(b) Long-Term

Long-term debt at December 31, 2001 and 2000 consists of the following:

	2001	**2000**
Borrowings under a revolving credit facility bearing interest at variable rates (3.24% - 4.75% at December 31, 2001) due July 25, 2003	$ 9,805	$ --
Borrowings under a revolving credit facility bearing interest a variable rates (7.29% at December 31, 2000) due July 25, 2003. Repaid in July 2001	--	24,698
Termloan bearing interest at variable rates (3.24% at December 31, 2001) payable in quarterly installments of $1,750 beginning September 19, 2001 through July 1, 2006	31,500	--
Borrowings under a Euro revolving credit facility bearing interest at variable rates (4.55% at December 31, 2001 and 6.63% at December 31, 2000) due July 15, 2006	--	942
Euroterm loans bearing interest at variable rates (4.55% at December 31, 2001and 6.63% at December 31, 2000) payable in quarterly installments of $1,781 beginning March 15, 2002 through June 15, 2006	13,356	24,875
Total long-term debt	54,661	50,515
Less current maturities	7,000	--
Long-term debt, excluding current installments	$47,661	$50,515

On July 20, 2001, the Company entered into a syndicated loan agreement with AmSouth Bank ("AmSouth") as the administrative agent for the lenders, for a senior non-secured revolving credit facility of up to $25,000, expiring on July 25, 2003 and a senior non-secured term loan for $35,000 expiring on July 1, 2006. These facilities include certain negative pledges. This credit facility replaces the $25,000 revolving credit facility that was temporarily extended and restated in February 2001 to $50,000 and the additional $2,000 of availability extended in March of 2001. Amounts outstanding under the revolving facility and term loan facility bear interest at a floating rate equal to LIBOR (1.88% at December 31, 2001) plus an applicable margin of 0.75% to 2.00% based upon calculated financial ratios. The loan agreement contains restrictive covenants which specify, among other things, restrictions on the incurrence of indebtedness, payment of dividends, capital expenditures, and the maintenance of certain financial ratios. The Company, as of December 31, 2001, was in compliance with all such covenants.

In connection with the Euroball transaction (see Note 2) the Company and NN Euroball ApS, entered into a Facility Agreement with a bank to provide up to Euro 36,000 in Term Loans and Euro 5,000 in revolving credit loans. The Company borrowed Euro 30,500 ($28,755) under the term loan facility and Euro 1,000 ($943) under the revolving credit facility. Amounts outstanding under the Facility Agreement are secured by inventory

(Continued)

NN, Inc.
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and accounts receivable and bear interest at EURIBOR (3.30% at December 31, 2001) plus an applicable margin between 1.125% and 2.25% based upon financial ratios. The shareholders of NN Euroball ApS have provided guarantees for the Facility Agreement. The Facility Agreement contains restrictive covenants, which specify, among other things, restrictions on the incurrence of indebtedness and the maintenance of certain financial ratios. Euroball was in compliance with all such covenants at December 31, 2001.

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2001 are as follows:

2002	$ 7,000
2003	23,893
2004	13,268
2005	7,000
2006	3,500
Total	$54,661

Interest paid during 2001, 2000 and 1999 was $3,596, $1,917 and $519, respectively.

(9) Employee Benefit Plans

The Company has three defined contribution 401(k) profit sharing plans covering substantially all employees of the Domestic Ball and Roller and Plastics Segments. The plan in place for the Domestic Ball and Roller Segment covers all employees who have one year of service, have attained age twenty-one and have elected to participate in the plan. A participant may elect to contribute from 1% to 20% of his or her compensation to the Plan, subject to a maximum deferral set forth in the Internal Revenue Code. The Company provides a matching contribution of the higher of $500 or 50% of the first 4% of eligible compensation per participant. The employer matching contribution is fully vested at all times. The contributions by the Company for the Domestic Ball and Roller Segment plan were $152, $106 and $120 in 2001, 2000 and 1999, respectively.

The plan in place for IMC covers all employees who have completed six months of service and have elected to participate in the plan. A participant may elect to contribute from 1% to 15% of his or her compensation to the plan, subject to a maximum deferral set forth in the Internal Revenue Code. The Company matches 25% of the first 6% of each employee's contribution to the plan and provides for a discretionary contribution at the end of each plan year. The contributions by the Company for IMC plan since acquisition in July 1999 were $58 in 2001, $70 in 2000 and $196 in 1999. Vesting occurs in equal increments over a period of five years.

The plan in place for Delta covers all employees who have one year of service, have attained age twenty-one and have elected to participate in the plan. A participant may elect to contribute from 1% to 20% of his or her compensation to the Plan, subject to a maximum deferral set forth in the Internal Revenue Code. The Company matches 50% of the first 6% of each employee's contribution to the plan. The employee has 100% immediate vesting on all contributions made to his or her account. The contributions by the Company for the Delta plan since acquisition in February 2001 were $67. Vesting occurs in equal increments over a period of five years.

(Continued)

NN, Inc.
Notes to Consolidated Financial Statements
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The Company has a defined benefit pension plan covering its Eltmann, Germany facility employees (a Euroball division). The benefits are based on the expected years of service including the rate of compensation increase. The plan is unfunded.

(In thousands, except per share data)

Following is a summary of the changes in the projected benefit obligation for the defined benefit pension plan during 2001 and 2000:

	2001	2000
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 2,133	$ 1,886
Service cost	77	33
Interest cost	116	62
Benefits paid	(5)	--
Effect of currency translation	(196)	--
Actuarial loss	265	152
Benefit obligation at December 31	$ 2,390	$ 2,133

	2001	2000
Weighted-average assumptions as of December 31:		
Discount rate	5.5%	6.0%
Rate of compensation increase	1.5% - 2.1	2.0%

	2001	2000
Components of net periodic benefit cost:		
Service cost	$ 77	$ 33
Interest cost on projected benefit obligation	116	62
Net periodic pension cost	$193	$ 95

Amounts recognized in the Consolidated Balance Sheets consist of:

	2001	2000
Accrued benefit liability	$2,390	$2,133
Accumulated other comprehensive loss, net of tax	(53)	--
Net amount recognized	$2,337	$2,133

(10) Stock Incentive Plan

Effective March 2, 1994, the Company adopted the NN, Inc. Stock Incentive Plan under which 1,125 shares of the Company's Common Stock were reserved for issuance to officers and key employees of the Company. During 1999 and 2000, the plan was amended to increase the number of shares available for issuance pursuant to awards made under the plan from 1,125 to 1,625. Awards or grants under the plan may be made in the form of incentive and nonqualified stock options, stock appreciation rights and restricted stock. The stock options and stock appreciation rights must be issued with an exercise price not less than the fair market value of the Common Stock on the date of

(Continued)

grant. The awards or grants under the plan may have various vesting and expiration periods as determined at the discretion of the committee administering the plan.

A summary of the status of the Company's stock option plan as described above as of December 31, 2001, 2000 and 1999, and changes during the years ending on those dates is presented below:

	2001		2000		1999	
	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price
Outstanding at beginning of year	1,091	$ 6.87	1,049	$ 8.53	548	$ 11.53

(In thousands, except per share data)

Granted	396	8.09	555	7.63	539	5.93
Exercised	(70)	6.09	(2)	5.87	--	--
Forfeited	(44)	6.78	(511)	10.95	(38)	12.28
Outstanding at end of year	1,373	7.25	1,091	6.87	1,049	8.53
Options exercisable at year-end	528	$ 6.59	290	$ 6.09	345	$ 11.53

The following table summarizes information about stock options outstanding at December 31, 2001:

	Options outstanding			**Options exercisable**	
Range of exercise prices	**Number outstanding at 12/31/2001**	**Weighted-average remaining contractual life**	**Weighted-average exercise price**	**Number exercisable at 12/31/2001**	**Weighted-average exercise price**
$5.94 - $6.50	431	7.5 years	$ 6.84	341	$ 5.97
$7.63 - $8.09	942	9.2 years	$ 10.38	187	$ 7.71

On December 7, 1998, the Company granted a total of 20 options to the members of its Board of Directors. These options carry an exercise price equal to the market price on the date of issuance and vest equally over a period of three years, beginning one year from date of grant. The maximum term of these options is 10 years. On July 4, 1999, the Company granted and additional 20 options to the members of its Board of Directors. These options carry an exercise price equal to the market price on the date of issuance and vest six months from the date of grant. The maximum term of these options is 10 years. On October 10, 2000, the Company granted an additional 15 options to the members of its Board of Directors. These options carry an exercise price equal to the market price on the date of issuance and vest 100% one year from date of grant. The maximum term of these options is 10 years. On September 17, 2001, the Company granted an additional 50 options to the members of the Board of Directors. These options carry an exercise price equal to the market price on the date of issuance and vest 100% one year from date of grant. The maximum term of these options is 10 years.

On August 4, 1998 the Company's Board of Directors authorized the repurchase of up to 740 shares of its Common Stock, equaling 5% of the company's issued and outstanding shares as of August 4, 1998. The program may be

(Continued)

extended or discontinued at any time, and there is no assurance that the Company will purchase any or all of the full amount authorized. The Company has not repurchased any shares under this program through December 31, 2001.

All options granted in the period January 1, 1999 through December 31, 2001, except those granted to the Company's Board of Directors as described above, vest ratably over three years, beginning one year from date of grant. The exercise price of each option equals the market price of the Company's stock on the date of grant, and an option's maximum term is 10 years. All options granted in the period January 1, 1995 through December 31, 1998, except those granted to the Company's Board of Directors as described above, vest 20% - 33% annually beginning one year from date of grant. The exercise price of each option equals the market price of the Company's stock on the date of grant, and an option's maximum term is 10 years. Certain options granted in July 1999 were deemed to be repriced options under the applicable accounting requirements. These options, which were fully vested as of the effective date of FASB Interpretation No. 44, are treated under variable accounting. Accordingly, compensation expense will be recognized, to the extent the market price of the Company's stock exceeds $10.50. The Company recognized compensation expense of $108 during 2001 related to these options.

The Company has adopted the provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). SFAS 123 encourages but does not require a fair value based method of accounting for stock compensation plans. The Company has elected to continue accounting for its stock compensation plan using the intrinsic value based method under APB Opinion No. 25 and, accordingly, has not recorded compensation expense for each of the three years ended December 31, 2001, except as discussed above. Had compensation cost for the Company's stock compensation plan been determined based on the fair value at the option grant dates, the Company's net income and earnings per share would have been reduced to the proforma amounts indicated below:

(In thousands, except per share data)

		Year ended December 31, 2001	**2000**	**1999**
Net income	As reported	$ 4,662	$ 9,987	$ 7,759
	Proforma	4,347	9,804	7,627
Earnings per share	As reported	$ 0.31	$ 0.66	$ 0.52
	Proforma	0.28	0.64	0.51
Earnings per share-assuming dilution	As reported	$ 0.30	$ 0.64	$ 0.52
	Proforma	0.28	0.63	0.51

The fair value of each option grant was estimated based on actual information available through December 31, 2001, 2000 and 1999 using the Black Scholes option-pricing model with the following assumptions:

Term	Vesting Period
Risk free interest rate	4.75%, 5.1% and 6.5% for 2001, 2000 and 1999,
respectively Dividend yield	2.8%, 3.6%, and 4.4% annually for 2001, 2000
and 1999, respectively Volatility	40.7%, 39.5% and 39.5% for 2001, 2000
	and 1999, respectively

(11) Segment Information

The Company adopted the provisions of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," effective with its December 31, 1998 reporting and identified its reportable segments based upon the geographic location of its business units. During 2001, the Company's reportable segments are based on differences in product lines and geographic locations and are divided among Domestic Ball and Roller, Euroball and Plastics. The Domestic Ball and Roller Segment is comprised of two manufacturing facilities in the eastern United States. The Euroball Segment acquired in July 2000, is comprised of manufacturing facilities located in Kilkenny, Ireland, Eltmann, Germany and Pinerolo, Italy. All of the facilities in the Domestic Ball and Roller and Euroball Segments are engaged in the production of precision balls and rollers used primarily in the bearing industry. The Plastics Segment

(Continued)

is compromised of five facilities: two located in Lubbock, Texas, which represents the IMC business acquired in July 1999; two facilities located in Danielson, Connecticut, which represents the Delta business acquired in February 2001, and one facility located in Guadalajara, Mexico, which represents the NN-Arte business. These facilities are engaged in the production of plastic injection molded products for the bearing, automotive, instrumentation and fiber optic markets and precision rubber bearing seals for the bearing, automotive, industrial, agricultural and aerospace markets.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates segment performance based on profit or loss from operations after income taxes not including nonrecurring gains and losses. The Company accounts for intersegment sales and transfers at current market prices; however, the Company did not have any material intersegment transactions during 2001, 2000 or 1999.

	December 31, 2001			**December 31, 2000**			**December 31, 1999**	
	DomesticBall and Roller	**Euroball**	**Plastics**	**DomesticBall and Roller**	**Euroball**	**Plastics**	**DomesticBall and Roller**	**Plastics**
Net sales	$ 52,692	$ 86,719	$ 40,74$	67,637	$ 33,988	$ 30,504	$ 67,736	$ 17,558
Interest expense	237	1,574	2,194	385	622	766	--	523
Depreciation &			,					
amortization	4,439	5,426	3 475	4,796	2,123	2,246	4,932	1,199
Income tax expense	2,435	2,474	(815)	4,284	1,408	267	3,816	244
Segment profit			,					

(loss)	4,498	1,962	(1 798)	8,314	775	898	7,293	466
Segment assets	62,978	68,288	55,721	62,574	91,392	33,842	58,557	31,811
Expenditures for long- lived assets	1,117	3,537	1 660	9,319	3,737	4,854	1,723	671

Sales to external customers and long-lived assets utilized by the Company were concentrated in the following geographical regions:

	December 31, 2001		**December 31, 2000**		**December 31, 1999**	
	Sales	**Long-lived assets**	**Sales**	**Long-lived assets**	**Sales**	**Long-lived assets**
United States	$ 59,813	$ 38,900	$ 62,094	$ 44,137	$ 52,907	$ 36,842
Europe	88,649	42,799	46,697	46,216	21,064	6,610
Canada	8,278	--	6,449	--	5,918	--
Latin/S.America	8,157	1,071	6,100	1,340	2,903	--
Other export	15,254	--	10,789	--	2,502	--
All foreign countries	120,338	43,870	70,035	47,556	32,387	6,610
Total	$180,151	$ 82,770	$132,129	$ 91,693	$ 85,294	$ 43,452

Two customers comprised 49%, 49% and 46% of the Domestic Ball and Roller Segments sales during the years ended December 31, 2001, 2000, and 1999, respectively (see Note 18). Two customers comprised 76% of the

(Continued)

Euroball Segments sales during the year ended December 31, 2001. One customer comprised 5% and 20% of IMC's sales for the years ended December 31, 2001 and 2000, respectively. Accounts receivable concentrations as of December 31, 2001 are generally reflective of sales concentrations during 2001.

(12) Income Taxes

Total income taxes (benefits) for the years ended December 31, 2001, 2000, and 1999 are allocated as follows:

	Year ended December 31, 2001	2000	1999
Income from continuing operations:	$ 4,094	$ 5,959	$ 4,060
Cumulative effect of change in accounting principle	(112)	--	--
Accumulated other comprehensive income	(31)	--	--
	$ 3,951	$ 5,959	$ 4,060

Income tax expense attributable to income from continuing operations consists of:

	Year ended December 31, 2001	2000	1999
Current:			
U.S. Federal	$ 1,025	$ 3,496	$ 3,960
State	146	452	469
Non-U.S	2,490	826	--
	3,661	4,774	4,429
Deferred:			
U.S. Federal	557	496	(335)
State	57	63	(34)
Non-U.S	(181)	626	--
Total deferred expense	433	1,185	(369)
	$ 4,094	$ 5,959	$ 4,060

(In thousands, except per share data)

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(Continued)

A reconciliation of taxes based on the U.S. federal statutory rate of 34% for the years ended December 31, 2001, 2000 and 1999 is summarized as follows:

	Year ended December 31, 2001	2000	1999
Income taxes at the federal statutory rate	$ 3,606	$ 5,646	$ 4,006
State income taxes, net of federal benefit	134	340	289
Foreign sales corporation benefit, net of liability	(95)	(183)	(256)
Non-US earnings taxed at different rates	395	337	(182)
Other, net	54	(181)	203
	$ 4,094	$ 5,959	$ 4,060

The tax effects of the temporary differences are as follows:

	Year ended December 31, 2001	2000
Deferred income tax liability		
Tax in excess of book depreciation	$5,692	$5,050
Duty drawback receivable	37	69
Goodwill	493	210
Other deferred tax liabilities	112	123
Gross deferred income tax liability	6,334	5,452
Deferred income tax assets		
Inventories	337	182
Allowance for bad debts	632	279
Vacation accrual	264	287
Health insurance accrual	103	83
Other working capital accruals	358	230
Euroball net operating loss carryforward	133	--
Gross deferred income tax assets	1,827	1,061
Net deferred income tax liability	$4,507	$4,391

Deferred income tax expense differs from the change in the net deferred income tax liability due to the following:

	2001	2000
Change in net deferred income tax liability	$ 116	$ 1,780
Other comprehensive income adjustment	31	--
Acquisition of deferred tax asset (liability) under purchase accounting	229	(595)
Effect of currency translation	(55)	--
Deferred income tax expense	$ 433	$ 1,185

(Continued)

Although realization of deferred tax assets is not assured, management believes that it is more likely than not that all of the deferred tax assets will be realized. However, the amount of the deferred tax assets considered realizable could be reduced based on changing conditions.

(In thousands, except per share data)

The Company has not recognized a deferred tax liability for the undistributed earnings of its non-U.S. subsidiaries and non-U.S. corporate joint ventures. The Company expects to reinvest these undistributed earnings indefinitely and does not expect such earnings to become subject to U.S. taxation in the foreseeable future. A deferred tax liability will be recognized when the Company expects that it will recover these undistributed earnings in a taxable manner, such as through the receipt of dividends or sale of the investments. It is not practicable to determine the U.S. income tax liability, if any, that would be payable if such earnings were not reinvested indefinitely.

At December 31, 2001, the Company has net operating loss carryforwards for foreign income tax purposes of approximately $1,500, which are available to offset future foreign taxable income indefinitely.

Income tax payments were approximately $2,845, $5,207 and $3,123 in 2001, 2000, 1999, respectively.

(13) Reconciliation of Net Income Per Share

	Year ended December 31, 2001	2000	1999
Net income	$ 4,662	$ 9,987	$ 7,759
Weighted average shares outstanding	15,259	15,247	15,021
Effective of dilutive stock options	281	284	17
Dilutive shares outstanding	15,540	15,531	15,038
Basic net income per share	$ 0.31	$ 0.66	$ 0.52
Diluted net income per share	$ 0.30	$ 0.64	$ 0.52

Excluded from the shares outstanding for the years ended December 31, 2001, 2000 and 1999 were 0, 10 and 525 antidilutive options, respectively, which had exercise prices ranging from $9.75 to $11.50, during 2000 and $6.38 to $15.50 during 1999.

The Company has declared a dividend of $ 0.32 per share in each of the years ended December 31, 2001, 2000 and 1999.

(Continued)

(14) Commitments and Contingencies

The Company has operating lease commitments for machinery, office equipment, manufacturing and office space which expire on varying dates. Rent expense for 2001, 2000 and 1999 was $1,650, $767 and $376, respectively. The following is a schedule by year of future minimum lease payments as of December 31, 2001 under operating leases that have initial or remaining noncancelable lease terms in excess of one year.

Year ended December 31,	
2002	$ 1,473
2003	1,345
2004	1,311
2005	1,280
2006	1,204
Thereafter	12,005
Total minimum lease payments	$ 18,619

The Kilkenny operation of the Euroball Segment has received certain grants from the Ireland government. These grants are based upon the Kilkenny facility hiring and retaining certain employment levels. At December 31, 2001, actual employment levels are less than those required by certain grant covenants. As of December 31, 2001, the Company anticipates the grant agreement and employment level thresholds will be restructured.

The Euroball Segment has entered into certain consignment arrangements with Ascometals for the purchase of steel for ball production, whereby the Euroball Kilkenny operation maintains steel on a consignment basis for a period of up to three months.

(In thousands, except per share data)

Beginning in January 2003, FAG and SKF may each exercise their right under The Shareholders Agreement to cause the Company to purchase their respective interest in Euroball based on the Put Formula in the Shareholders Agreement. The Company anticipates that if such purchase becomes necessary, it may need to borrow additional funds. Because the purchase price is based on a formula using Euroball's historical cash flow, the exact amount of the put cannot be determined until the put right is exercised.

(Continued)

(15) Quarterly Results of Operations (Unaudited)

The following summarizes the unaudited quarterly results of operations for the years ended December 31, 2001 and 2000.

	Year ended December 31, 2001			
	March 31	**June 30**	**Sept. 30**	**Dec. 31**
Net sales	$ 50,227	$ 47,350	$ 42,576	$ 39,998
Gross profit	12,043	12,030	9,687	8,800
Net income (loss)	1,448	3,506	744	(1,036)
Basic net income (loss) per share	0.10	0.23	0.05	(0.07)
Dilutive net income (loss) per share	0.09	0.23	0.05	(0.07)
Weighted average shares outstanding:				
Basic number of shares	15,247	15,253	15,286	15,302
Effect of dilutive stock options	149	279	298	377
Diluted number of shares	15,396	15,532	15,584	15,679

	Year ended December 31, 2000			
	March 31	**June 30**	**Sept. 30**	**Dec. 31**
Net sales	$28,002	$25,643	$37,075	$41,409
Gross profit	7,656	7,678	10,972	11,898
Net income	2,110	2,242	2,443	3,192
Basic net income per share	0.14	0.15	0.16	0.21
Dilutive net income per share	0.14	0.15	0.16	0.21
Weighted average shares outstanding:				
Basic number of shares	15,244	15,244	15,245	15,247
Effect of dilutive stock options	214	192	179	235
Diluted number of shares	15,458	15,436	15,424	15,482

Fourth quarter results in 2001 include pre-tax charges of $1,405 ($913 after-tax) related to $1,086 of asset write downs on the Company's Walterboro, SC production facility and $319 of NN Arte minority interest losses absorbed by the Company. Without these nonrecurring charges, the fourth quarter 2001 loss per share would have been ($.01) rather than ($.07).

(Continued)

(16) Fair Value of Financial Instruments

Management believes the fair value of financial instruments approximate their carrying value due to the short maturity of these instruments or in the case of the Company's notes receivable and debt, due to the variable interest rates. The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2001 and 2000:

	2001		2000	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets:				
Cash and cash equivalents	$ 3,024	$ 3,024	$ 8,273	$ 8,273
Accounts receivable, net	24,832	24,832	29,549	29,549
Other current assets	3,034	3,034	1,512	1,512
Other non-current assets	4,862	4,862	4,212	4,212
Financial liabilities:				
Accounts payable and bank overdraft	16,970	16,970	17,337	17,337
Accrued expenses and other payables	13,716	13,716	14,839	14,839
Short-term loan	7,000	7,000	2,000	2,000
Long-term debt	47,661	47,661	50,515	50,515
Interest rate swap liability	374	374	--	280

(17) Involuntary Conversion

On March 12, 2000, a fire damaged a portion of the Company's manufacturing plant in Erwin, Tennessee. The fire was contained to approximately 30% of the productions area and did not result in serious injury to any employee. Affected production was shifted to the Company's other facilities as possible as well as the use of other certain suppliers to protect product supply to customers. Insurance coverage for the loss provided for reimbursement of the replacement value of property and equipment damaged in the fire. As of December 31, 2001 the Company has settled the insurance claim. For the years ended December 31, 2001 and 2000, the net gain on involuntary conversion of $3,901 and $728, respectively, represents insurance proceeds received in excess of costs incurred.

(18) Related Party Transactions

The minority shareholders of NN Euroball ApS, SKF and FAG, are significant customers of the Company. For the years ended December 31, 2001 and 2000, combined sales to SKF and FAG amounted to $97,270 and $64,064, respectively. At December 31, 2001 and 2000, accounts receivable from SKF and FAG amounted to $11,360 and $4,983, respectively.

In connection with the Euroball transaction described in note 2, SKF and FAG provided administrative services to NN Euroball ApS. Charges for these services amounted to approximately $2,262 and $1,150 for the years ended December 31, 2001 and 2000, respectively. At December 31, 2001 and 2000, amounts payable to SKF and FAG amounted to $1,277 and $1,762, respectively.

Certain sales agreements are in effect with SKF and FAG, which provide for minimum purchase quantities and specified, annual sales price adjustments that may be modified up or down for changes in material costs. These agreements expire during 2006.

The Company leases the Eltmann, Germany facility, of the Euroball division, from FAG. Annual minimum lease payments are Euro 944 ($885). The lease expires in 2020.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The firm of KPMG LLP has been selected by the Board of Directors as the Company's outside auditors for 2002. On November 27, 2000, the Company retained the services of KPMG LLP as its principle accountant to audit the Company's consolidated financial statements, replacing PricewaterhouseCoopers LLP. The decision to retain KPMG was based on a reevaluation by the Company of its current professional relationships and was approved by the Company's Board of Directors at the recommendation of the Company's Audit Committee. Although it is not required to do so, the Board has determined that it is desirable to seek stockholders' ratification of the selection of KPMG LLP.

During the Company's most recent fiscal year and through November 27, 2000, there have been no disagreements with PricewaterhouseCoopers LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure. PricewaterhouseCoopers LLP reports on the financial statements of the Company during 1999 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During the Company's most recent fiscal year and since November 27, 2000, there have been no disagreements with KPMG LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure. KPMG LLP reports on the financial statements of the Company for the past two years contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

Part III

Item 10. Directors and Executive Officers of the Registrant

Directors. The information required by Item 401 of Regulation S-K concerning the Company's directors is contained in the section entitled "Election of Directors -- Information about the Directors" of the Company's definitive Proxy Statement (to be filed with the Securities and Exchange Commission within 120 days after December 31, 2001, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

Executive Officers. Information required by Item 401 of Regulation S-K concerning the Company's executive officers is set forth in Item 1 hereof under the caption "Executive Officers of the Registrant."

Compliance with Section 16(a) of the Securities Exchange Act. The information required by Item 405 of Regulation S-K concerning compliance with Section 16(a) of the Securities Exchange Act by the Company's directors and executive officers and any 10% beneficial owners is contained in the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" of the Company's definitive Proxy Statement and, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

Item 11. Executive Compensation

The information required by Item 402 of Regulation S-K is contained in the sections entitled "Information about the Election of Directors -- Compensation of Directors" and "Executive Compensation" of the Company's definitive Proxy Statement and, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by Item 403 of Regulation S-K is contained in the section entitled "Beneficial Ownership of Common Stock" of the Company's definitive Proxy Statement and, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

Item 13. Related Party Relationships

None.

Part IV

Item 14. Exhibits Financial Statement Schedules, and Reports on Form 8-K

(a)1. Financial Statements

The financial statements of the Company filed as part of this Annual Report on Form 10-K begin on the following pages hereof:

(a)2. Exhibits Required by Item 601 of Regulation S-K

3.1 Certificate of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1--File No. 33-74694).

3.2 Bylaws of the Company, as amended (incorporated by reference to Exhibit 3.2 to the Company's registration Statement on Form S-1 - File

No. 33-74694).

4.1 Form of Common Stock certificate (incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-1 - File No. 33-74694).

10.1* NN Ball & Roller, Inc. Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 - File No. 33-74694).

10.3* $1.2 million Life Insurance Policy purchased by Mr. Ennen, the premiums of which are paid for by the Company (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1-File No. 33-74694).

10.5 Form of Confidentiality and Non-Compete Agreements for Executive Officers of the Company (incorporated by reference to Exhibit 10.17 to the Company's Registration Statement on Form S-1 - File No. 33-74694).

10.6 Stockholder Agreement dated February 22, 1994, among certain stockholders of the Company (incorporated by reference to Exhibit 10.18 to the Company's Registration Statement on Form S-1 - File No. 33-74694).

10.7 Form of Indemnification Agreement for officers and directors of the Company (incorporated by reference to Exhibit 10.19 to the Company's Registration Statement on Form S-1 - File No. 33-74694).

10.8 Lease, dated as of September 5, 1995, between the Company and the State of Tennessee Department of Economic and Community Development and the County of Johnson County, Tennessee (incorporated by reference to Exhibit 10.9 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995).

10.9 Lease, dated as of March 22, 1996, between the Company and the State of Tennessee Department of Economic and Community Development and the County of Johnson County, Tennessee (incorporated by reference to Exhibit 10.10 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995).

10.10* Stock Option Agreement, dated as of July 3, 1995, between the Company and Roderick R. Baty (incorporated by reference to Exhibit 10.11 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995).

10.11 Loan Agreement, dated as of July 25, 1997, between the Company and First American National Bank (incorporated by reference to Exhibit 10.13 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997).

10.12* Employment Agreement, dated August 1, 1997, between the Company and Roderick R. Baty (incorporated by reference to Exhibit 10.14 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997).

10.13* Employment Agreement, dated May 7, 1998, between the Company and Frank T. Gentry.

10.14* Form of Stock Option Agreement, dated December 7, 1998, between the Company and the non-employee directors of the Company (incorporated by reference to Exhibit 10.15 of the Company's Quarterly Report on Form 10-K for the fiscal year ended December 31, 1999).

10.15* Elective Deferred Compensation Plan, dated February 26, 1999 (incorporated by reference to Exhibit 10.16 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999).

10.16* Amendment No. 1 dated January 21, 2002, to Employment Agreement between the Company and Frank T. Gentry.

10.17* Change of Control and Noncompetition Agreement, dated January 21, 2002, between the Company and Frank T. Gentry.

10.18* Amendment No. 1 dated January 21, 2002, to Employment Agreement between the Company and Roderick R. Baty.

10.19* Change of Control and Noncompetition Agreement, dated January 21, 2002, between the Company and Roderick R. Baty.

10.20* Employment Agreement dated January 21, 2002, between the Company and Robert R. Sams.

10.21* Change of Control and Noncompetition Agreement, dated January 21, 2002, between the Company and Robert R. Sams.

10.22* Employment Agreement dated January 21, 2002, between the Company and William C. Kelly.

10.23* Change of Control and Noncompetition Agreement, dated January 21, 2002, between the Company and William C. Kelly.

10.24* Employment Agreement dated January 21, 2002, between the Company and David L. Dyckman.

10.25* Change of Control and Noncompetition Agreement, dated January 21, 2002, between the Company and David L. Dyckman.

10.26 NN Euroball, ApS Shareholder Agreement dated April 6, 2000 among NN, Inc., AB SKF and FAG Kugelfishcher Georg Schafer AG.

23.1 Consent of PricewaterhouseCoopers LLP (filed herewith).

23.2 Consent of KPMG LLP (filed herewith).

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* Management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K

The Company filed a Form 8-K on July 25, 2001 announcing its second quarter earnings and its new long term financing arrangement.

The Company filed a Form 8-K on September 5, 2001 announcing its Board of Directors has named Roderick (Rock) R. Baty as the Chairman of the Board of Directors.

The Company filed a Form 8-K on September 11, 2001 announcing its decision to close its plant located in Walterboro, South Carolina.

The Company filed a Form 8-K on November 14, 2001 announcing that, due to the voluntary bankruptcy of one of its customers, the Company will need to record a third quarter 2001 reserve for approximately $400,000 pre-tax.

(c) Exhibits See Index to Exhibits (attached hereto).
The Company will provide without charge to any person, upon the written request of such person, a copy of any of the Exhibits to this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /S/ RODERICK R. BATY

Roderick R. Baty
Chairman and Director

Dated: March 29, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Name and Signature	Title	Date
/S/ RODERICK R. BATY Roderick R. Baty	Chairman, Chief Executive Officer, President and Director (Principal Executive Officer)	March 29, 2002
/S/ WILLIAM C. KELLY, JR. William C. Kelly, Jr.	Treasurer, Secretary and Chief Accounting Officer (Principal Accounting Officer)	March 29, 2002
/S/ DAVID L. DYCKMAN David L. Dyckman	Vice President - Business Development and Chief Financial Officer (Principal Financial Officer)	March 29, 2002
/S/ RICHARD D. ENNEN Richard D. Ennen	Director	March 29, 2002

/S/ MICHAEL D. HUFF - ----------------------------- Michael D. Huff	Director	March 29, 2002
/S/ G. RONALD MORRIS - ----------------------------- G. Ronald Morris	Director	March 29, 2002
/S/ MICHAEL E. WERNER - ----------------------------- Michael E. Werner	Director	March 29, 2002
/S/ STEVEN T. WARSHAW - ----------------------------- Steven T. Warshaw	Director	March 29, 2002
/S/ JAMES L. EARSLEY - ----------------------------- James L. Earsley	Director	March 29, 2002

Index to Exhibits

23.1 Consent of PricewaterhouseCoopers LLP

23.2 Consent of KPMG LLP

Exhibit 10.16

AMENDMENT NO. 1 TO
EMPLOYMENT AGREEMENT

THIS AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT (the "Amendment") is made and entered into as of the 21st day of January, 2002 (the "Effective Date") by and between NN, Inc., a Delaware corporation (the "Company") and Frank T. Gentry III (the "Executive").

RECITALS

WHEREAS, the Company and Executive are parties to that certain Employment Agreement dated as of May 7, 1998 (the "Employment Agreement") containing the terms and conditions of Executive's employment with the Company;

WHEREAS, the Company and Executive now wish to amend the Employment Agreement to provide for mandatory arbitration in the event of any dispute arising under the Employment Agreement;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

AGREEMENT

Section 1. Definitions. Except as otherwise provided herein, all capitalized terms shall have the same definitions in this Amendment as they have in the Employment Agreement.

Section 2. Addition of Paragraph 23. Paragraph 23 shall be added to the agreement and shall read in its entirety as follows:

"23. **Resolution of Disputes.** Any dispute or claim arising out of or relating to this Agreement shall be settled by final and binding arbitration in Johnson City, Tennessee in accordance with the Commercial Arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The fees and expenses of the arbitration panel shall be equally borne by the Company and Executive. Each party shall be liable for its own costs and expenses as a result of any dispute related to this Agreement."

Section 4. No Other Changes. Except as provided in this Amendment, all other terms and provisions of the Employment Agreement shall remain the same.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date first above written.

THE COMPANY: NN, INC.

By: /s/ Roderick R. Baty

Roderick R. Baty

THE EXECUTIVE: /s/ Frank Gentry

Frank T. Gentry III

Exhibit 10.17

CHANGE OF CONTROL AND NONCOMPETITION AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into this 21st day of January, 2002, by and between FRANK T. GENTRY III ("**Employee**") and NN, INC., a Delaware corporation, including its wholly-owned subsidiaries and affiliated companies (collectively, "**Employer**").

RECITALS

WHEREAS, the Board of Directors of Employer (the "**Board**") has determined that it is in the best interests of Employer to reinforce and encourage the continuity of management personnel in anticipation of a possible or potential Change of Control (as defined below); and

WHEREAS, the Board believes this objective can best be served by providing for a compensation arrangement for Employee upon Employee's termination of employment under certain circumstances in the event of a Change of Control.

NOW, THEREFORE, in consideration of the mutual promises and covenants as hereinafter set forth, the parties agree as follows:

AGREEMENT

1. General. Employer is engaged in the (i) manufacture and supply of precision steel balls and rollers to domestic and international 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, (ii) full-service design and manufacture of plastic injection molded components to the bearing, automotive, electronic, leisure and consumer markets, and (iii) the manufacture and supply of rubber seals to domestic and international anti-friction bearing manufacturers. Employee is employed by Employer in a senior management position in which Employee has or will have access to the Employer's confidential information and trade secrets.

2. Employment Relationship. Except as specifically set forth herein, the terms and conditions of Employee's employment are set forth in the Employment Agreement dated May 7, 1998 between Employee and Employer (the "Employment Agreement"), a copy of which is attached hereto as Exhibit A.

3. Termination Upon Change of Control.

(a) Severance Benefits. In the event that Employee's employment is terminated within two (2) years following a "Change of Control" (as defined below) and such termination is either (i) Without Cause (as defined below), or (ii) is a Constructive Termination (as defined below), Employee shall receive, in addition to all compensation due and payable to or accrued for the benefit of Employee as of the date of termination:

(i) a lump sum payment equal to an amount set forth on Schedule A to this Agreement ("**Severance Payment**"). The Severance Payment shall be made by wire transfer of immediately available funds to an account designated by Employee within seven (7) business days following the date of termination;

(ii) a payment equal to the annual bonus to which Employee would have been entitled but for Employee's termination of employment for the year of Employee's termination, pro-rated for the portion of the year during which he was employed by Employer ("**Pro-rated Bonus**"). The Pro-rated Bonus shall be payable to Employee at the end of the calendar year for which the bonus is payable, in accordance with Employer's normal bonus procedures; and

(iii) for a period of twenty-four months after such termination (the "**Coverage Period**"), medical, dental, prescription drug, life, accidental death and disability insurance coverage substantially similar to the coverage which Employee was receiving or entitled to receive immediately prior to the date of the termination of Employee's employment ("**Insurance Benefits**"). Notwithstanding the foregoing, Employee shall not be entitled to receive the Insurance Benefits (or a portion thereof) to the extent that Employee obtains other employment that provides equal or greater benefits during the Coverage Period.

The Severance Payment, Pro-rated Bonus and Insurance Benefits are collectively referred to in this Agreement as the "Severance Benefit."

(b) Excise Tax.

(i) Notwithstanding anything to the contrary set forth in this Agreement, in no event shall a Severance Benefit payable pursuant to this Section 3 exceed an amount equal to the lesser of (i) 2.99 times the "base amount" (as defined in Section 280G(b)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**")) of Employee's compensation, or (ii) such other amount which would constitute a "parachute payment" (as defined in Section 280G of the Code). In the event that it shall be determined that any Severance Benefit to Employee (whether paid or payable or distributed or distributable) would be subject to the excise tax imposed by Section 4999 of the Code, or any successor provision thereto (the "**Excise Tax**"), then Employee shall be entitled to receive from Employer an additional payment (the "**Gross-Up Payment**") in an amount such that the net amount of the Severance Benefit and the Gross-Up Payment retained by Employee after the calculation and deduction of all Excise Taxes (including any interest or penalties imposed with respect to such taxes) on the payment and all Federal, state and local income tax, employment tax and Excise Tax (including any interest or penalties imposed with respect to such taxes) or the Gross-Up Payment provided for in this Section, and taking into account any lost or reduced tax deductions on account of the Gross-Up Payment, shall be equal to the Severance Benefit.

(ii) Employee shall notify Employer in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by Employer of the Gross-Up Payment. Such notification shall be given as soon as practicable after Employee is informed in writing of such claim and shall apprise Employer of the nature of such claim and the date on which such claim is requested to be paid. Employee shall not pay such claim prior to the expiration of the 30-day period following the date on which Employee gives such notice to Employer (or such shorter period ending on the date that any payment of taxes, interest and/or penalties with respect to such claim is due). If Employer notifies Employee in writing prior to the expiration of such period that it desires to contest such claim, Employee shall:

(A) give Employer any information reasonably requested by Employer relating to such claim;

(B) take such action in connection with contesting such claim as Employer shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by Employer;

(C) cooperate with Employer in good faith in order to effectively contest such claim; and

(D) permit Employer to participate in any proceedings relating to such claims;

provided, however, that Employer shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify Employee for and hold Employee harmless from, on an after-tax basis, any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of all related costs and expenses. Without limiting the foregoing provisions of this section, Employer shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Employee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Employee agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Employer shall determine; *provided, however*, that if Employer directs Employee to pay such claim and sue for a refund, Employer shall advance the amount of such payment to Employee, on an interest-free basis, and shall indemnify Employee for and hold Employee harmless from, on an after-tax basis, any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance (including as a result of any forgiveness by Employer of such advance); *provided, further*, that any extension of the statute of limitations relating to the payment of taxes for the taxable year of Employee with respect to which such contested amount is claimed to

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be due is limited solely to such contested amount. Furthermore, Employer's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Employee shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(c) Change of Control. "Change of Control" shall mean: (i) a person, corporation, entity or group (A) makes a tender or exchange offer for the issued and outstanding voting stock of Employer and beneficially owns thirty percent (30%) or more of the issued and outstanding voting stock of Employer after such tender or exchange offer, or (B) acquires, directly or indirectly, the beneficial ownership of thirty percent (30%) or more of the issued and outstanding voting stock of Employer in a single transaction or a series of transactions (other than any person, corporation, entity or group for which a Schedule 13G is on file with the Securities and Exchange Commission, so long as such person, corporation, entity or group has beneficial ownership of less than fifty percent (50%) of the issued and outstanding voting stock of Employer); (ii) Employer is a party to a merger, consolidation or similar transaction and following such transaction, fifty percent (50%) or more of the issued and outstanding voting stock of the resulting entity is not beneficially owned by those persons, corporations or entities that constituted the stockholders of Employer immediately prior to the transaction; (iii) Employer sells fifty percent (50%) or more of its assets to any other person or persons (other than an affiliate or affiliates of Employer); or (iv) individuals who, as of the date hereof, constitute the Board (the "**Incumbent Board**") cease for any reason to constitute at least seventy-five percent (75%) of the Board; provided, however, that any individual becoming a director subsequent to the date hereof, whose election or nomination was approved by a majority of the directors then comprising the Incumbent Board, shall be considered a member of the Incumbent Board, but not including any individual whose initial Board membership is a result of an actual or threatened election contest (as that term is used in Rule 14a-11 promulgated under the Securities Act of 1934, as amended) or an actual or threatened solicitation of proxies or consents by or on behalf of a party other than the Board.

(d) Termination Without Cause. Termination "Without Cause" shall mean termination of Employee by Employer for reasons other than: (i) the willful, persistent failure of Employee (after thirty (30) days written notice and a reasonable opportunity to cure) to perform his material duties for reasons other than death or disability; (ii) the breach by Employee of any material provision of this Agreement; or (iii) Employee's conviction of a felony involving dishonesty, deceit or moral turpitude by a trial court of competent jurisdiction, whether or not an appeal is taken.

(e) Constructive Termination. "Constructive Termination" shall mean: (i) a material, adverse change of Employee's responsibilities, authority, status, position, offices, titles, duties or reporting requirements (including directorships); (ii) an adverse change in Employee's annual compensation or benefits; (iii) a requirement to relocate in excess of fifty (50) miles from Employee's then current place of employment; or (iv) the breach by Employer of any material provision of this Agreement, other than a breach that is remedied by Employer within 10 days after receipt of notice thereof from Employee. For purposes of this definition, Employee's responsibilities, authority, status, position,

offices, titles, duties and reporting requirements are to be determined as of the date of this Agreement. For purposes of this Section, all determinations of Constructive Termination shall be made in good faith by Employee and shall be conclusive.

(f) Other Severance Benefits. The Severance Benefit payable to Employee pursuant to this Section 3 shall be reduced by any severance benefits to which Employee is entitled under Employer's severance policies for terminated employees generally or any termination payments payable to Employee under Employee's Employment Agreement.

4. Employee's Acknowledgments and Covenants.

(a) Confidential Materials and Information. Employer has developed confidential information, strategies and programs, which include customer lists, prospects, lists, expansion and acquisition plans, market research, sales systems, marketing programs, computer systems and programs, product development strategies, manufacturing strategies and techniques, budgets, pricing strategies, identity and requirements of national accounts, customer lists, methods of operating, service systems, training programs and methods, other trade secrets and other information about the business in which employer is engaged that is not known to the public and gives Employer an opportunity to obtain an advantage over competitors who do not know of such information (collectively, "**Confidential Information**"). In performing duties for Employer, Employee regularly will be exposed to and work with the Confidential Information. Employee acknowledges that such Confidential Information is critical to Employer's success and that Employer has invested substantial sums of money in developing the Confidential Information. While Employee is employed by Employer and after such employment ends for any reason, Employee will never reproduce, publish, disclose, use, reveal, show or otherwise communicate to any person or entity any Confidential Information unless specifically directed by Employer to do so in writing.

(b) Nonsolicitation of Employees. While Employee is employed by Employer and for twenty-four (24) months after such employment ends for any reason, Employee, acting either directly or indirectly, or through any other person, firm, or corporation, will not hire contract with or employ any employee of Employer or induce or attempt to induce or influence any employee of Employer to terminate employment with Employer. Such nonsolicitation restriction shall not apply to Employee in the case of the solicitation of his or her immediate family members.

(c) Covenant Against Unfair Competition. While Employee is employed by Employer and for twenty-four (24) months after such employment ends for any reason, Employee will not, directly or indirectly, or through any other person, firm or corporation (i) be employed by, consult for, have any ownership interest in or engage in any activity on behalf of any competing business, or (ii) call on, solicit or communicate with any of Employer's customers (whether actual or potential) for the purpose of selling precision steel balls and rollers and other related items to such customer other than for the benefit of Employer. As used in this Agreement, the term "competing business" means a business that is a manufacturer and supplier of precision steel balls and rollers to anti-

friction bearing manufacturers (excluding any ball and roller manufacturers who manufacture such products for use in their business or the business of their affiliates and do not supply such products to third parties) and the term "customer" means any customer (whether actual or potential) with whom Employee or any other employee of Employer had business contact on behalf of Employer during the eighteen (18) months immediately before Employee's employment with Employer ended). Notwithstanding the foregoing, this paragraph shall not be construed to prohibit Employee from owning less than five percent (5%) of the outstanding securities of a corporation which is publicly traded on a securities exchange or over-the-counter.

(d) Return of Confidential Materials and Information. Employee agrees that whenever Employee's employment with Employer ends for any reason, all documents containing or referring to Confidential Information as may be in Employee's possession or control will be delivered by Employee to Employer immediately, with no request being required.

(e) Acknowledgments; Irreparable Harm. Employee agrees that the restrictions on competition, solicitation and disclosure in this Agreement are fair, reasonable and necessary for the protection of the interests of Employer. Employee further agrees that a breach of any of the covenants set forth in this Section 4 will result in irreparable injury and damage to Employer for which Employer would have no adequate remedy at law, and Employee further agrees that in the event of a breach, Employer will be entitled to an immediate restraining order and injunction to prevent such violation or continued violation, without having to prove damages, in addition to any other remedies to which Employer may be entitled at law or equity.

(f) Notification to Subsequent Employers. Employee grants Employer the right to notify any future employer or prospective employer of Employee concerning the existence of and terms of this Agreement and grants Employer the right to provide a copy of this Agreement to any such subsequent employer or prospective employer.

5. Mitigation. Employer's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which Employer may have against Employee or others. In no event shall Employee be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Employee under any of the provisions of this agreement and such amounts shall not be reduced whether or not Employee obtains other employment.

6. Resolution of Disputes. Any dispute or claim arising out of or relating to this Agreement shall be settled by final and binding arbitration in Johnson City, Tennessee in accordance with the Commercial Arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. Employer agrees to pay promptly as incurred, to the full extent permitted by law, all legal fees and expenses which Employee may reasonably incur as a result of any dispute (regardless of the outcome thereof) by Employer, Employee or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of

performance thereof (including as a result of any dispute by Employee regarding the amount of any payment pursuant to this agreement), plus in each case interest on any delayed payment at the rate published from time to time in The Wall Street Journal as the prime rate of interest plus two percent (2%).

7. Withholding. Employer may withhold from any amounts payable under this Agreement the minimum Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

8. Successors. This Agreement is binding on, and shall inure to the benefit of Employee and Employer, and all successors and assigns of Employer. Employer will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Employer to assume expressly and agree to perform this Agreement in the same manner and to the same extent that Employer would be required to perform it if no such succession had taken place. Failure of Employer to obtain such agreement prior to the effectiveness of any such succession shall be a material breach of this Agreement and shall entitle Employee to any Severance Benefit payable pursuant to Section 3(a) hereof.

9. Applicable Law. This Agreement will be interpreted, governed and enforced according to the law of the State of Tennessee.

10. Separability. If any portion of this Agreement is held to be invalid or unenforceable in any respect, Employee and Employer agree that such invalid and unenforceable part will be modified to permit the Agreement to be enforced to the maximum extent permitted by the court, with the remaining portions unaffected by the invalidity or unenforceability of any part of this Agreement.

11. Waiver. This Agreement may be modified, supplemented or amended, and any provision of this Agreement can be waived, only by written instrument making specific reference to this Agreement signed by the party against whom enforcement of any such modification, supplement, amendment or waiver is sought.

12. Complete Agreement. This Agreement contains the entire agreement between Employer and Employee as to the subject matter hereof. This Agreement shall not be subject to the terms and conditions of any agreement concerning arbitration or dispute resolution between Employer and Employee.

EMPLOYEE ACKNOWLEDGES THAT HE/SHE HAS READ THE ENTIRE CONTENTS OF THIS AGREEMENT AND THAT HE/SHE UNDERSTANDS ITS TERMS.

[Signatures on following page]

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

EMPLOYEE:

/s/ Frank Gentry

Name: Frank T. Gentry III

NN, INC.,
including its subsidiaries and affiliates

By: /s/ Roderick R. Baty

Roderick R. Baty

Schedule A

Employee's Severance Payment shall be a lump sum payment equal to:

1. 2 times such Employee's base salary (as of the date of Employee's termination); plus

2. 2 times such Employee's median bonus available at the following bonus target percentage: 35%; plus

3. An amount equal to 2 times Employee's annual automobile allowance or the annual cost to Employee of obtaining a motor vehicle comparable to that provided by Employer to Employee.

Exhibit 10.18

AMENDMENT NO. 1 TO
EMPLOYMENT AGREEMENT

THIS AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT (the "Amendment") is made and entered into as of the 21st day of January, 2002 (the "Effective Date") by and between NN, Inc., a Delaware corporation (the "Company") and Roderick R. Baty (the "Executive").

RECITALS

WHEREAS, the Company and Executive are parties to that certain Employment Agreement dated as of August 1, 1997 (the "Employment Agreement") containing the terms and conditions of Executive's employment with the Company;

WHEREAS, the Company and Executive now wish to amend the Employment Agreement to provide for mandatory arbitration in the event of any dispute arising under the Employment Agreement;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

AGREEMENT

Section 1. Definitions. Except as otherwise provided herein, all capitalized terms shall have the same definitions in this Amendment as they have in the Employment Agreement.

Section 2. Addition of Paragraph 23. Paragraph 23 shall be added to the agreement and shall read in its entirety as follows:

"23. **Resolution of Disputes.** Any dispute or claim arising out of or relating to this Agreement shall be settled by final and binding arbitration in Johnson City, Tennessee in accordance with the Commercial Arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The fees and expenses of the arbitration panel shall be equally borne by the Company and Executive. Each party shall be liable for its own costs and expenses as a result of any dispute related to this Agreement."

Section 4. No Other Changes. Except as provided in this Amendment, all other terms and provisions of the Employment Agreement shall remain the same.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date first above written.

THE COMPANY: NN, INC.

By: /s/ David L. Dyckman
David L. Dyckman

THE EXECUTIVE: /s/ Roderick R. Baty
Roderick R. Baty

Exhibit 10.19

CHANGE OF CONTROL AND NONCOMPETITION AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into this 21st day of January, 2002, by and between RODERICK R. BATY ("**Employee**") and NN, INC., a Delaware corporation, including its wholly-owned subsidiaries and affiliated companies (collectively, "**Employer**").

RECITALS

WHEREAS, the Board of Directors of Employer (the "**Board**") has determined that it is in the best interests of Employer to reinforce and encourage the continuity of management personnel in anticipation of a possible or potential Change of Control (as defined below); and

WHEREAS, the Board believes this objective can best be served by providing for a compensation arrangement for Employee upon Employee's termination of employment under certain circumstances in the event of a Change of Control.

NOW, THEREFORE, in consideration of the mutual promises and covenants as hereinafter set forth, the parties agree as follows:

AGREEMENT

1. General. Employer is engaged in the (i) manufacture and supply of precision steel balls and rollers to domestic and international 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, (ii) full-service design and manufacture of plastic injection molded components to the bearing, automotive, electronic, leisure and consumer markets, and (iii) the manufacture and supply of rubber seals to domestic and international anti-friction bearing manufacturers. Employee is employed by Employer in a senior management position in which Employee has or will have access to the Employer's confidential information and trade secrets.

2. Employment Relationship. Except as specifically set forth herein, the terms and conditions of Employee's employment are set forth in the Employment Agreement dated August 1, 1997 between Employee and Employer (the "Employment Agreement"), a copy of which is attached hereto as Exhibit A

3. Termination Upon Change of Control.

(a) Severance Benefits. In the event that Employee's employment is terminated within two (2) years following a "Change of Control" (as defined below) and such termination is either (i) Without Cause (as defined below), or (ii) is a Constructive Termination (as defined below), Employee shall receive, in addition to all compensation due and payable to or accrued for the benefit of Employee as of the date of termination:

(i) a lump sum payment equal to an amount set forth on Schedule A to this Agreement ("**Severance Payment**"). The Severance Payment shall be made by wire transfer of immediately available funds to an account designated by Employee within seven (7) business days following the date of termination;

(ii) a payment equal to the annual bonus to which Employee would have been entitled but for Employee's termination of employment for the year of Employee's termination, pro-rated for the portion of the year during which he was employed by Employer ("**Pro-rated Bonus**"). The Pro-rated Bonus shall be payable to Employee at the end of the calendar year for which the bonus is payable, in accordance with Employer's normal bonus procedures; and

(iii) for a period of thirty months after such termination (the "**Coverage Period**"), medical, dental, prescription drug, life, accidental death and disability insurance coverage substantially similar to the coverage which Employee was receiving or entitled to receive immediately prior to the date of the termination of Employee's employment ("**Insurance Benefits**"). Notwithstanding the foregoing, Employee shall not be entitled to receive the Insurance Benefits (or a portion thereof) to the extent that Employee obtains other employment that provides equal or greater benefits during the Coverage Period.

The Severance Payment, Pro-rated Bonus and Insurance Benefits are collectively referred to in this Agreement as the "Severance Benefit."

(b) Excise Tax.

(i) Notwithstanding anything to the contrary set forth in this Agreement, in no event shall a Severance Benefit payable pursuant to this Section 3 exceed an amount equal to the lesser of (i) 2.99 times the "base amount" (as defined in Section 280G(b)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**")) of Employee's compensation, or (ii) such other amount which would constitute a "parachute payment" (as defined in Section 280G of the Code). In the event that it shall be determined that any Severance Benefit to Employee (whether paid or payable or distributed or distributable) would be subject to the excise tax imposed by Section 4999 of the Code, or any successor provision thereto (the "**Excise Tax**"), then Employee shall be entitled to receive from Employer an additional payment (the "**Gross-Up Payment**") in an amount such that the net amount of the Severance Benefit and the Gross-Up Payment retained by Employee after the calculation and deduction of all Excise Taxes (including any interest or penalties imposed with respect to such taxes) on the payment and all Federal, state and local income tax, employment tax and Excise Tax (including any interest or penalties imposed with respect to such taxes) or the Gross-Up Payment provided for in this Section, and taking into account any lost or reduced tax deductions on account of the Gross-Up Payment, shall be equal to the Severance Benefit.

(ii) Employee shall notify Employer in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by Employer of the Gross-Up Payment. Such notification shall be given as soon as practicable after Employee is informed in writing of such claim and shall apprise Employer of the nature of such claim and the date on which such claim is requested to be paid. Employee shall not pay such claim prior to the expiration of the 30-day period following the date on which Employee gives such notice to Employer (or such shorter period ending on the date that any payment of taxes, interest and/or penalties with respect to such claim is due). If Employer notifies Employee in writing prior to the expiration of such period that it desires to contest such claim, Employee shall:

(A) give Employer any information reasonably requested by Employer relating to such claim;

(B) take such action in connection with contesting such claim as Employer shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by Employer;

(C) cooperate with Employer in good faith in order to effectively contest such claim; and

(D) permit Employer to participate in any proceedings relating to such claims;

provided, however, that Employer shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify Employee for and hold Employee harmless from, on an after-tax basis, any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of all related costs and expenses. Without limiting the foregoing provisions of this section, Employer shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Employee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Employee agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Employer shall determine; *provided, however,* that if Employer directs Employee to pay such claim and sue for a refund, Employer shall advance the amount of such payment to Employee, on an interest-free basis, and shall indemnify Employee for and hold Employee harmless from, on an after-tax basis, any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance (including as a result of any forgiveness by Employer of such advance); *provided, further*, that any extension of the statute of limitations relating to the payment of taxes for the taxable year of Employee with respect to which such contested amount is claimed to

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be due is limited solely to such contested amount. Furthermore, Employer's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Employee shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(c) Change of Control. "Change of Control" shall mean: (i) a person, corporation, entity or group (A) makes a tender or exchange offer for the issued and outstanding voting stock of Employer and beneficially owns thirty percent (30%) or more of the issued and outstanding voting stock of Employer after such tender or exchange offer, or (B) acquires, directly or indirectly, the beneficial ownership of thirty percent (30%) or more of the issued and outstanding voting stock of Employer in a single transaction or a series of transactions (other than any person, corporation, entity or group for which a Schedule 13G is on file with the Securities and Exchange Commission, so long as such person, corporation, entity or group has beneficial ownership of less than fifty percent (50%) of the issued and outstanding voting stock of Employer); (ii) Employer is a party to a merger, consolidation or similar transaction and following such transaction, fifty percent (50%) or more of the issued and outstanding voting stock of the resulting entity is not beneficially owned by those persons, corporations or entities that constituted the stockholders of Employer immediately prior to the transaction; (iii) Employer sells fifty percent (50%) or more of its assets to any other person or persons (other than an affiliate or affiliates of Employer); or (iv) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least seventy-five percent (75%) of the Board; provided, however, that any individual becoming a director subsequent to the date hereof, whose election or nomination was approved by a majority of the directors then comprising the Incumbent Board, shall be considered a member of the Incumbent Board, but not including any individual whose initial Board membership is a result of an actual or threatened election contest (as that term is used in Rule 14a-11 promulgated under the Securities Act of 1934, as amended) or an actual or threatened solicitation of proxies or consents by or on behalf of a party other than the Board.

(d) Termination Without Cause. Termination "Without Cause" shall mean termination of Employee by Employer for reasons other than: (i) the willful, persistent failure of Employee (after thirty (30) days written notice and a reasonable opportunity to cure) to perform his material duties for reasons other than death or disability; (ii) the breach by Employee of any material provision of this Agreement; or (iii) Employee's conviction of a felony involving dishonesty, deceit or moral turpitude by a trial court of competent jurisdiction, whether or not an appeal is taken.

(e) Constructive Termination. "Constructive Termination" shall mean: (i) a material, adverse change of Employee's responsibilities, authority, status, position, offices, titles, duties or reporting requirements (including directorships); (ii) an adverse change in Employee's annual compensation or benefits; (iii) a requirement to relocate in excess of fifty (50) miles from Employee's then current place of employment; or (iv) the breach by Employer of any material provision of this Agreement, other than a breach that is remedied by Employer within 10 days after receipt of notice thereof from Employee. For purposes of this definition, Employee's responsibilities, authority, status, position,

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offices, titles, duties and reporting requirements are to be determined as of the date of this Agreement. For purposes of this Section, all determinations of Constructive Termination shall be made in good faith by Employee and shall be conclusive.

(f) Other Severance Benefits. The Severance Benefit payable to Employee pursuant to this Section 3 shall be reduced by any severance benefits to which Employee is entitled under Employer's severance policies for terminated employees generally or any termination payments payable to Employee under Employee's Employment Agreement.

4. Employee's Acknowledgments and Covenants.

(a) Confidential Materials and Information. Employer has developed confidential information, strategies and programs, which include customer lists, prospects, lists, expansion and acquisition plans, market research, sales systems, marketing programs, computer systems and programs, product development strategies, manufacturing strategies and techniques, budgets, pricing strategies, identity and requirements of national accounts, customer lists, methods of operating, service systems, training programs and methods, other trade secrets and other information about the business in which employer is engaged that is not known to the public and gives Employer an opportunity to obtain an advantage over competitors who do not know of such information (collectively, "**Confidential Information**"). In performing duties for Employer, Employee regularly will be exposed to and work with the Confidential Information. Employee acknowledges that such Confidential Information is critical to Employer's success and that Employer has invested substantial sums of money in developing the Confidential Information. While Employee is employed by Employer and after such employment ends for any reason, Employee will never reproduce, publish, disclose, use, reveal, show or otherwise communicate to any person or entity any Confidential Information unless specifically directed by Employer to do so in writing.

(b) Nonsolicitation of Employees. While Employee is employed by Employer and for twenty-four (24) months after such employment ends for any reason, Employee, acting either directly or indirectly, or through any other person, firm, or corporation, will not hire contract with or employ any employee of Employer or induce or attempt to induce or influence any employee of Employer to terminate employment with Employer. Such nonsolicitation restriction shall not apply to Employee in the case of the solicitation of his or her immediate family members.

(c) Covenant Against Unfair Competition. While Employee is employed by Employer and for twenty-four (24) months after such employment ends for any reason, Employee will not, directly or indirectly, or through any other person, firm or corporation (i) be employed by, consult for, have any ownership interest in or engage in any activity on behalf of any competing business, or (ii) call on, solicit or communicate with any of Employer's customers (whether actual or potential) for the purpose of selling precision steel balls and rollers and other related items to such customer other than for the benefit of Employer. As used in this Agreement, the term "competing business" means a business that is a manufacturer and supplier of precision steel balls and rollers to anti-

friction bearing manufacturers (excluding any ball and roller manufacturers who manufacture such products for use in their business or the business of their affiliates and do not supply such products to third parties) and the term "customer" means any customer (whether actual or potential) with whom Employee or any other employee of Employer had business contact on behalf of Employer during the eighteen (18) months immediately before Employee's employment with Employer ended). Notwithstanding the foregoing, this paragraph shall not be construed to prohibit Employee from owning less than five percent (5%) of the outstanding securities of a corporation which is publicly traded on a securities exchange or over-the-counter.

(d) Return of Confidential Materials and Information. Employee agrees that whenever Employee's employment with Employer ends for any reason, all documents containing or referring to Confidential Information as may be in Employee's possession or control will be delivered by Employee to Employer immediately, with no request being required.

(e) Acknowledgments; Irreparable Harm. Employee agrees that the restrictions on competition, solicitation and disclosure in this Agreement are fair, reasonable and necessary for the protection of the interests of Employer. Employee further agrees that a breach of any of the covenants set forth in this Section 4 will result in irreparable injury and damage to Employer for which Employer would have no adequate remedy at law, and Employee further agrees that in the event of a breach, Employer will be entitled to an immediate restraining order and injunction to prevent such violation or continued violation, without having to prove damages, in addition to any other remedies to which Employer may be entitled at law or equity.

(f) Notification to Subsequent Employers. Employee grants Employer the right to notify any future employer or prospective employer of Employee concerning the existence of and terms of this Agreement and grants Employer the right to provide a copy of this Agreement to any such subsequent employer or prospective employer.

5. Mitigation. Employer's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which Employer may have against Employee or others. In no event shall Employee be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Employee under any of the provisions of this agreement and such amounts shall not be reduced whether or not Employee obtains other employment.

6. Resolution of Disputes. Any dispute or claim arising out of or relating to this Agreement shall be settled by final and binding arbitration in Johnson City, Tennessee in accordance with the Commercial Arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. Employer agrees to pay promptly as incurred, to the full extent permitted by law, all legal fees and expenses which Employee may reasonably incur as a result of any dispute (regardless of the outcome thereof) by Employer, Employee or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of

performance thereof (including as a result of any dispute by Employee regarding the amount of any payment pursuant to this agreement), plus in each case interest on any delayed payment at the rate published from time to time in *The Wall Street Journal* as the prime rate of interest plus two percent (2%).

7. Withholding. Employer may withhold from any amounts payable under this Agreement the minimum Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

8. Successors. This Agreement is binding on, and shall inure to the benefit of Employee and Employer, and all successors and assigns of Employer. Employer will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Employer to assume expressly and agree to perform this Agreement in the same manner and to the same extent that Employer would be required to perform it if no such succession had taken place. Failure of Employer to obtain such agreement prior to the effectiveness of any such succession shall be a material breach of this Agreement and shall entitle Employee to any Severance Benefit payable pursuant to Section 3(a) hereof.

9. Applicable Law. This Agreement will be interpreted, governed and enforced according to the law of the State of Tennessee.

10. Separability. If any portion of this Agreement is held to be invalid or unenforceable in any respect, Employee and Employer agree that such invalid and unenforceable part will be modified to permit the Agreement to be enforced to the maximum extent permitted by the court, with the remaining portions unaffected by the invalidity or unenforceability of any part of this Agreement.

11. Waiver. This Agreement may be modified, supplemented or amended, and any provision of this Agreement can be waived, only by written instrument making specific reference to this Agreement signed by the party against whom enforcement of any such modification, supplement, amendment or waiver is sought.

12. Complete Agreement. This Agreement contains the entire agreement between Employer and Employee as to the subject matter hereof. This Agreement shall not be subject to the terms and conditions of any agreement concerning arbitration or dispute resolution between Employer and Employee.

EMPLOYEE ACKNOWLEDGES THAT HE/SHE HAS READ THE ENTIRE CONTENTS OF THIS AGREEMENT AND THAT HE/SHE UNDERSTANDS ITS TERMS.

[Signatures on following page]

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

EMPLOYEE:

/s/ Roderick R. Baty

Name: Roderick R. Baty

NN, INC.,
including its subsidiaries and affiliates

By: /s/ David L. Dyckman

David L. Dyckman

Schedule A

Employee's Severance Payment shall be a lump sum payment equal to:

1. 2.5 times such Employee's base salary (as of the date of Employee's termination); plus

2. 2.5 times such Employee's median bonus available at the following bonus target percentage: 40%; plus

3. An amount equal to 2.5 times Employee's annual automobile allowance or the annual cost to Employee of obtaining a motor vehicle comparable to that provided by Employer to Employee.

Exhibit 10.20

EMPLOYMENT AGREEMENT

This AGREEMENT is made as of January 21, 2002, by and between NN, Inc., a Delaware corporation, having its principal place of business located at 2000 Water's Edge Drive, Building C, Suite 12, Johnson City, Tennessee 37604 (the "Company") and Robert R. Sams (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 Vice-President of Market Services 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 January 21, 2002 and expiring on January 20, 2004 (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 Vice-President of Market Services of the Company, reporting to the President and Chief Executive Officer, and shall have supervision and control over, and responsibility for, the sales marketing operations and activities of the Company. The Executive shall also have such other powers and duties as may from time to time be prescribed by the President or Chief Executive Officer; provided, however, that such duties shall be consistent with the Executive's position as the officer in charge of business development activities and principal financial officer 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 President and Chief Executive Officer and the Board. The foregoing

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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 7 and (ii) subject to the prior consent of the President, 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.

6. Compensation.

(a) Salary. During the Employment Term, the Executive shall receive an annual salary of $145,000.00 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.

7. Confidentiality and Non-Competition. As a material inducement to the Company entering into this Agreement and in consideration for the Executive's continued employment, 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 January 21, 2002, between Executive and the Company, a copy of which is attached hereto as Exhibit A.

8. 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

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(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 President or 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.

9. 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 8(a), 8(b) or 8(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 8(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 8(c) or Executive terminates his employment with the Company pursuant to Paragraph 8(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 6(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

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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 9, 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 9.

10. 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 8, the Executive will promptly return to the Company all copies of information protected by Paragraph 10(a) hereof or by Paragraph 3(a) of the Non-Competition and Confidentiality Agreement referenced in Paragraph 7, 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.

11. 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.

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12. Resolution of Disputes. Any dispute or claim arising out of or relating to this Agreement shall be settled by final and binding arbitration in [Johnson City, Tennessee] in accordance with the Commercial Arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The fees and expenses of the arbitration panel shall be equally borne by the Company and Executive. Each party shall be liable for its own costs and expenses as a result of any dispute related to this Agreement.

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, Inc. 2000 Waters Edge Drive Building C, Suite 12 Johnson City, Tennessee 37604 Attention: President
If to Executive, to:	Robert R. Sams 2311 Granite Drive Johnson City, TN 37604

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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.

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, INC.

By: /s/ Roderick R. Baty

Robert R. Sams

By: /s/ Robert R. Sams

Exhibit 10.21

CHANGE OF CONTROL AND NONCOMPETITION AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into this 21st day of January, 2002, by and between ROBERT R. SAMS ("**Employee**") and NN, INC., a Delaware corporation, including its wholly-owned subsidiaries and affiliated companies (collectively, "**Employer**").

RECITALS

WHEREAS, the Board of Directors of Employer (the "**Board**") has determined that it is in the best interests of Employer to reinforce and encourage the continuity of management personnel in anticipation of a possible or potential Change of Control (as defined below); and

WHEREAS, the Board believes this objective can best be served by providing for a compensation arrangement for Employee upon Employee's termination of employment under certain circumstances in the event of a Change of Control.

NOW, THEREFORE, in consideration of the mutual promises and covenants as hereinafter set forth, the parties agree as follows:

AGREEMENT

1. General. Employer is engaged in the (i) manufacture and supply of precision steel balls and rollers to domestic and international 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, (ii) full-service design and manufacture of plastic injection molded components to the bearing, automotive, electronic, leisure and consumer markets, and (iii) the manufacture and supply of rubber seals to domestic and international anti-friction bearing manufacturers. Employee is employed by Employer in a senior management position in which Employee has or will have access to the Employer's confidential information and trade secrets.

2. Employment Relationship. Except as specifically set forth herein, the terms and conditions of Employee's employment are set forth in the Employment Agreement dated January 21, 2002 between Employee and Employer (the "Employment Agreement"), a copy of which is attached hereto as Exhibit A.

3. Termination Upon Change of Control.

(a) Severance Benefits. In the event that Employee's employment is terminated within two (2) years following a "Change of Control" (as defined below) and such termination is either (i) Without Cause (as defined below), or (ii) is a Constructive Termination (as defined below), Employee shall receive, in addition to all compensation due and payable to or accrued for the benefit of Employee as of the date of termination:

(i) a lump sum payment equal to an amount set forth on Schedule A to this Agreement ("**Severance Payment**"). The Severance Payment shall be made by wire transfer of immediately available funds to an account designated by Employee within seven (7) business days following the date of termination;

(ii) a payment equal to the annual bonus to which Employee would have been entitled but for Employee's termination of employment for the year of Employee's termination, pro-rated for the portion of the year during which he was employed by Employer ("**Pro-rated Bonus**"). The Pro-rated Bonus shall be payable to Employee at the end of the calendar year for which the bonus is payable, in accordance with Employer's normal bonus procedures; and

(iii) for a period of twenty-four months after such termination (the "**Coverage Period**"), medical, dental, prescription drug, life, accidental death and disability insurance coverage substantially similar to the coverage which Employee was receiving or entitled to receive immediately prior to the date of the termination of Employee's employment ("**Insurance Benefits**"). Notwithstanding the foregoing, Employee shall not be entitled to receive the Insurance Benefits (or a portion thereof) to the extent that Employee obtains other employment that provides equal or greater benefits during the Coverage Period.

The Severance Payment, Pro-rated Bonus and Insurance Benefits are collectively referred to in this Agreement as the "Severance Benefit."

(b) Excise Tax.

(i) Notwithstanding anything to the contrary set forth in this Agreement, in no event shall a Severance Benefit payable pursuant to this Section 3 exceed an amount equal to the lesser of (i) 2.99 times the "base amount" (as defined in Section 280G(b)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**")) of Employee's compensation, or (ii) such other amount which would constitute a "parachute payment" (as defined in Section 280G of the Code). In the event that it shall be determined that any Severance Benefit to Employee (whether paid or payable or distributed or distributable) would be subject to the excise tax imposed by Section 4999 of the Code, or any successor provision thereto (the "**Excise Tax**"), then Employee shall be entitled to receive from Employer an additional payment (the "**Gross-Up Payment**") in an amount such that the net amount of the Severance Benefit and the Gross-Up Payment retained by Employee after the calculation and deduction of all Excise Taxes (including any interest or penalties imposed with respect to such taxes) on the payment and all Federal, state and local income tax, employment tax and Excise Tax (including any interest or penalties imposed with respect to such taxes) or the Gross-Up Payment provided for in this Section, and taking into account any lost or reduced tax deductions on account of the Gross-Up Payment, shall be equal to the Severance Benefit.

(ii) Employee shall notify Employer in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by Employer of the Gross-Up Payment. Such notification shall be given as soon as practicable after Employee is informed in writing of such claim and shall apprise Employer of the nature of such claim and the date on which such claim is requested to be paid. Employee shall not pay such claim prior to the expiration of the 30-day period following the date on which Employee gives such notice to Employer (or such shorter period ending on the date that any payment of taxes, interest and/or penalties with respect to such claim is due). If Employer notifies Employee in writing prior to the expiration of such period that it desires to contest such claim, Employee shall:

(A) give Employer any information reasonably requested by Employer relating to such claim;

(B) take such action in connection with contesting such claim as Employer shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by Employer;

(C) cooperate with Employer in good faith in order to effectively contest such claim; and

(D) permit Employer to participate in any proceedings relating to such claims;

provided, however, that Employer shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify Employee for and hold Employee harmless from, on an after-tax basis, any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of all related costs and expenses. Without limiting the foregoing provisions of this section, Employer shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Employee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Employee agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Employer shall determine; *provided, however*, that if Employer directs Employee to pay such claim and sue for a refund, Employer shall advance the amount of such payment to Employee, on an interest-free basis, and shall indemnify Employee for and hold Employee harmless from, on an after-tax basis, any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance (including as a result of any forgiveness by Employer of such advance); *provided, further*, that any extension of the statute of limitations relating to the payment of taxes for the taxable year of Employee with respect to which such contested amount is claimed to

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be due is limited solely to such contested amount. Furthermore, Employer's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Employee shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(c) Change of Control. "Change of Control" shall mean: (i) a person, corporation, entity or group (A) makes a tender or exchange offer for the issued and outstanding voting stock of Employer and beneficially owns thirty percent (30%) or more of the issued and outstanding voting stock of Employer after such tender or exchange offer, or (B) acquires, directly or indirectly, the beneficial ownership of thirty percent (30%) or more of the issued and outstanding voting stock of Employer in a single transaction or a series of transactions (other than any person, corporation, entity or group for which a Schedule 13G is on file with the Securities and Exchange Commission, so long as such person, corporation, entity or group has beneficial ownership of less than fifty percent (50%) of the issued and outstanding voting stock of Employer); (ii) Employer is a party to a merger, consolidation or similar transaction and following such transaction, fifty percent (50%) or more of the issued and outstanding voting stock of the resulting entity is not beneficially owned by those persons, corporations or entities that constituted the stockholders of Employer immediately prior to the transaction; (iii) Employer sells fifty percent (50%) or more of its assets to any other person or persons (other than an affiliate or affiliates of Employer); or (iv) individuals who, as of the date hereof, constitute the Board (the "**Incumbent Board**") cease for any reason to constitute at least seventy-five percent (75%) of the Board; provided, however, that any individual becoming a director subsequent to the date hereof, whose election or nomination was approved by a majority of the directors then comprising the Incumbent Board, shall be considered a member of the Incumbent Board, but not including any individual whose initial Board membership is a result of an actual or threatened election contest (as that term is used in Rule 14a-11 promulgated under the Securities Act of 1934, as amended) or an actual or threatened solicitation of proxies or consents by or on behalf of a party other than the Board.

(d) Termination Without Cause. Termination "Without Cause" shall mean termination of Employee by Employer for reasons other than: (i) the willful, persistent failure of Employee (after thirty (30) days written notice and a reasonable opportunity to cure) to perform his material duties for reasons other than death or disability; (ii) the breach by Employee of any material provision of this Agreement; or (iii) Employee's conviction of a felony involving dishonesty, deceit or moral turpitude by a trial court of competent jurisdiction, whether or not an appeal is taken.

(c) Constructive Termination. "Constructive Termination" shall mean: (i) a material, adverse change of Employee's responsibilities, authority, status, position, offices, titles, duties or reporting requirements (including directorships); (ii) an adverse change in Employee's annual compensation or benefits; (iii) a requirement to relocate in excess of fifty (50) miles from Employee's then current place of employment; or (iv) the breach by Employer of any material provision of this Agreement, other than a breach that is remedied by Employer within 10 days after receipt of notice thereof from Employee. For purposes of this definition, Employee's responsibilities, authority, status, position,

offices, titles, duties and reporting requirements are to be determined as of the date of this Agreement. For purposes of this Section, all determinations of Constructive Termination shall be made in good faith by Employee and shall be conclusive.

(f) Other Severance Benefits. The Severance Benefit payable to Employee pursuant to this Section 3 shall be reduced by any severance benefits to which Employee is entitled under Employer's severance policies for terminated employees generally or any termination payments payable to Employee under Employee's Employment Agreement.

4. Employee's Acknowledgments and Covenants.

(a) Confidential Materials and Information. Employer has developed confidential information, strategies and programs, which include customer lists, prospects, lists, expansion and acquisition plans, market research, sales systems, marketing programs, computer systems and programs, product development strategies, manufacturing strategies and techniques, budgets, pricing strategies, identity and requirements of national accounts, customer lists, methods of operating, service systems, training programs and methods, other trade secrets and other information about the business in which employer is engaged that is not known to the public and gives Employer an opportunity to obtain an advantage over competitors who do not know of such information (collectively, "**Confidential Information**"). In performing duties for Employer, Employee regularly will be exposed to and work with the Confidential Information. Employee acknowledges that such Confidential Information is critical to Employer's success and that Employer has invested substantial sums of money in developing the Confidential Information. While Employee is employed by Employer and after such employment ends for any reason, Employee will never reproduce, publish, disclose, use, reveal, show or otherwise communicate to any person or entity any Confidential Information unless specifically directed by Employer to do so in writing.

(b) Nonsolicitation of Employees. While Employee is employed by Employer and for twenty-four (24) months after such employment ends for any reason, Employee, acting either directly or indirectly, or through any other person, firm, or corporation, will not hire contract with or employ any employee of Employer or induce or attempt to induce or influence any employee of Employer to terminate employment with Employer. Such nonsolicitation restriction shall not apply to Employee in the case of the solicitation of his or her immediate family members.

(c) Covenant Against Unfair Competition. While Employee is employed by Employer and for twenty-four (24) months after such employment ends for any reason, Employee will not, directly or indirectly, or through any other person, firm or corporation (i) be employed by, consult for, have any ownership interest in or engage in any activity on behalf of any competing business, or (ii) call on, solicit or communicate with any of Employer's customers (whether actual or potential) for the purpose of selling precision steel balls and rollers and other related items to such customer other than for the benefit of Employer. As used in this Agreement, the term "competing business" means a business that is a manufacturer and supplier of precision steel balls and rollers to anti-

friction bearing manufacturers (excluding any ball and roller manufacturers who manufacture such products for use in their business or the business of their affiliates and do not supply such products to third parties) and the term "customer" means any customer (whether actual or potential) with whom Employee or any other employee of Employer had business contact on behalf of Employer during the eighteen (18) months immediately before Employee's employment with Employer ended). Notwithstanding the foregoing, this paragraph shall not be construed to prohibit Employee from owning less than five percent (5%) of the outstanding securities of a corporation which is publicly traded on a securities exchange or over-the-counter.

(d) Return of Confidential Materials and Information. Employee agrees that whenever Employee's employment with Employer ends for any reason, all documents containing or referring to Confidential Information as may be in Employee's possession or control will be delivered by Employee to Employer immediately, with no request being required.

(e) Acknowledgments; Irreparable Harm. Employee agrees that the restrictions on competition, solicitation and disclosure in this Agreement are fair, reasonable and necessary for the protection of the interests of Employer. Employee further agrees that a breach of any of the covenants set forth in this Section 4 will result in irreparable injury and damage to Employer for which Employer would have no adequate remedy at law, and Employee further agrees that in the event of a breach, Employer will be entitled to an immediate restraining order and injunction to prevent such violation or continued violation, without having to prove damages, in addition to any other remedies to which Employer may be entitled at law or equity.

(f) Notification to Subsequent Employers. Employee grants Employer the right to notify any future employer or prospective employer of Employee concerning the existence of and terms of this Agreement and grants Employer the right to provide a copy of this Agreement to any such subsequent employer or prospective employer.

5. Mitigation. Employer's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which Employer may have against Employee or others. In no event shall Employee be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Employee under any of the provisions of this agreement and such amounts shall not be reduced whether or not Employee obtains other employment.

6. Resolution of Disputes. Any dispute or claim arising out of or relating to this Agreement shall be settled by final and binding arbitration in Johnson City, Tennessee in accordance with the Commercial Arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. Employer agrees to pay promptly as incurred, to the full extent permitted by law, all legal fees and expenses which Employee may reasonably incur as a result of any dispute (regardless of the outcome thereof) by Employer, Employee or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of

performance thereof (including as a result of any dispute by Employee regarding the amount of any payment pursuant to this agreement), plus in each case interest on any delayed payment at the rate published from time to time in *The Wall Street Journal* as the prime rate of interest plus two percent (2%).

7. Withholding. Employer may withhold from any amounts payable under this Agreement the minimum Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

8. Successors. This Agreement is binding on, and shall inure to the benefit of Employee and Employer, and all successors and assigns of Employer. Employer will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Employer to assume expressly and agree to perform this Agreement in the same manner and to the same extent that Employer would be required to perform it if no such succession had taken place. Failure of Employer to obtain such agreement prior to the effectiveness of any such succession shall be a material breach of this Agreement and shall entitle Employee to any Severance Benefit payable pursuant to Section 3(a) hereof.

9. Applicable Law. This Agreement will be interpreted, governed and enforced according to the law of the State of Tennessee.

10. Separability. If any portion of this Agreement is held to be invalid or unenforceable in any respect, Employee and Employer agree that such invalid and unenforceable part will be modified to permit the Agreement to be enforced to the maximum extent permitted by the court, with the remaining portions unaffected by the invalidity or unenforceability of any part of this Agreement.

11. Waiver. This Agreement may be modified, supplemented or amended, and any provision of this Agreement can be waived, only by written instrument making specific reference to this Agreement signed by the party against whom enforcement of any such modification, supplement, amendment or waiver is sought.

12. Complete Agreement. This Agreement contains the entire agreement between Employer and Employee as to the subject matter hereof. This Agreement shall not be subject to the terms and conditions of any agreement concerning arbitration or dispute resolution between Employer and Employee.

EMPLOYEE ACKNOWLEDGES THAT HE/SHE HAS READ THE ENTIRE CONTENTS OF THIS AGREEMENT AND THAT HE/SHE UNDERSTANDS ITS TERMS.

[Signatures on following page]

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

EMPLOYEE:

/s/ Robert R. Sams

Name: Robert R. Sams

NN, INC.,
including its subsidiaries and affiliates

By: /s/ Roderick R. Baty

Roderick R. Baty

Schedule A

Employee's Severance Payment shall be a lump sum payment equal to:

1. 2 times such Employee's base salary (as of the date of Employee's

termination); plus

2. 2 times such Employee's median bonus available at the following bonus target percentage: 35%; plus

3. An amount equal to 2 times Employee's annual automobile allowance or the annual cost to Employee of obtaining a motor vehicle comparable to that provided by Employer to Employee.

Exhibit 10.22

EMPLOYMENT AGREEMENT

This AGREEMENT is made as of January 21, 2002, by and between NN, Inc., a Delaware corporation, having its principal place of business located at 2000 Water's Edge Drive, Building C, Suite 12, Johnson City, Tennessee 37604 (the "Company") and William C. Kelly, Jr. (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 Treasurer, Secretary and Chief Accounting 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 January 21, 2002 and expiring on January 20, 2004 (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 Treasurer, Secretary and Chief Accounting Officer of the Company, reporting to the President and Chief Executive Officer, and shall have supervision and control over, and responsibility for, the treasury and accounting activities of the Company. The Executive shall also have such other powers and duties as may from time to time be prescribed by the President or Chief Executive Officer; provided, however, that such duties shall be consistent with the Executive's position as the officer in charge of business development activities and principal financial officer 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 President and Chief Executive Officer and the Board. The foregoing

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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 7 and (ii) subject to the prior consent of the President, 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.

6. Compensation.

(a) Salary. During the Employment Term, the Executive shall receive an annual salary of $105,000 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.

7. Confidentiality and Non-Competition. As a material inducement to the Company entering into this Agreement and in consideration for the Executive's continued employment, 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 January 21, 2002, between Executive and the Company, a copy of which is attached hereto as Exhibit A.

8. 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

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(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 President or 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

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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.

9. 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 8(a), 8(b) or 8(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 8(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 8(c) or Executive terminates his employment with the Company pursuant to Paragraph 8(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 6(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 9, 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 9.

10. 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 8, the Executive will promptly return to the Company all copies of information protected by Paragraph 10(a) hereof or by Paragraph 3(a) of the Non-Competition and Confidentiality Agreement referenced in Paragraph 7, 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.

11. 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.

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12. Resolution of Disputes. Any dispute or claim arising out of or relating to this Agreement shall be settled by final and binding arbitration in [Johnson City, Tennessee] in accordance with the Commercial Arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The fees and expenses of the arbitration panel shall be equally borne by the Company and Executive. Each party shall be liable for its own costs and expenses as a result of any dispute related to this Agreement.

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, Inc.
2000 Waters Edge Drive
Building C, Suite 12
Johnson City, Tennessee 37604
Attention: President

If to Executive, to:

William C. Kelly, Jr.
____
____

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.

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, INC.

By: /s/ David L. Dyckman

William C. Kelly, Jr.

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

Exhibit 10.23

CHANGE OF CONTROL AND NONCOMPETITION AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into this 21st day of January, 2002, by and between WILLIAM C. KELLY, JR. ("**Employee**") and NN, INC., a Delaware corporation, including its wholly-owned subsidiaries and affiliated companies (collectively, "**Employer**").

RECITALS

WHEREAS, the Board of Directors of Employer (the "**Board**") has determined that it is in the best interests of Employer to reinforce and encourage the continuity of management personnel in anticipation of a possible or potential Change of Control (as defined below); and

WHEREAS, the Board believes this objective can best be served by providing for a compensation arrangement for Employee upon Employee's termination of employment under certain circumstances in the event of a Change of Control.

NOW, THEREFORE, in consideration of the mutual promises and covenants as hereinafter set forth, the parties agree as follows:

AGREEMENT

1. General. Employer is engaged in the (i) manufacture and supply of precision steel balls and rollers to domestic and international 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, (ii) full-service design and manufacture of plastic injection molded components to the bearing, automotive, electronic, leisure and consumer markets, and (iii) the manufacture and supply of rubber seals to domestic and international anti-friction bearing manufacturers. Employee is employed by Employer in a senior management position in which Employee has or will have access to the Employer's confidential information and trade secrets.

2. Employment Relationship. Except as specifically set forth herein, the terms and conditions of Employee's employment are set forth in the Employment Agreement dated January 21, 2002 between Employee and Employer (the "Employment Agreement"), a copy of which is attached hereto as Exhibit A.

3. Termination Upon Change of Control.

(a) Severance Benefits. In the event that Employee's employment is terminated within two (2) years following a "Change of Control" (as defined below) and such termination is either (i) Without Cause (as defined below), or (ii) is a Constructive Termination (as defined below), Employee shall receive, in addition to all compensation due and payable to or accrued for the benefit of Employee as of the date of termination:

(i) a lump sum payment equal to an amount set forth on Schedule A to this Agreement ("**Severance Payment**"). The Severance Payment shall be made by wire transfer of immediately available funds to an account designated by Employee within seven (7) business days following the date of termination;

(ii) a payment equal to the annual bonus to which Employee would have been entitled but for Employee's termination of employment for the year of Employee's termination, pro-rated for the portion of the year during which he was employed by Employer ("**Pro-rated Bonus**"). The Pro-rated Bonus shall be payable to Employee at the end of the calendar year for which the bonus is payable, in accordance with Employer's normal bonus procedures; and

(iii) for a period of eighteen months after such termination (the "**Coverage Period**"), medical, dental, prescription drug, life, accidental death and disability insurance coverage substantially similar to the coverage which Employee was receiving or entitled to receive immediately prior to the date of the termination of Employee's employment ("**Insurance Benefits**"). Notwithstanding the foregoing, Employee shall not be entitled to receive the Insurance Benefits (or a portion thereof) to the extent that Employee obtains other employment that provides equal or greater benefits during the Coverage Period.

The Severance Payment, Pro-rated Bonus and Insurance Benefits are collectively referred to in this Agreement as the "Severance Benefit."

(b) Excise Tax.

(i) Notwithstanding anything to the contrary set forth in this Agreement, in no event shall a Severance Benefit payable pursuant to this Section 3 exceed an amount equal to the lesser of (i) 2.99 times the "base amount" (as defined in Section 280G(b)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**")) of Employee's compensation, or (ii) such other amount which would constitute a "parachute payment" (as defined in Section 280G of the Code). In the event that it shall be determined that any Severance Benefit to Employee (whether paid or payable or distributed or distributable) would be subject to the excise tax imposed by Section 4999 of the Code, or any successor provision thereto (the "**Excise Tax**"), then Employee shall be entitled to receive from Employer an additional payment (the "**Gross-Up Payment**") in an amount such that the net amount of the Severance Benefit and the Gross-Up Payment retained by Employee after the calculation and deduction of all Excise Taxes (including any interest or penalties imposed with respect to such taxes) on the payment and all Federal, state and local income tax, employment tax and Excise Tax (including any interest or penalties imposed with respect to such taxes) or the Gross-Up Payment provided for in this Section, and taking into account any lost or reduced tax deductions on account of the Gross-Up Payment, shall be equal to the Severance Benefit.

(ii) Employee shall notify Employer in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by Employer of the Gross-Up Payment. Such notification shall be given as soon as practicable after Employee is informed in writing of such claim and shall apprise Employer of the nature of such claim and the date on which such claim is requested to be paid. Employee shall not pay such claim prior to the expiration of the 30-day period following the date on which Employee gives such notice to Employer (or such shorter period ending on the date that any payment of taxes, interest and/or penalties with respect to such claim is due). If Employer notifies Employee in writing prior to the expiration of such period that it desires to contest such claim, Employee shall:

(A) give Employer any information reasonably requested by Employer relating to such claim;

(B) take such action in connection with contesting such claim as Employer shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by Employer;

(C) cooperate with Employer in good faith in order to effectively contest such claim; and

(D) permit Employer to participate in any proceedings relating to such claims;

provided, however, that Employer shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify Employee for and hold Employee harmless from, on an after-tax basis, any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of all related costs and expenses. Without limiting the foregoing provisions of this section, Employer shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Employee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Employee agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Employer shall determine; *provided, however*, that if Employer directs Employee to pay such claim and sue for a refund, Employer shall advance the amount of such payment to Employee, on an interest-free basis, and shall indemnify Employee for and hold Employee harmless from, on an after-tax basis, any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance (including as a result of any forgiveness by Employer of such advance); *provided, further*, that any extension of the statute of limitations relating to the payment of taxes for the taxable year of Employee with respect to which such contested amount is claimed to

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be due is limited solely to such contested amount. Furthermore, Employer's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Employee shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(c) Change of Control. "Change of Control" shall mean: (i) a person, corporation, entity or group (A) makes a tender or exchange offer for the issued and outstanding voting stock of Employer and beneficially owns thirty percent (30%) or more of the issued and outstanding voting stock of Employer after such tender or exchange offer, or (B) acquires, directly or indirectly, the beneficial ownership of thirty percent (30%) or more of the issued and outstanding voting stock of Employer in a single transaction or a series of transactions (other than any person, corporation, entity or group for which a Schedule 13G is on file with the Securities and Exchange Commission, so long as such person, corporation, entity or group has beneficial ownership of less than fifty percent (50%) of the issued and outstanding voting stock of Employer); (ii) Employer is a party to a merger, consolidation or similar transaction and following such transaction, fifty percent (50%) or more of the issued and outstanding voting stock of the resulting entity is not beneficially owned by those persons, corporations or entities that constituted the stockholders of Employer immediately prior to the transaction; (iii) Employer sells fifty percent (50%) or more of its assets to any other person or persons (other than an affiliate or affiliates of Employer); or (iv) individuals who, as of the date hereof, constitute the Board (the "**Incumbent Board**") cease for any reason to constitute at least seventy-five percent (75%) of the Board; *provided, however*, that any individual becoming a director subsequent to the date hereof, whose election or nomination was approved by a majority of the directors then comprising the Incumbent Board, shall be considered a member of the Incumbent Board, but not including any individual whose initial Board membership is a result of an actual or threatened election contest (as that term is used in Rule 14a-11 promulgated under the Securities Act of 1934, as amended) or an actual or threatened solicitation of proxies or consents by or on behalf of a party other than the Board.

(d) Termination Without Cause. Termination "Without Cause" shall mean termination of Employee by Employer for reasons other than: (i) the willful, persistent failure of Employee (after thirty (30) days written notice and a reasonable opportunity to cure) to perform his material duties for reasons other than death or disability; (ii) the breach by Employee of any material provision of this Agreement; or (iii) Employee's conviction of a felony involving dishonesty, deceit or moral turpitude by a trial court of competent jurisdiction, whether or not an appeal is taken.

(e) Constructive Termination. "Constructive Termination" shall mean: (i) a material, adverse change of Employee's responsibilities, authority, status, position, offices, titles, duties or reporting requirements (including directorships); (ii) an adverse change in Employee's annual compensation or benefits; (iii) a requirement to relocate in excess of fifty (50) miles from Employee's then current place of employment; or (iv) the breach by Employer of any material provision of this Agreement, other than a breach that is remedied by Employer within 10 days after receipt of notice thereof from Employee. For purposes of this definition, Employee's responsibilities, authority, status, position,

offices, titles, duties and reporting requirements are to be determined as of the date of this Agreement. For purposes of this Section, all determinations of Constructive Termination shall be made in good faith by Employee and shall be conclusive.

(f) Other Severance Benefits. The Severance Benefit payable to Employee pursuant to this Section 3 shall be reduced by any severance benefits to which Employee is entitled under Employer's severance policies for terminated employees generally or any termination payments payable to Employee under Employee's Employment Agreement.

4. Employee's Acknowledgments and Covenants.

(a) Confidential Materials and Information. Employer has developed confidential information, strategies and programs, which include customer lists, prospects, lists, expansion and acquisition plans, market research, sales systems, marketing programs, computer systems and programs, product development strategies, manufacturing strategies and techniques, budgets, pricing strategies, identity and requirements of national accounts, customer lists, methods of operating, service systems, training programs and methods, other trade secrets and other information about the business in which employer is engaged that is not known to the public and gives Employer an opportunity to obtain an advantage over competitors who do not know of such information (collectively, "**Confidential Information**"). In performing duties for Employer, Employee regularly will be exposed to and work with the Confidential Information. Employee acknowledges that such Confidential Information is critical to Employer's success and that Employer has invested substantial sums of money in developing the Confidential Information. While Employee is employed by Employer and after such employment ends for any reason, Employee will never reproduce, publish, disclose, use, reveal, show or otherwise communicate to any person or entity any Confidential Information unless specifically directed by Employer to do so in writing.

(b) Nonsolicitation of Employees. While Employee is employed by Employer and for twenty-four (24) months after such employment ends for any reason, Employee, acting either directly or indirectly, or through any other person, firm, or corporation, will not hire contract with or employ any employee of Employer or induce or attempt to induce or influence any employee of Employer to terminate employment with Employer. Such nonsolicitation restriction shall not apply to Employee in the case of the solicitation of his or her immediate family members.

(c) Covenant Against Unfair Competition. While Employee is employed by Employer and for twenty-four (24) months after such employment ends for any reason, Employee will not, directly or indirectly, or through any other person, firm or corporation (i) be employed by, consult for, have any ownership interest in or engage in any activity on behalf of any competing business, or (ii) call on, solicit or communicate with any of Employer's customers (whether actual or potential) for the purpose of selling precision steel balls and rollers and other related items to such customer other than for the benefit of Employer. As used in this Agreement, the term "competing business" means a business that is a manufacturer and supplier of precision steel balls and rollers to anti-

friction bearing manufacturers (excluding any ball and roller manufacturers who manufacture such products for use in their business or the business of their affiliates and do not supply such products to third parties) and the term "customer" means any customer (whether actual or potential) with whom Employee or any other employee of Employer had business contact on behalf of Employer during the eighteen (18) months immediately before Employee's employment with Employer ended). Notwithstanding the foregoing, this paragraph shall not be construed to prohibit Employee from owning less than five percent (5%) of the outstanding securities of a corporation which is publicly traded on a securities exchange or over-the-counter.

(d) Return of Confidential Materials and Information. Employee agrees that whenever Employee's employment with Employer ends for any reason, all documents containing or referring to Confidential Information as may be in Employee's possession or control will be delivered by Employee to Employer immediately, with no request being required.

(e) Acknowledgments; Irreparable Harm. Employee agrees that the restrictions on competition, solicitation and disclosure in this Agreement are fair, reasonable and necessary for the protection of the interests of Employer. Employee further agrees that a breach of any of the covenants set forth in this Section 4 will result in irreparable injury and damage to Employer for which Employer would have no adequate remedy at law, and Employee further agrees that in the event of a breach, Employer will be entitled to an immediate restraining order and injunction to prevent such violation or continued violation, without having to prove damages, in addition to any other remedies to which Employer may be entitled at law or equity.

(f) Notification to Subsequent Employers. Employee grants Employer the right to notify any future employer or prospective employer of Employee concerning the existence of and terms of this Agreement and grants Employer the right to provide a copy of this Agreement to any such subsequent employer or prospective employer.

5. Mitigation. Employer's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which Employer may have against Employee or others. In no event shall Employee be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Employee under any of the provisions of this agreement and such amounts shall not be reduced whether or not Employee obtains other employment.

6. Resolution of Disputes. Any dispute or claim arising out of or relating to this Agreement shall be settled by final and binding arbitration in Johnson City, Tennessee in accordance with the Commercial Arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. Employer agrees to pay promptly as incurred, to the full extent permitted by law, all legal fees and expenses which Employee may reasonably incur as a result of any dispute (regardless of the outcome thereof) by Employer, Employee or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of

performance thereof (including as a result of any dispute by Employee regarding the amount of any payment pursuant to this agreement), plus in each case interest on any delayed payment at the rate published from time to time in *The*

Wall Street Journal as the prime rate of interest plus two percent (2%).

7. Withholding. Employer may withhold from any amounts payable under this Agreement the minimum Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

8. Successors. This Agreement is binding on, and shall inure to the benefit of Employee and Employer, and all successors and assigns of Employer. Employer will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Employer to assume expressly and agree to perform this Agreement in the same manner and to the same extent that Employer would be required to perform it if no such succession had taken place. Failure of Employer to obtain such agreement prior to the effectiveness of any such succession shall be a material breach of this Agreement and shall entitle Employee to any Severance Benefit payable pursuant to Section 3(a) hereof.

9. Applicable Law. This Agreement will be interpreted, governed and enforced according to the law of the State of Tennessee.

10. Separability. If any portion of this Agreement is held to be invalid or unenforceable in any respect, Employee and Employer agree that such invalid and unenforceable part will be modified to permit the Agreement to be enforced to the maximum extent permitted by the court, with the remaining portions unaffected by the invalidity or unenforceability of any part of this Agreement.

11. Waiver. This Agreement may be modified, supplemented or amended, and any provision of this Agreement can be waived, only by written instrument making specific reference to this Agreement signed by the party against whom enforcement of any such modification, supplement, amendment or waiver is sought.

12. Complete Agreement. This Agreement contains the entire agreement between Employer and Employee as to the subject matter hereof. This Agreement shall not be subject to the terms and conditions of any agreement concerning arbitration or dispute resolution between Employer and Employee.

EMPLOYEE ACKNOWLEDGES THAT HE/SHE HAS READ THE ENTIRE CONTENTS OF THIS AGREEMENT AND THAT HE/SHE UNDERSTANDS ITS TERMS.

[Signatures on following page]

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

EMPLOYEE:

/s/ William C. Kelly, Jr.

Name: William C. Kelly, Jr.

NN, INC.,
including its subsidiaries and affiliates

By: /s/ David L. Dyckman

David L. Dyckman

Schedule A

Employee's Severance Payment shall be a lump sum payment equal to:

1. 1.5 times such Employee's base salary (as of the date of Employee's termination); plus

2. 1.5 times such Employee's median bonus available at the following bonus target percentage: 25%; plus

3. An amount equal to 1.5 times Employee's annual automobile allowance or the annual cost to Employee of obtaining a motor vehicle comparable to that provided by Employer to Employee.

Exhibit 10.24

EMPLOYMENT AGREEMENT

This AGREEMENT is made as of January 21, 2002, by and between NN, Inc., a Delaware corporation, having its principal place of business located at 2000 Water's Edge Drive, Building C, Suite 12, Johnson City, Tennessee 37604 (the "Company") and David L. Dyckman (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 Vice-President of Business Development and Chief Financial 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 January 21, 2002 and expiring on January 20, 2004 (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 Vice-President of Business Development and Chief Financial Officer of the Company, reporting to the President and Chief Executive Officer, and shall have supervision and control over, and responsibility for, the business development activities and financial operations of the Company. The Executive shall also have such other powers and duties as may from time to time be prescribed by the President or Chief Executive Officer; provided, however, that such duties shall be consistent with the Executive's position as the officer in charge of business development activities and principal financial officer 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 President and Chief Executive Officer and the Board. The foregoing

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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 7 and (ii) subject to the prior consent of the President, 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.

6. Compensation.

(a) Salary. During the Employment Term, the Executive shall receive an annual salary of $170,000 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.

7. Confidentiality and Non-Competition. As a material inducement to the Company entering into this Agreement and in consideration for the Executive's continued employment, 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 January 21, 2002, between Executive and the Company, a copy of which is attached hereto as Exhibit A.

8. 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

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(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 President or 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.

9. 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 8(a), 8(b) or 8(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 8(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 8(c) or Executive terminates his employment with the Company pursuant to Paragraph 8(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 6(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

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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 9, 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 9.

10. 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 8, the Executive will promptly return to the Company all copies of information protected by Paragraph 10(a) hereof or by Paragraph 3(a) of the Non-Competition and Confidentiality Agreement referenced in Paragraph 7, 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.

11. 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.

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12. Resolution of Disputes. Any dispute or claim arising out of or relating to this Agreement shall be settled by final and binding arbitration in **[Johnson City, Tennessee]** in accordance with the Commercial Arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The fees and expenses of the arbitration panel shall be equally borne by the Company and Executive. Each party shall be liable for its own costs and expenses as a result of any dispute related to this Agreement.

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, Inc. 2000 Waters Edge Drive Building C, Suite 12 Johnson City, Tennessee 37604 Attention: President
If to Executive, to:	David L. Dyckman 7 Wayland Ct. Johnson City, TN 37604

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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.

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, INC.

By: /s/ Roderick R. Baty

David L. Dyckman

By: /s/ David L. Dyckman

Exhibit 10.25

CHANGE OF CONTROL AND NONCOMPETITION AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into this 21st day of January, 2002, by and between DAVID L. DYCKMAN ("**Employee**") and NN, INC., a Delaware corporation, including its wholly-owned subsidiaries and affiliated companies (collectively, "Employer").

RECITALS

WHEREAS, the Board of Directors of Employer (the "Board") has determined that it is in the best interests of Employer to reinforce and encourage the continuity of management personnel in anticipation of a possible or potential Change of Control (as defined below); and

WHEREAS, the Board believes this objective can best be served by providing for a compensation arrangement for Employee upon Employee's termination of employment under certain circumstances in the event of a Change of Control.

NOW, THEREFORE, in consideration of the mutual promises and covenants as hereinafter set forth, the parties agree as follows:

AGREEMENT

1. General. Employer is engaged in the (i) manufacture and supply of precision steel balls and rollers to domestic and international 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, (ii) full-service design and manufacture of plastic injection molded components to the bearing, automotive, electronic, leisure and consumer markets, and (iii) the manufacture and supply of rubber seals to domestic and international anti-friction bearing manufacturers. Employee is employed by Employer in a senior management position in which Employee has or will have access to the Employer's confidential information and trade secrets.

2. Employment Relationship. Except as specifically set forth herein, the terms and conditions of Employee's employment are set forth in the Employment Agreement dated January 21, 2002 between Employee and Employer (the "Employment Agreement"), a copy of which is attached hereto as Exhibit A.

3. Termination Upon Change of Control.

(a) Severance Benefits. In the event that Employee's employment is terminated within two (2) years following a "Change of Control" (as defined below) and such termination is either (i) Without Cause (as defined below), or (ii) is a Constructive Termination (as defined below), Employee shall receive, in addition to all compensation due and payable to or accrued for the benefit of Employee as of the date of termination:

(i) a lump sum payment equal to an amount set forth on Schedule A to this Agreement ("**Severance Payment**"). The Severance Payment shall be made by wire transfer of immediately available funds to an account designated by Employee within seven (7) business days following the date of termination;

(ii) a payment equal to the annual bonus to which Employee would have been entitled but for Employee's termination of employment for the year of Employee's termination, pro-rated for the portion of the year during which he was employed by Employer ("**Pro-rated Bonus**"). The Pro-rated Bonus shall be payable to Employee at the end of the calendar year for which the bonus is payable, in accordance with Employer's normal bonus procedures; and

(iii) for a period of twenty-four months after such termination (the "**Coverage Period**"), medical, dental, prescription drug, life, accidental death and disability insurance coverage substantially similar to the coverage which Employee was receiving or entitled to receive immediately prior to the date of the termination of Employee's employment ("Insurance Benefits"). Notwithstanding the foregoing, Employee shall not be entitled to receive the Insurance Benefits (or a portion thereof) to the extent that Employee obtains other employment that provides equal or greater benefits during the Coverage Period.

The Severance Payment, Pro-rated Bonus and Insurance Benefits are collectively referred to in this Agreement as the "Severance Benefit."

(b) Excise Tax.

(i) Notwithstanding anything to the contrary set forth in this Agreement, in no event shall a Severance Benefit payable pursuant to this Section 3 exceed an amount equal to the lesser of (i) 2.99 times the "base amount" (as defined in Section 280G(b)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**")) of Employee's compensation, or (ii) such other amount which would constitute a "parachute payment" (as defined in Section 280G of the Code). In the event that it shall be determined that any Severance Benefit to Employee (whether paid or payable or distributed or distributable) would be subject to the excise tax imposed by Section 4999 of the Code, or any successor provision thereto (the "**Excise Tax**"), then Employee shall be entitled to receive from Employer an additional payment (the "**Gross-Up Payment**") in an amount such that the net amount of the Severance Benefit and the Gross-Up Payment retained by Employee after the calculation and deduction of all Excise Taxes (including any interest or penalties imposed with respect to such taxes) on the payment and all Federal, state and local income tax, employment tax and Excise Tax (including any interest or penalties imposed with respect to such taxes) or the Gross-Up Payment provided for in this Section, and taking into account any lost or reduced tax deductions on account of the Gross-Up Payment, shall be equal to the Severance Benefit.

(ii) Employee shall notify Employer in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by Employer of the Gross-Up Payment. Such notification shall be given as soon as practicable after Employee is informed in writing of such claim and shall apprise Employer of the nature of such claim and the date on which such claim is requested to be paid. Employee shall not pay such claim prior to the expiration of the 30-day period following the date on which Employee gives such notice to Employer (or such shorter period ending on the date that any payment of taxes, interest and/or penalties with respect to such claim is due). If Employer notifies Employee in writing prior to the expiration of such period that it desires to contest such claim, Employee shall:

(A) give Employer any information reasonably requested by Employer relating to such claim;

(B) take such action in connection with contesting such claim as Employer shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by Employer;

(C) cooperate with Employer in good faith in order to effectively contest such claim; and

(D) permit Employer to participate in any proceedings relating to such claims;

provided, however, that Employer shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify Employee for and hold Employee harmless from, on an after-tax basis, any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of all related costs and expenses. Without limiting the foregoing provisions of this section, Employer shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Employee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Employee agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Employer shall determine; *provided, however*, that if Employer directs Employee to pay such claim and sue for a refund, Employer shall advance the amount of such payment to Employee, on an interest-free basis, and shall indemnify Employee for and hold Employee harmless from, on an after-tax basis, any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance (including as a result of any forgiveness by Employer of such advance); *provided, further*, that any extension of the statute of limitations relating to the payment of taxes for the taxable year of Employee with respect to which such contested amount is claimed to

be due is limited solely to such contested amount. Furthermore, Employer's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Employee shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(c) Change of Control. "Change of Control" shall mean: (i) a person, corporation, entity or group (A) makes a tender or exchange offer for the issued and outstanding voting stock of Employer and beneficially owns thirty percent (30%) or more of the issued and outstanding voting stock of Employer after such tender or exchange offer, or (B) acquires, directly or indirectly, the beneficial ownership of thirty percent (30%) or more of the issued and outstanding voting stock of Employer in a single transaction or a series of transactions (other than any person, corporation, entity or group for which a Schedule 13G is on file with the Securities and Exchange Commission, so long as such person, corporation, entity or group has beneficial ownership of less than fifty percent (50%) of the issued and outstanding voting stock of Employer); (ii) Employer is a party to a merger, consolidation or similar transaction and following such transaction, fifty percent (50%) or more of the issued and outstanding voting stock of the resulting entity is not beneficially owned by those persons, corporations or entities that constituted the stockholders of Employer immediately prior to the transaction; (iii) Employer sells fifty percent (50%) or more of its assets to any other person or persons (other than an affiliate or affiliates of Employer); or (iv) individuals who, as of the date hereof, constitute the Board (the "**Incumbent Board**") cease for any reason to constitute at least seventy-five percent (75%) of the Board; *provided, however*, that any individual becoming a director subsequent to the date hereof, whose election or nomination was approved by a majority of the directors then comprising the Incumbent Board, shall be considered a member of the Incumbent Board, but not including any individual whose initial Board membership is a result of an actual or threatened election contest (as that term is used in Rule 14a-11 promulgated under the Securities Act of 1934, as amended) or an actual or threatened solicitation of proxies or consents by or on behalf of a party other than the Board.

(d) Termination Without Cause. Termination "Without Cause" shall mean termination of Employee by Employer for reasons other than: (i) the willful, persistent failure of Employee (after thirty (30) days written notice and a reasonable opportunity to cure) to perform his material duties for reasons other than death or disability; (ii) the breach by Employee of any material provision of this Agreement; or (iii) Employee's conviction of a felony involving dishonesty, deceit or moral turpitude by a trial court of competent jurisdiction, whether or not an appeal is taken.

(e) Constructive Termination. "Constructive Termination" shall mean: (i) a material, adverse change of Employee's responsibilities, authority, status, position, offices, titles, duties or reporting requirements (including directorships); (ii) an adverse change in Employee's annual compensation or benefits; (iii) a requirement to relocate in excess of fifty (50) miles from Employee's then current place of employment; or (iv) the breach by Employer of any material provision of this Agreement, other than a breach that is remedied by Employer within 10 days after receipt of notice thereof from Employee. For purposes of this definition, Employee's responsibilities, authority, status, position,

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offices, titles, duties and reporting requirements are to be determined as of the date of this Agreement. For purposes of this Section, all determinations of Constructive Termination shall be made in good faith by Employee and shall be conclusive.

(f) Other Severance Benefits. The Severance Benefit payable to Employee pursuant to this Section 3 shall be reduced by any severance benefits to which Employee is entitled under Employer's severance policies for terminated employees generally or any termination payments payable to Employee under Employee's Employment Agreement.

4. Employee's Acknowledgments and Covenants.

(a) Confidential Materials and Information. Employer has developed confidential information, strategies and programs, which include customer lists, prospects, lists, expansion and acquisition plans, market research, sales systems, marketing programs, computer systems and programs, product development strategies, manufacturing strategies and techniques, budgets, pricing strategies, identity and requirements of national accounts, customer lists, methods of operating, service systems, training programs and methods, other trade secrets and other information about the business in which employer is engaged that is not known to the public and gives Employer an opportunity to obtain an advantage over competitors who do not know of such information (collectively, "**Confidential Information**"). In performing duties for Employer, Employee regularly will be exposed to and work with the Confidential Information. Employee acknowledges that such Confidential Information is critical to Employer's success and that Employer has invested substantial sums of money in developing the Confidential Information. While Employee is employed by Employer and after such employment ends for any reason, Employee will never reproduce, publish, disclose, use, reveal, show or otherwise communicate to any person or entity any Confidential Information unless specifically directed by Employer to do so in writing.

(b) Nonsolicitation of Employees. While Employee is employed by

Employer and for twenty-four (24) months after such employment ends for any reason, Employee, acting either directly or indirectly, or through any other person, firm, or corporation, will not hire contract with or employ any employee of Employer or induce or attempt to induce or influence any employee of Employer to terminate employment with Employer. Such nonsolicitation restriction shall not apply to Employee in the case of the solicitation of his or her immediate family members.

(c) Covenant Against Unfair Competition. While Employee is employed by Employer and for twenty-four (24) months after such employment ends for any reason, Employee will not, directly or indirectly, or through any other person, firm or corporation (i) be employed by, consult for, have any ownership interest in or engage in any activity on behalf of any competing business, or (ii) call on, solicit or communicate with any of Employer's customers (whether actual or potential) for the purpose of selling precision steel balls and rollers and other related items to such customer other than for the benefit of Employer. As used in this Agreement, the term "competing business" means a business that is a manufacturer and supplier of precision steel balls and rollers to anti-

friction bearing manufacturers (excluding any ball and roller manufacturers who manufacture such products for use in their business or the business of their affiliates and do not supply such products to third parties) and the term "customer" means any customer (whether actual or potential) with whom Employee or any other employee of Employer had business contact on behalf of Employer during the eighteen (18) months immediately before Employee's employment with Employer ended). Notwithstanding the foregoing, this paragraph shall not be construed to prohibit Employee from owning less than five percent (5%) of the outstanding securities of a corporation which is publicly traded on a securities exchange or over-the-counter.

(d) Return of Confidential Materials and Information. Employee agrees that whenever Employee's employment with Employer ends for any reason, all documents containing or referring to Confidential Information as may be in Employee's possession or control will be delivered by Employee to Employer immediately, with no request being required.

(e) Acknowledgments; Irreparable Harm. Employee agrees that the restrictions on competition, solicitation and disclosure in this Agreement are fair, reasonable and necessary for the protection of the interests of Employer. Employee further agrees that a breach of any of the covenants set forth in this Section 4 will result in irreparable injury and damage to Employer for which Employer would have no adequate remedy at law, and Employee further agrees that in the event of a breach, Employer will be entitled to an immediate restraining order and injunction to prevent such violation or continued violation, without having to prove damages, in addition to any other remedies to which Employer may be entitled at law or equity.

(f) Notification to Subsequent Employers. Employee grants Employer the right to notify any future employer or prospective employer of Employee concerning the existence of and terms of this Agreement and grants Employer the right to provide a copy of this Agreement to any such subsequent employer or prospective employer.

5. Mitigation. Employer's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which Employer may have against Employee or others. In no event shall Employee be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Employee under any of the provisions of this agreement and such amounts shall not be reduced whether or not Employee obtains other employment.

6. Resolution of Disputes. Any dispute or claim arising out of or relating to this Agreement shall be settled by final and binding arbitration in Johnson City, Tennessee in accordance with the Commercial Arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. Employer agrees to pay promptly as incurred, to the full extent permitted by law, all legal fees and expenses which Employee may reasonably incur as a result of any dispute (regardless of the outcome thereof) by Employer, Employee or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of

performance thereof (including as a result of any dispute by Employee regarding the amount of any payment pursuant to this agreement), plus in each case interest on any delayed payment at the rate published from time to time in *The Wall Street Journal* as the prime rate of interest plus two percent (2%).

7. Withholding. Employer may withhold from any amounts payable under this

Agreement the minimum Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

8. Successors. This Agreement is binding on, and shall inure to the benefit of Employee and Employer, and all successors and assigns of Employer. Employer will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Employer to assume expressly and agree to perform this Agreement in the same manner and to the same extent that Employer would be required to perform it if no such succession had taken place. Failure of Employer to obtain such agreement prior to the effectiveness of any such succession shall be a material breach of this Agreement and shall entitle Employee to any Severance Benefit payable pursuant to Section 3(a) hereof.

9. Applicable Law. This Agreement will be interpreted, governed and enforced according to the law of the State of Tennessee.

10. Separability. If any portion of this Agreement is held to be invalid or unenforceable in any respect, Employee and Employer agree that such invalid and unenforceable part will be modified to permit the Agreement to be enforced to the maximum extent permitted by the court, with the remaining portions unaffected by the invalidity or unenforceability of any part of this Agreement.

11. Waiver. This Agreement may be modified, supplemented or amended, and any provision of this Agreement can be waived, only by written instrument making specific reference to this Agreement signed by the party against whom enforcement of any such modification, supplement, amendment or waiver is sought.

12. Complete Agreement. This Agreement contains the entire agreement between Employer and Employee as to the subject matter hereof. This Agreement shall not be subject to the terms and conditions of any agreement concerning arbitration or dispute resolution between Employer and Employee.

EMPLOYEE ACKNOWLEDGES THAT HE/SHE HAS READ THE ENTIRE CONTENTS OF THIS AGREEMENT AND THAT HE/SHE UNDERSTANDS ITS TERMS.

[Signatures on following page]

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

EMPLOYEE:

/s/ David L. Dyckman

Name: David L. Dyckman

NN, INC.,
including its subsidiaries and affiliates

By: /s/ Roderick R. Baty

Roderick R. Baty

Schedule A

Employee's Severance Payment shall be a lump sum payment equal to:

1. 2 times such Employee's base salary (as of the date of Employee's termination); plus

2. 2 times such Employee's median bonus available at the following bonus target percentage: 35%; plus

3. An amount equal to 2 times Employee's annual automobile allowance or the annual cost to Employee of obtaining a motor vehicle comparable to that provided by Employer to Employee.

NN EUROBALL, ApS
SHAREHOLDER AGREEMENT

THIS AGREEMENT shall become effective as of the date when the Euroball transaction closes, by and among **NN, Inc.** a Tennessee corporation ("NNBR"), **AB SKF**, a Swedish company ("SKF"), and **FAG Kugelfischer Georg Schafer AG**, a German company ("FAG").

RECITALS

A. The parties have purchased NN Euroball, ApS., a Danish company (the "Company") pursuant to the Joint Venture Formation Agreement among the parties dated April 6, 2000 (the "Formation Agreement"), and desire to set forth their mutual agreement as to certain matters related to the ownership, governance and operation of the Company.

B. The capitalized terms used but not defined in this Agreement shall have the meaning set forth in the Formation Agreement.

C. The initial shareholdings of the parties are as follows: NNBR - 54%, SKF - 23%, and FAG - 23%.

AGREEMENT

In consideration of the mutual promises made herein and in the Formation Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Competition.

1.1 The business of the Company and its subsidiaries (together the "Company") is to manufacture, buy and sell precision steel balls using the Businesses previously owned by the parties to create marketing and sales opportunities worldwide.

1.2 (a) For so long as either of SKF or FAG is a shareholder of the Company NNBR shall be prohibited, and as long as SKF and FAG respectively are shareholders and for a period of three (3) years thereafter, SKF and FAG also shall be prohibited, directly or indirectly, from (i) developing or, except as allowed by Section 1.2(b), below, acquiring any precision steel ball manufacturing facility that competes, directly or indirectly, with the Company in Europe (as defined in the Formation Agreement) (a "Competing Facility"), (ii) soliciting for employment any person employed by the Company and (iii) canvassing or soliciting customers of the Company.

(b) SKF and its Affiliates and FAG and its Affiliates shall not be deemed to have acquired, directly or indirectly, any Competing Facility solely by virtue of (i) the ownership of less than fifty (50) percent of the outstanding voting stock or debt securities of any publicly held company of which it does not have voting or day-to-day operational control, so long as such company is not engaged in the production of precision steel balls as its primary business, or (ii) having acquired or otherwise voluntarily having combined with a business owning a Competing Facility if all production of balls at the Competing Facility is (A) used only for bearings produced at the acquired business, (B) not sold to customers located in Europe or (C) sold to customers located within Europe at volumes not greater than the historical volumes of the acquired business. It is specifically understood that if SKF or FAG is acquired by another company, the restrictions in this Section will be binding only on SKF or FAG, respectively, and will not be binding on or apply to the acquiring company.

(c) The parties agree that NNBR shall be free to manufacture and sell precision steel balls everywhere in the world other than Europe without regard to the business interests of the Company.

1.3 If a Shareholder purchases or acquires an interest in additional ball manufacturing assets or operations in Europe, and if the Shareholder decides to close or sell such assets or operations, the Company shall have the first priority right to purchase such assets or operations

1.4 Without limitation of Section 1.2(a)(iii), SKF and its Affiliates and FAG and its Affiliates shall be entitled to sell precision steel balls to third parties if done so in relation to sales by them of finished bearings; provided that during the non-compete period applicable to SKF or FAG under Section 1.2, if such balls are available from the Company and historically purchased from the Businesses, they must be purchased by SKF, FAG or their Affiliates from the Company.

2. Organization and Ownership of the Company.

2.1 The parties agree that the Articles of Association of the Company and of its initial subsidiaries shall be in the forms of Exhibits 2.1-A, 2.1-B, 2.1-C and 2.1-D, respectively, hereto.

2.2 The Company has initially an issued and paid-up share capital of 125,000 DKK, divided into 1250 shares which are owned as follows:

Shareholder	Shares	Percent
NNBR	675	54%
FAG	287.50	23%
SKF	287.50	23%

2.3 In the event of any conflict between the terms of this Agreement and the Articles of Association of the Company or of any of its subsidiaries, the terms of this Agreement shall, as among the Shareholders, prevail and the Shareholders shall forthwith cause such necessary alterations to be made to such Articles of Association as may be required to solve such conflict.

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3. Management of the Company.

3.1 General Meetings and Resolutions of Shareholders.

(a) General Meetings shall be held whenever required by the laws of Denmark or the Articles of Association.

(b) The quorum required for a General Meeting of the shareholders shall be shareholders representing, in person or by proxy, at least fifty percent (50%) of the total number of issued and outstanding shares of the Company; provided that at least 30 days prior written notice of any General Meeting has been given. The quorum required for any General Meeting called upon less than 30 days prior written notice shall be one hundred percent (100%) of the total number of issued and outstanding shares of the Company.

(c) Unless otherwise required by the laws of Denmark or otherwise explicitly provided herein, no shareholders' resolutions shall be effective unless adopted by the affirmative votes of shareholders holding more than fifty percent (50%) of the shares present, in person or by proxy, at a General Meeting of the shareholders.

(d) Interpreters may attend General Meetings of shareholders upon the request of any party.

3.2 Election of Directors and Statutory Auditors.

(a) The Company shall be administered by a Board of Directors composed of at least two (2) and not more than seven (7) directors.

(b) The Company shall have one (1) Independent Accounting Firm who shall be appointed by the Shareholders. Unless otherwise agreed in writing by all Shareholders, KPMG shall be appointed. The parties agree to exercise their respective voting rights as shareholders of the Company and to take all other necessary action so as to ensure that the persons nominated as statutory auditor(s) by the Shareholders are elected.

3.3 Meetings and Resolutions of the Board of Directors.

(a) A regular meeting of the Board of Directors shall be held semi-annually. Meetings will be held at such times and locations as the Chairman shall reasonably determine. Written notice of all regularly scheduled meetings shall be required. Such notice shall be in English language and shall state the time, place and agenda of the meeting and shall be sent to each director at least fourteen (14) days prior to the meeting. Any director may, at least five (5) days prior to a regularly scheduled meeting provide written notice to the other directors of any matter to be discussed at the meeting.

(b) Any director shall have the right to call, from time to time, a special meeting of the Board of Directors upon not less than 10 days prior written notice.

(c) Resolutions of the Board of Directors shall require the approval of the affirmative vote of a simple majority of the members of the Board of Directors present at a meeting.

(d) Interpreters may attend meetings of the Board of Directors upon the request of any party. Board meetings shall be conducted in English.

3.4 Accounting and Reporting Obligations.

(a) The Company's fiscal year shall be the calendar year and its financial statements shall be prepared in accordance with the Danish Presentation of Accounts Act and shall, to the extent permissible under Danish law, be adjusted for the purpose of U.S. GAAP.

(b) The Company shall provide the following consolidated reports and statements to the Shareholders in English within the time periods set forth below:

(i) Within fifteen (15) days after the end of each month, a monthly operations report, consolidated and for each operating subsidiary, regarding the operating parameters listed in Schedule 3.4(b)(i).

(ii) Within thirty (30) days after the closing of each quarter, a business operations report will be provided including at a minimum a balance sheet, profit and loss statement, and a cash flow statement.

(iii) Within ninety (90) days after the end of each fiscal year, an audited balance sheet, profit and loss statement, and cash flow statement, a business operations report, and a proposal governing appropriation of profits or covering losses.

(c) The annual report of the Company on a consolidated basis shall be audited at the expense of the Company by its Independent Accounting Firm in accordance with applicable laws.

(d) The Company shall provide to each party full access to the books and records of the Company, and shall provide to each party the accounting information such party requires to comply with its own financial reporting requirements, provided that any cost involved in providing such information shall be paid by the requesting party.

(e) Each party shall, upon reasonable written notice to the Company and to the other parties, have reasonable access to the Company's books concerning the Company's financial operations.

(f) Upon reasonable written notice to the Company and the other parties, but not more often than once every twelve (12) months, each party shall have the right to perform a special audit of the Company by independent outside auditors, at that party's own cost. In addition, upon reasonable notice each party shall have the right to perform or have performed, at that party's own cost, such audits as are necessary to meet such party's financial reporting obligations.

(g) The Company shall have the right, and each party hereto shall have the right to compel the Company, and the Company shall have the obligation upon request to compel any of its subsidiaries, to have independent outside auditors, upon reasonable written notice to any other party and not more than once each twelve (12) months, at the Company's cost, examine the books and records of that other party that relate to the business of the Company for the purpose of auditing the calculation of sales proceeds or any amounts due to the Company.

4. Tax Distributions. The Company may distribute to each Shareholder, within ninety (90) days after the end of each fiscal year of the Company, an amount equal to any income tax payable by such Shareholder that is attributable to the income of the Company upon receipt by the Company of a certification from the principal financial officer of such Shareholder stating the amount of such income tax payable by Shareholder. If such distributions are made, distributions shall be made to all other Shareholders in proportion to their ownership interests.

5. Rights and Obligations of the Parties.

5.1 Additional Financing. Any additional financing that may be determined by the Board of Directors as reasonably required by the annual Budget of the Company may be provided by the Shareholders or by third parties. No party shall have any obligation whatsoever to provide the Company with any additional financing. Any agreement to provide additional financing shall be in writing.

5.2 Transfer of Shares.

(a) No share of the Company owned by a Shareholder, or any interest therein, shall be validly sold, transferred or otherwise disposed of and no security interest shall be granted therein for consideration or otherwise, and no purported transferee shall be recognized as a shareholder of the Company for any purpose whatsoever unless such transfer is approved by all Shareholders or in accordance with this Section 5.

(b) No party shall pledge or otherwise encumber any of its shares or any interest therein in the Company at any time without the prior written consent of the other parties, provided however that no such consent shall be required for a blanket lien on all assets of a party pursuant to a commercial bank financing.

5.3 Put Option. SKF and FAG (each a "Holder", collectively the "Holders") each shall have the independent right to sell to NNBR and NNBR shall be required to purchase all but not less than all of the shares held by such Holder, subject to the following terms and conditions (such right is hereinafter referred to as the "Put Right"):

(a) Put Exercise Period. The Put Right may not be exercised until after December 31, 2002 and then may only be exercised by written notice given to NNBR (the "Put Notice"). The Put Notice shall state the place, the time and the date (a "Put Closing Date") of the closing of such purchase (a "Put Closing"), which date shall not be less than 60 days from the date the Put Notice is received.

(b) Put Closing. At a Put Closing, (i) the Holder exercising such right shall deliver to NNBR all of the shares to be purchased by delivery of a certificate or certificates evidencing such shares so purchased by NNBR, free and clear of any liens, encumbrances or any interests of any other party and (ii) NNBR will make payment to the Holder exercising such right of the Purchase Price (as defined under 5.3(c) below) for the shares being purchased upon exercise of the Put Right by wire transfer of immediately available funds to an account designated by the Holder.

(c) Purchase Price. Subject to 5.3(d), below, the purchase price of the shares (the "Purchase Price") shall be calculated using the same accounting principles used to prepare the Closing Balance Sheet as defined in Section 5.5(a)(ii) of the Formation Agreement and determined in Euros by the following formula:

$$\frac{A + B}{2} \quad \text{times } 0.23$$

Where A Equals	(1)	The average of the Company's net income for each of the 36 months preceding the month in which the Put is exercised (or such fewer number of months as the Company shall have been in operation) (the "Measurement Period"), multiplied by 12, and
	(2)	multiplied by 9.8.
Where B Equals	(1)	The average of the Company's EBITDA for the Measurement Period, multiplied by 12, and
	(2)	multiplied by 4.3, and
	(3)	minus the short and long term bank loans of the Company existing at the end of the Measurement Period.

(d) Purchase Price Adjustment. The Purchase Price formula in Section 5.3(c) shall be adjusted if a party exercises its Put Right after June 30, 2006 by using the actual percentage ownership in the Company of the Holder instead of 0.23.

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6. Termination. This Agreement shall terminate (a) when both SKF and FAG are no longer shareholders in the Company or (b) as to any party at the time such party is no longer a shareholder.

7. Liquidation. The Company shall not voluntarily be liquidated or dissolved during the two (2) year period following its effective date without the unanimous approval of the parties. Provided that, in any event, if there is a material breach by SKF or FAG of the Supply Agreement, the Company may be dissolved and liquidated notwithstanding the preceding sentence.

8. Technology Transfers.

8.1 Each of the parties hereby agrees to license to the Company, on a non-exclusive, nontransferable, fully paid up basis, any and all technology, know how, software, operating practices and similar intangible assets held by such party that are used exclusively in the Business of the Company and that were not previously transferred to the

Company or a subsidiary of the Company and to execute and deliver all documents reasonably necessary to effect or memorialize such license agreement.

8.2 The parties shall cause the Company to license to NNBR on a non-exclusive, non-transferable, fully paid basis, any and all technology, know how, software, operating practices and similar intangible assets now or hereafter held by the Company that are used in the manufacture of precision steel balls and to execute and deliver all documents reasonably necessary to effect or memorialize such agreement.

9. Dispute Resolution; Arbitration.

9.1 Prior to pursuing arbitration with respect to any dispute hereunder, the chief executive officers or general managers of SKF, FAG and NNBR (or a direct subordinate officer or general manager appointed by them) shall meet to seek an amicable resolution to such dispute. No party shall be entitled to commence arbitration proceedings unless it has attempted for a period of forty-five (45) days from written notice of a dispute to reach such amicable resolution.

9.2 After expiration of the forty-five (45) day period referred to in the prior section, any and all disputes, controversies or claims arising out of or relating to this Agreement, or the transactions contemplated hereby, or the breach, termination or invalidity thereof, shall be settled by final and binding arbitration by three (3) arbitrators in accordance with the UNCITRAL Arbitration Rules as at present in effect. The appointing authority shall be the International Chamber of Commerce in Paris, France. The place of arbitration shall be Copenhagen, Denmark or such other location as may be agreed among the parties. The arbitration proceedings shall be conducted in the English language. Among the remedies available to them, the arbitrators shall be authorized to order the specific performance of provisions of this Agreement and of the Associated Agreements. The award rendered by the arbitrators may include costs of arbitration, reasonable counsel's fees, and reasonable costs for expert and other witnesses.

9.3 All papers, documents or evidence, whether written or oral, filed with or presented to the panel of arbitrators shall be deemed by the parties and by the arbitrators to be Confidential Information. No party or arbitrator shall disclose in whole or in part to any other person any Confidential Information submitted in connection with the arbitration proceedings, except to the extent reasonably necessary to assist counsel in the arbitration or preparation for arbitration of the dispute. Confidential Information may be disclosed (i) to a Party's attorneys, (ii) to another Party, (iii) to courts for purpose of interim measures of protection, enforcement or similar proceedings, (iv) to outside experts requested by either party's counsel to furnish technical or expert services or to give testimony at the arbitration proceedings, subject, in the case of such experts, to execution of a legally binding written statement that such expert is fully familiar with the terms of this Section, agrees to comply with the confidentiality terms of this Section, and will not use any Confidential Information disclosed to such expert for personal or business advantage, or (v) as required by law or any applicable stock regulations.

9.4 The written decisions and conclusions of a majority of the arbitration panel shall be final and binding on the JV Parties and enforcement thereof may be rendered thereon by any court having jurisdiction upon application of any JV Party.

10. Miscellaneous.

10.1 Governing Law. This Agreement is governed by and shall be construed in accordance with, the laws of Denmark excluding any choice of law rules that would refer the matter to the laws of another jurisdiction.

10.2 Force Majeure. No party shall be liable for failure to perform, in whole or in material part, its obligations under this Agreement if such failure is caused by an event or condition not existing as of the date of this Agreement and not reasonably within the control of the affected party, including without limitation, by fire, flood, typhoon, earthquake, explosion, strikes, labor troubles or other industrial disturbances, unavoidable accidents, war (declared or undeclared), acts of terrorism, sabotage, embargoes, blockage, acts of Governmental Authorities, riots, insurrections, or any other cause beyond the control of the parties the consequences of which could not reasonably have been avoided; provided, that the affected party promptly notifies the other party in writing of the occurrence of the event of force majeure and takes all reasonable steps necessary to resume performance of its obligations so interfered with.

10.3 Notices. All notices and communications required, made or permitted hereunder shall be in writing and shall be delivered by hand or by messenger, or by recognized courier service (with written receipt confirming delivery), or by postage prepaid, return receipt requested, registered or certified airmail or telecopy, addressed:

If to NNBR: NN, Inc.
800 Tennessee Road
Erwin, TN 37650
USA
Attn: David L. Dyckman
Fax: 423.743.8870

with a copy to: Blackwell Sanders Peper Martin LLP
2300 Main St., Suite 1000
Kansas City, MO 64108
USA
Attn: James M. Ash
Fax: 816.983.9137

If to SKF: AB SKF
SKF Group Business Development
SE-415 50 Gothenberg
Sweden
Att: the Director
Fax No. 46-31-337-2077

With a copy to: AB SKF Group Headquarters
SE-415 50 Gothenberg
Sweden
Att: General Counsel
Fax No. 46-31-3371691

If to FAG: FAG Kugelfischer Georg Schaefer AG
Georg-Schaefer-Strasse 30
D-97421 Schweinfurt
Germany
Attn: Rechtsabteilung-FR
Fax: 49-97-21 91 31 21

With a copy to: FAG Kugelfischer Georg Schaefer AG
D-97421 Schweinfurt
Germany
Att: Technische Koordination - VT
Fax: 49-97-21-91-34-17

Each such notice or other communication shall for all purposes hereunder be treated as effective or as having been given as follows: (i) if delivered in person, when delivered, (ii) if sent by airmail, at the earlier of its receipt or at 5 p.m. local time of the recipient, on the seventh day after deposit in a regularly maintained receptacle for the deposit of airmail, (iii) if sent by a recognized courier service, on the date shown in the written confirmation of delivery issued by such delivery service and (iv) on the next

business day after the date of the transmission in case of telecopy with a telecopy receipt. Either party may change the addresses and/or addressees to whom notice may be given by giving notice pursuant to this section at least seven (7) days prior to the date the change becomes effective.

10.4 Waiver. No delay or omission by a party in exercising any of its rights hereunder shall operate as a waiver of that or any other right. Unless otherwise expressly stated, a waiver given by a party on any one occasion shall be effective only in that instance and shall not be construed as a waiver of that right on any other occasion.

10.5 Amendment. The parties may amend, modify, and supplement this Agreement, but such amendment, modification or supplement shall be valid only if made in writing signed by all parties.

10.6 Entire Agreement. This Agreement (of which the Exhibits and Schedules attached hereto form an integral part), the Company organizational documents, and the Formation Agreement embody the entire agreement among the parties hereto with respect to the formation of the Company and its governance and supersede all prior agreements and understandings relating to such subject matter.

10.7 Successors. This Agreement shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and permitted assigns.

10.8 Headings. The headings used in this Agreement are for convenience only, do not constitute a part of this Agreement, and shall not be used as an aid to the interpretation of this Agreement.

10.9 Severability.

(a) If due to a change in any applicable law or due to a decision or other act (including failure to act) by any competent authority one or more of the provisions of this

Agreement can no longer be enforced or any amendment of one or more of the provisions of this Agreement is required, the parties agree that they shall endeavor to find an alternate solution approaching as near as possible the contractual situation existing prior to such a change, decision or act.

(b) If any provision of this Agreement is determined to be invalid or unenforceable, the remaining provisions shall not be effected thereby, and this Agreement shall be administrated as though the invalid or unenforceable provision was not a part of this Agreement

10.10 Confidentiality.

(a) Limited Use. Except as expressly authorized by any other party, each party agrees not to disclose, use or permit the disclosure or use by others of any trade secrets, know-how, data, formulas, processes, tools and techniques, software algorithms and routines, intellectual property or other information tangible or intangible ("Confidential Information") of such other party unless and

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to the extent such Confidential Information (i) is not marked or designated in writing as confidential and is provided for a purpose that reasonably contemplates disclosure to or use by others; provided, however, that information disclosed orally that is later designated in writing as confidential shall be treated as Confidential Information except to the extent it has already been disclosed or used by the receiving party, (ii) becomes a matter of public knowledge through no action or inaction of the party receiving the Confidential Information, (iii) was in the receiving party's possession before receipt from the party providing such Confidential Information, (iv) is rightfully received by the receiving party from a third party without any duty of confidentiality, (v) is disclosed to a third party by the party providing the Confidential Information without a duty of confidentiality on the third party, (vi) is disclosed with the prior written approval of the party providing such Confidential Information, or (vii) is independently developed by the receiving party without any use of either of the other parties' Confidential Information. Information shall not be deemed to be available to the general public for the purpose of the exclusion (ii) above with respect to each party merely because it is embraced by more general information in the prior possession of recipient or others.

(b) Treatment. In furtherance, and not in limitation of the foregoing Section 10.10(a), each party agrees to do the following with respect to any such Confidential Information: (i) exercise the same degree of care to safeguard the confidentiality of, and prevent the unauthorized use of, such information as that party exercises to safeguard the confidentiality of its own Confidential Information; (ii) restrict disclosure of such information to those of its employees and agents who have a need to know, and (iii) instruct and require such employees and agents to maintain the confidentiality of such information and not to use such Confidential Information except as expressly permitted herein. Each party further agrees not to remove or destroy any proprietary or confidential legends or markings placed upon any documentation or other materials.

(c) Agreement Confidential. The foregoing confidentiality obligation shall also apply to the contents of this Agreement.

(d) Disclosure. The obligations under this Section 10.10 shall not prevent the parties from disclosing the Confidential Information or terms of this Agreement to any governmental authority as required by law or applicable stock regulations (provided that the party intending to make such disclosure in such circumstances has given the appropriate other party prompt notice prior to making such disclosure so that other party may seek a protective order or other appropriate remedy prior to such disclosure and cooperates fully with that party in seeking such order or remedy).

(e) Survival. The provisions of this Section shall survive the expiration and any termination of this Agreement.

10.11 Further Assurances. Each party will do all acts and things and execute all documents and instruments which the other party reasonably requests in order to carry out or give further effect to the provisions of this Agreement.

10.12 Counterparts. This Agreement may be executed in three or more counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

10.13 Relationship of Parties and the Company.

(a) The relationship between NNBR, SKF and FAG is that of independent contractors and co-owners of the Company, and nothing in this Agreement shall be construed to constitute one as an employee, partner, or agent of the other. Without limiting the foregoing, neither NNBR, SKF nor FAG shall have the authority to act for or to bind the other in any way.

(b) All transactions between NNBR and the Company shall be on an arms-length basis and on market conditions. The Company will notify SKF and FAG whenever the Company enters into a transaction with NNBR. SKF and FAG shall have the right to audit the books and records of the Company to ensure compliance with this subsection.

Signature Page Follows

Signature Page

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly signed as of the date first written above.

NNBR

By: /s/ David L. Dyckman

David L. Dyckman

AB SKF
[publ]

By: /s/ Kaj Thoren

Kaj Thoren

FAG

By: /s/ Dr. Uwe Loos /s/ Dr. Gerhard Vogel

Dr. Uwe Loos Dr. Gerhard Vogel