



## PART I. FINANCIAL INFORMATION

NN BALL & ROLLER, INC.  
 CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
 (UNAUDITED)

THOUSANDS OF DOLLARS, EXCEPT SHARE AND PER SHARE DATA	THREE MONTHS ENDED MARCH 31,	
	2000	1999
Net sales	\$ 28,002	\$ 17,912
Cost of goods sold	20,346	12,523
	7,656	5,389
Gross profit		
Selling, general and administrative	2,318	1,218
Depreciation and amortization	1,845	1,244
Loss on involuntary conversion	3,978	--
Gain on involuntary conversion	(3,953)	--
Equity in earnings of unconsolidated affiliate	(13)	--
	3,481	2,927
Income from operations		
Interest expense	291	1
	3,190	2,926
Income before provision for income taxes		
Provision for income taxes	1,080	964
	\$ 2,110	\$ 1,962
Net income		
Other comprehensive income:		
Foreign currency translation adjustments	(395)	(861)
	\$ 1,715	\$ 1,101
Comprehensive income		
Basic income per share	\$ 0.14	\$ 0.13
Weighted average shares outstanding	15,244,271	14,804,244
Diluted income per share	\$ 0.14	\$ 0.13
Weighted average shares outstanding	15,457,658	14,804,244

[FN]

SEE ACCOMPANYING NOTES.

NN BALL & ROLLER, INC.  
CONSOLIDATED BALANCE SHEETS

THOUSANDS OF DOLLARS	MARCH 31, 2000 (UNAUDITED)	DECEMBER 31, 1999
<hr style="border-top: 1px dashed black;"/>		
ASSETS		
Current assets:		
Cash	\$ 1,516	\$ 1,409
Accounts receivable, net	21,315	18,183
Inventories, net	12,219	13,122
Other current assets	2,052	688
Total current assets	37,102	33,402
Property, plant and equipment, net	39,961	43,452
Goodwill, net	12,618	12,779
Other non-current assets	3,681	735
Total assets	\$93,362	\$90,368
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,878	\$ 5,343
Accrued vacation payable	760	676
Accrued bonuses payable	437	--
Deferred income	766	875
Income taxes payable	1,954	1,283
Other current liabilities	1,789	2,301
Total current liabilities	13,584	10,478
Deferred income taxes	2,611	2,611
Long-term debt	16,544	17,151
Total liabilities	32,739	30,240
Total stockholders' equity	60,623	60,128
Total liabilities and stockholders' equity	\$93,362	\$90,368

[FN]

SEE ACCOMPANYING NOTES.

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

THOUSANDS OF DOLLARS	COMMON STOCK NUMBER OF SHARES	PAR VALUE	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS (DEFICIT)	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
Balance, January 1, 1999	14,804	\$ 149	\$27,902	\$28,306	\$(115)	\$56,242
Net income				1,962		1,962
Dividends				(1,184)		(1,184)
Other comprehensive income					(861)	(861)
Balance, March 31, 1999	14,804	\$149	\$27,902	\$29,084	\$(976)	\$56,159
Balance, January 1, 2000	15,244	\$ 153	\$30,398	\$31,255	\$(1,678)	\$60,128
Net income				2,110		2,110
Dividends				(1,220)		(1,220)
Other comprehensive income					(395)	(395)
Balance, March 31, 2000	15,244	\$ 153	\$30,398	\$32,145	\$(2,073)	\$60,623

[FN]

SEE ACCOMPANYING NOTES.

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

THOUSANDS OF DOLLARS	THREE MONTHS ENDED MARCH 31,	
	2000	1999
<hr style="border-top: 1px dashed black;"/>		
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 2,110	\$ 1,962
Adjustments to reconcile net income:		
Depreciation and amortization	1,845	1,244
Changes in operating assets and liabilities:		
Accounts receivable	(3,132)	(1,662)
Inventories	903	1,410
Other current assets	(1,364)	(255)
Other assets	(446)	--
Accounts payable	2,535	(135)
Income taxes payable		877
Other liabilities	671	
	(100)	664
Net cash provided by operations	3,022	4,105
<hr style="border-top: 1px dashed black;"/>		
<b>INVESTING ACTIVITIES:</b>		
Acquisition of property, plant and equipment	(194)	(40)
Proceeds from disposals of property, plant and equipment	--	65
Involuntary conversion of property, plant and equipment	2,001	--
Investment in joint venture	(2,500)	--
Other assets	(446)	--
Net cash provided (used) by investing activities	(693)	25
<hr style="border-top: 1px dashed black;"/>		
<b>FINANCING ACTIVITIES:</b>		
Net payments under revolving line of credit	(607)	--
Dividends	(1,220)	(1,184)
Net cash used by financing activities	(1,827)	(1,184)
<hr style="border-top: 1px dashed black;"/>		
Effect of exchange rate changes	(395)	(861)
Net Change in Cash and Cash Equivalents	502	2,946
Cash and Cash Equivalents at Beginning of Period	1,409	1,430
Cash and Cash Equivalents at Period-End	\$ 1,516	\$ 3,515

[FN]

SEE ACCOMPANYING NOTES.

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

NOTE 1. INTERIM FINANCIAL STATEMENTS

The accompanying consolidated financial statements of NN Ball & Roller, Inc. have not been audited by independent accountants, except for the balance sheet at December 31, 1999. In the opinion of the Company's management, the financial statements reflect all adjustments necessary to present fairly the results of operations for the three-month periods ended March 31, 2000 and 1999, the Company's financial position at March 31, 2000 and December 31, 1999, and the cash flows for the three-month periods ended March 31, 2000 and 1999. These adjustments are of a normal recurring nature and are, in the opinion of management, necessary for fair presentation of the financial position and operating results for the interim periods.

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

The results for the first quarter of 2000 are not necessarily indicative of future results.

NOTE 2. INVENTORIES

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

Inventories are comprised of the following (in thousands):

	MARCH 31, 2000 (UNAUDITED)	DECEMBER 31, 1999
	-----	-----
Raw Materials	\$ 2,852	\$ 3,131
Work in process	2,206	2,585
Finished goods	7,221	7,466
	-----	-----
	12,279	13,182
	60	60
	-----	-----
Less - Reserve for excess and obsolete inventory	\$12,219	\$ 13,122
	=====	=====

NOTE 3. NET INCOME PER SHARE

THOUSANDS OF DOLLARS, EXCEPT SHARE AND PER SHARE DATA	THREE MONTHS ENDED MARCH 31,	
	2000	1999
Net income	\$ 2,110	\$ 1,962
Adjustments to net income	--	--
Net income	\$ 2,110	\$ 1,962
Weighted average shares outstanding	15,244,271	14,804,244
Effect of dilutive stock options	213,387	--
Dilutive shares outstanding	15,457,658	14,804,244
Basic net income per share	\$ 0.14	\$ 0.13
Diluted net income per share	\$ 0.14	\$ 0.13

Excluded from the shares outstanding at March 31, 2000 were 12,750 antidilutive options to purchase common shares at an exercise price of \$9.75 to \$12.50. Excluded from shares outstanding at March 31, 1999 were 501,625 antidilutive options to purchase common shares at an exercise price of \$6.38 to \$15.50.

NOTE 4. SEGMENT INFORMATION

In connection with the Company's acquisition of certain assets and liabilities of Earsley Capital Corporation in July 1999, the Company has chosen to realign its reportable segments on the basis of manufactured products. As a result of this realignment, the Company now has two reportable segments, which include balls & rollers and plastics. The Company's ball & roller operations are distributed among two manufacturing facilities in Tennessee, one manufacturing facility in South Carolina and one manufacturing facility in Kilkenny, Ireland. All of these facilities are engaged in the production of precision balls and rollers used primarily in the bearing industry. The Company's plastic operations are located in two manufacturing facilities located in Lubbock, Texas. The facility is engaged in the production of precision plastic injection molded components.

The accounting policies of the segments do not differ from those of the consolidated entity. The Company evaluates segment performance based on profit or loss from operations before income taxes not including non-recurring gains or losses. The Company accounts for intersegment sales and transfers at current market prices; however, the Company did not have any material intersegment transactions during the three-month period ended March 31, 2000. Restatement of prior period segment information has not been provided because the ball & roller segment represents the consolidation of the two previously reported geographic segments.

THOUSANDS OF DOLLARS	THREE MONTHS ENDED MARCH 31,			
	2000		1999	
	BALL & ROLLER	PLASTICS	BALL & ROLLER	PLASTICS
Revenues from external customers	\$ 19,125	\$ 8,877	\$ 17,912	\$ --
Segment profit	2,840	375	2,926	--
Segment assets	61,673	31,689	68,183	--

NOTE 5. ACQUISITION

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 plans to continue the operation of the IMC business as a subsidiary entity. The Company paid consideration of approximately \$30 million, consisting of cash in the amount of \$27.5 million and 440,038 shares of its common stock, for the net assets acquired from IMC. Cash used in the acquisition was obtained from the Company's existing line of credit with First American Bank.

IMC reported earnings of \$1.9 million and \$1.2 million on net sales of \$28.1 million and \$13.7 million for the year ended January 2, 1998 and the six-month period ended July 4, 1999, respectively. Net assets of IMC which were acquired by the Company approximated \$13.7 million and \$16 million at January 2, 1999 and July 4, 1999, respectively.

The following unaudited pro forma summary presents the financial information as if the Company's acquisition had occurred on January 1, 1999. These pro forma 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.

THOUSANDS OF DOLLARS	THREE MONTHS ENDED MARCH 31, 1999
Revenues from external customers	\$ 7,591
Net profit	2,156
EPS	\$ 0.15

NOTE 6. JOINT VENTURE

On March 16, 2000, the Company entered into a joint venture with General Bearing Corporation. The new venture, NN General, LLC, owns a majority position in Jiangsu General Ball & Roller Company, Ltd., a Chinese precision ball and roller manufacturer located in Rugao City, Jiangsu Providence China. Through NN General, LLC, the Company equally shares a 60% interest with General Bearing Company in the Chinese company. The Company's investment includes a cash contribution of \$2.5 million and a loan commitment for an additional \$1 million. The remaining 40% of the Chinese company is owned by Jiangsu Steel Ball Factory. The Company accounts for this investment under the equity method and recorded income of approximately \$13,000 during the 2000 first quarter.

NOTE 7. FIRE

On March 12, 2000, the Company experienced a fire at its Erwin, Tennessee facility. The fire was contained to approximately 30% of the production area and did not result in serious injury to any employee. Affected production is being shifted to the Company's other facilities as possible as well as the use of other suppliers to protect product supply to customers. Insurance coverage is available for the loss. On March 31, 2000, the Company recorded a loss of approximately \$4.0 million representing the net book value of assets destroyed in the fire and other related expenses. The Company also recorded a gain of approximately \$4.0 million at March 31, 2000 representing the amount it believes the Company will recover from insurance proceeds for losses already recognized.



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

RESULTS OF OPERATIONS

**NET SALES.** Net sales increased by approximately \$10.1 million, or 56.3%, from \$17.9 million for the first quarter of 1999 to \$28.0 million for the first quarter of 2000. The acquisition of IMC accounted for \$8.9 million of additional sales for the first quarter of 2000. For the Ball & Roller division, foreign sales increased \$2.1 million, or 27.3%, from \$7.7 million in the first quarter of 1999 to \$9.8 million during the first quarter of 2000. The increase in foreign net sales was due primarily to sales to a new Asian customer and increased sales to existing European and Asian customers. Domestic sales decreased \$0.9 million, or 8.8%, from \$10.2 million in the first quarter of 1999 to \$9.3 million in the first quarter of 2000. This decrease was due primarily to decreased volumes to existing customers.

**GROSS PROFIT.** Gross profit increased \$2.3 million, or 42.6%, from \$5.4 million for the first quarter of 1999 to \$7.7 million for the first quarter of 2000. The IMC acquisition accounted for \$2.2 million of the increase. As a percentage of net sales, gross profit decreased from 30.1% in the first quarter of 1999 to 27.3 % for the same period in 2000. The decrease in gross profit as a percentage of sales was due to reduced inventory levels as well as inefficiencies associated with the March fire at the Company's Erwin, Tennessee facility.

**SELLING, GENERAL AND ADMINISTRATIVE.** Selling, general and administrative expenses increased \$1.1 million from \$1.2 million for the first quarter of 1999 to \$2.3 million in 2000. The acquisition of IMC accounted for \$920,000 of the increase. The remainder was due to primarily to increased expenses due to the Company's joint venture activity. As a percentage of net sales, selling, general and administrative expenses increased from 6.8% for the first quarter of 1999 to 8.3% for the same period in 2000.

**DEPRECIATION AND AMORTIZATION.** Depreciation and amortization expense increased from \$1.2 million or 48.3% for the first quarter of 1999 to \$1.8 million for the same period in 2000. The acquisition of IMC accounted for \$574,000 of the increase. The remainder of the increase was due primarily to purchases of capital equipment at the Company's ball and roller facilities. As a percentage of net sales, depreciation and amortization expense decreased from 6.9% for the first quarter of 1999 to 6.6% for the same period in 2000.

**INTEREST EXPENSE.** Interest expense increased from \$1,000 in the first quarter of 1999 to \$291,000 during the same period in 2000. The increase was due to increased levels outstanding under the Company's line of credit in the first quarter of 2000. In July of 1999, the Company borrowed \$18.5 million under the line of credit for the purchase of certain assets of the Earsley Capital Corporation.

**NET INCOME.** Net income increased from \$2.0 million for the first quarter of 1999 to \$2.1 million for the same period in 2000. As a percentage of net sales, net income decreased from 11.0% in the first quarter of 1999 to 7.5% for the first quarter of 2000. This decrease in net income as a percentage of net sales was due primarily to decreased gross profits as a percentage of sales as well as increased administrative expenses, depreciation and amortization expense and interest expense associated with the IMC acquisition.

## LIQUIDITY AND CAPITAL RESOURCES

In July 1997, the Company entered into a loan agreement with First American National Bank ("First American") which provides for a revolving credit facility of up to \$25 million, expiring on June 30, 2000. In December 1999, the Company extended the terms of the loan agreement with First American to expire on July 25, 2001. Amounts outstanding under the revolving facility are unsecured and bear interest at a floating rate equal to, at the Company's option, either LIBOR plus 0.65% or the Fed Funds effective rate plus 1.5%. The loan agreement contains customary financial and operating restrictions on the Company, including covenants, restricting the Company, without First American's consent, from incurring additional indebtedness from, or pledging any of its assets to, other lenders and from disposing of a substantial portion of its assets. In addition, the Company is prohibited from declaring any dividend if a default exists under the revolving credit facility at the time of, or would occur as a result of, such declaration. The loan agreement also prohibits sales of property outside of the ordinary course of business. The loan agreement also contains customary financial covenants with respect to the Company, including a covenant that the Company's earnings will not decrease in any year by more than fifty percent of earnings in the Company's immediately preceding fiscal year. The Company, as of May 10, 2000 was in compliance with all such covenants.

The Company's arrangements with its domestic customers typically provide that payments are due within 30 days following the date of the Company's shipment of goods, while arrangements with foreign customers (other than foreign customers that have entered into an inventory management program with the Company) generally provide that payments are due within either 90 or 120 days following the date of shipment. Under the Company's inventory management program, payments typically are due within 30 days after the product is used by the customer. The Company's net sales historically have not been of a seasonal nature. However, seasonality has become a factor for the foreign ball and roller sales in that many foreign customers cease production during the month of August. The Company also experiences seasonal fluctuation through its IMC Plastics division which provides several lines of seasonal hardware.

The Company bills and receives payments from some of its foreign customers in their local currency. 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 risk has increased. Various strategies to manage this risk are under development and implementation, including a hedging program. 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 \$23.5 million at March 31, 2000 as compared to \$22.9 million at December 31, 1999. The ratio of current assets to current liabilities decreased from 3.2:1 at December 31, 1999 to 2.7:1 at March 31, 2000. Cash flow from operations decreased from \$4.1 million during the first quarter of 1999 to \$3.0 million during the same period in 2000. This decrease was primarily attributed to an increase of \$3.1 million in accounts receivable and \$1.4 million in other current assets during the first quarter of 2000 as compared to the same period in 1999.

During 2000, the Company plans to spend approximately \$5.3 million on capital expenditures of which approximately \$654,000 has been spent through March 31, 2000. The Company intends to finance these activities with cash generated from operations and funds available under the credit facility described above. The Company believes that funds generated from operations and borrowings from the credit facility will be sufficient to finance the Company's working capital needs and projected capital expenditure requirements through December 2000.

## SUBSEQUENT EVENT

On April 10, 2000, the Company announced that it will start a jointly owned stand-alone company in Europe, NN Euroball ApS, for the manufacture and sale of chrome steel balls used for the ball bearings

and other products. The Company will have 54% of the shares of the new company, SKF and FAG Kugelfischer Georg Schager AG will have 23% each. The new company plans to start operating during the summer of 2000. Euroball ApS will acquire the ball factories located in Pinerolo, Italy (SKF), Eltmann, Germany (FAG) and Kilkenny, Ireland (NN Ball & Roller Inc.). Employment will be approximately 700 and yearly sales are planned to be approximately 100 million euro.

#### 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 will continue to circulate but be in sub-units of the Euro. At the end of the transitional period, Euro bank notes and coins will be 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, which is one of the Euro participating countries, and sells product to customers in many of the participating countries. The functional currency of the Company's Ireland operations was changed effective September 1999.

#### SEASONALITY AND FLUCTUATION IN QUARTERLY RESULTS

The Company's net sales historically have not been of a seasonal nature. However, as foreign sales have increased as a percentage of total sales, seasonality has become a factor for the Company in that many foreign customers cease production during the month of August.

#### INFLATION AND CHANGES IN PRICES

While the Company's operations have not been affected by inflation during recent years, prices for 52100 Steel and other raw materials purchased by the Company are 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. Typically, the Company's pricing arrangements with its steel suppliers are subject to adjustment once every six months. In an effort to limit its exposure to fluctuations in steel prices, the Company has generally avoided the use of long-term, fixed price contracts with its customers. Instead, the Company typically reserves the right to increase product prices periodically in the event of increases in its raw material costs. The Company was able to minimize the impact on its operations resulting from the 52100 Steel price increases 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. The Company's actual results could differ materially from those expressed in such forward looking statements due to important factors bearing on the Company's business, many of which already have been discussed in this filing and in the Company's prior filings.

The following paragraphs discuss the risk factors the Company regards as the most significant, although the Company wishes to caution that other factors that are currently not considered 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 publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

**INDUSTRY RISKS.** Both the precision ball & roller 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 & roller market and the precision plastics markets 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, in a cost effective manner, to keep pace with such quality improvements. 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, and during the third quarter of 1997 purchased an additional manufacturing plant in Kilkenny, Ireland. The Company's Ball & Roller division currently is not operating at full capacity and faces risks of further under-utilization or inefficient utilization of its production facilities in future years. The Company also faces risks associated with start-up expenses, inefficiencies, delays and increased depreciation costs associated with its plant expansions.

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

**RISKS ASSOCIATED WITH INTERNATIONAL TRADE.** Because the Company obtains a majority of its raw materials for the manufacture of balls and rollers from overseas suppliers and sells to a large number of international customers, the Company faces risks associated with (i) adverse foreign currency fluctuations, (ii) changes in trade, monetary and fiscal policies, laws and regulations, and other activities of governments, agencies and similar organizations, (iii) the imposition of trade restrictions or prohibitions, (iv) the imposition of import or other duties or taxes, and (v) unstable governments or legal systems in countries in which the Company's suppliers and customers are located. An increase in the value of the United States dollar relative to foreign currencies adversely affects the ability of the Company to compete with its foreign-based competitors for international as well as domestic sales.

**DEPENDENCE ON MAJOR CUSTOMERS.** During 1999, the Company's ten largest customers accounted for approximately 69% 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 27% of net sales in 1999, and sales to FAG accounted for approximately 11% of net sales. None of the Company's other customers accounted for more than 10% of its net sales in 1999, but sales to three of its customers each represented more than 5% of the Company's 1999 net sales. The loss of all or a substantial portion of sales to these customers would have a material adverse effect on the Company's business.

**ACQUISITIONS.** The Company's growth strategy includes growth through acquisitions. In July 1999, the Company acquired IMC as part of that strategy. Although the Company believes that it will be able to integrate the operations of IMC 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.

PART II. OTHER INFORMATION

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

(a) Exhibits.

27 Financial Data Schedules (For Information of SEC Only)

99.1 Operating Agreement of NN General, LLC (with Assignment Agreement between General Bearing Corporation and NN General, LLC)

99.2 Operating Agreement of NNA, LLC

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the quarter ended March 31, 2000

SIGNATURES

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

NN Ball & Roller, Inc.

-----  
(Registrant)

/s/ Roderick R. Baty

Date: May 10, 2000

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

/s/ David L. Dyckman

Date: May 10, 2000

-----  
David L. Dyckman  
Chief Financial Officer and  
Vice President  
(Principal Financial Officer)  
(Duly Authorized Officer)

/s/ William C. Kelly, Jr.

Date: May 10, 2000

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

OPERATING AGREEMENT  
OF  
NN GENERAL, LLC

THIS OPERATING AGREEMENT (this "Agreement") is made and entered into as of March , 2000, by and among NN Ball & Roller, Inc., a Delaware corporation ("NN") and General Bearing Corporation, a Delaware corporation ("GBC") (hereinafter sometimes referred to individually as a "Member" or collectively as the "Members.")

RECITALS

WHEREAS, the Members desire to form a limited liability company called NN General, LLC (the "Company") pursuant to the provision of the Delaware Limited Liability Company Act (the "Act"); and

WHEREAS, the Members, being all of the members of the Company, desire and agree to enter into this Operating Agreement in accordance with the Act;

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

ARTICLE I  
GENERAL PROVISIONS

Section 1.1. Formation of the Company. The Members hereby agree to form the Company in accordance with the Act and associate themselves as Members in the Company as formed under and pursuant to the provisions of the Act for the purposes set forth in this Operating Agreement. The Members agree that the rights, obligations, and interests of the Members in the Company shall be governed by the terms of this Operating Agreement. The Board of Managers (as defined in Section 2.1 hereof) shall take such actions as may be required to effect such formation including registration of the Company as a foreign limited liability company in any other jurisdiction in which such registration is necessary or appropriate. The costs and expenses associated with such formation shall be borne by the Company and the Company shall reimburse each Member for any and all out-of-pocket costs incurred by the Member directly related to the formation of the Company. The term of the Company shall be as set forth in the Articles of Organization of the Company and shall continue until dissolution and termination of the Company in accordance with the provisions thereof and hereof.

Section 1.2. Name. The business and affairs of the Company shall be conducted solely under the name of "NN General, LLC" and such name shall be used at all times in connection with the business and affairs of the Company.

Section 1.3. Purpose. The Company is organized for a profit and the nature of its business and purposes to be conducted or promoted are to engage in any lawful act or activities for which limited liability companies may be organized under the Act.

Section 1.4. Place of Business. The Company shall maintain a place of business at such place or places as the Board of Managers may from time to time designate.

Section 1.5. Names and Addresses of the Members and the Appointment of the Initial Board of Managers. The names and mailing addresses of the Members and the initial Managers of the Company are as follows:

Name of Member -----	Address of Member -----
NN Ball & Roller, Inc.	800 Tennessee Road Erwin, Tennessee 37650 USA
General Bearing Corporation	44 High Street West Nyack, New York 10994 USA
Name of Initial Managers -----	Address of Initial Managers -----
David L. Dyckman	800 Tennessee Road Erwin, Tennessee 37650 USA
David L. Gussack	44 High Street West Nyack, New York 10994 USA

ARTICLE II  
DEFINITIONS

Section 2.1. Definitions. Capitalized terms used in this Agreement shall have the meanings set forth below or as otherwise specified herein:



"Affiliate" means (1) any executive officer or director of a Member or Manager, (2) any person that controls, is controlled by or is under common control with such Member or Manager, and (3) any executive officer or director of any entity described in (2) above.

"Agreement" means this Operating Agreement, as the same may be further amended and/or restated from time to time.

"Board" means the Board of Managers.

"Board of Managers" means the individuals elected by the Members pursuant to Section 7.1 hereof (and their respective successors).

"Company" means NN General, LLC.

"Dissolution Proceeds" is defined in Section 10.2.

"Distribution Percentage" shall be, for each Member, the total number of Membership Units held by the Member divided by the total number of Membership Units issued by the Company and shall initially be as set forth opposite such Member's name, as follows:

Member -----	Distribution Percentage -----
NN	50%
GBC	50%
	100%
	---

A Member's "Interest" in the Company means the right of such Member to any and all distributions to which such Member may be entitled as provided in this Agreement, together with the duties and obligations of such Member to comply with all of the terms and provisions of this Agreement.

"Member" has the meaning set forth in the introductory paragraph.

"Member Loans" is defined in Section 3.3.

"Membership Units" shall mean all of the units issued by the Company to represent a Member's Interest including both Class A Membership Units and Class B Membership Units.

"Members Owning a Voting Majority" shall mean Members who, in the aggregate, hold not less than 60% of the Distribution Percentages of the Company owned by all of the Members entitled to vote on the decision being taken.

"Net Book Value" means the Company's total assets less its total liabilities as shown on its last regularly prepared balance sheet.

"Net Cash Receipts" for the applicable period means the gross receipts of the Company during such period, plus any reductions in funded reserves arising out of the reversal of such reserves, less the following: (1) operating expenses paid during such period; (2) interest and principal paid during such period on indebtedness of the Company other than interest and principal paid on Member Loans; (3) expenditures for capital improvements and other capital items paid during such period; and (4) additions to reserves made during such period. For purposes of the foregoing, (a) gross receipts of the Company shall not include Dissolution Proceeds, or any amount entering into the calculation thereof, and shall not include capital contributions or Member Loans; (b) reserves for anticipated or contingent liabilities and working capital shall be established for the Company in such amounts as are reasonably determined by the Board; and (c) no deductions from gross receipts of the Company shall be made for amounts paid out of funded reserves.

"Officer" shall mean the individuals designated or elected as President, Vice President, Secretary, or Treasurer as provided in this Agreement.

Section 2.2. Additional Definitions. The definitions in Section 2.1 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun used herein shall include the corresponding masculine, feminine and neuter forms. The term "person" includes individuals, partnerships, corporations, limited liability companies, trusts, and other associations. The words "include," "includes," and "including" shall be deemed to be followed by the phrase "without limitation." The words "herein," "hereof," "hereunder," and similar terms shall refer to this Agreement, unless the context otherwise requires.

ARTICLE III  
CAPITAL CONTRIBUTIONS

Section 3.1. Initial Capital Contributions.

(a) GBC shall make the capital contribution to the Company as reflected on Schedule 1, attached hereto and incorporated herein by reference, in exchange for a fifty percent (50%) Interest in the Company, represented by fifty (50) Class A Membership Units in the Company.

(b) NN shall make the capital contribution to the Company as reflected on Schedule 1, attached hereto and incorporated herein by reference, in exchange for a fifty percent (50%) Interest in the Company, represented by fifty (50) Class B Membership Units in the Company.

(c) The Class A Membership Units and Class B Membership Units shall have identical rights on all matters except the Class A Membership Units shall be allowed to receive distributions disproportional to the Class B Membership Units as provided in Section 4.1 below.

Section 3.2. GBC Assignment. GBC shall assign to the Company all of its rights, title and interest (the "GBC Assignment") in and to Jiangsu General Ball & Roller Co., Ltd. (the "JV"). The Company shall reimburse GBC for all out-of-pocket costs incurred by GBC directly related to the formation of the JV, including due diligence expenses, legal expenses, and any capital contributions made to the JV by GBC before the assignment by GBC to the Company all as completely set forth on Schedule 2 attached hereto and incorporated herein by reference. GBC shall use its best efforts to obtain, if required, the approval of the Approval Committee, as defined below, of the assignment by GBC of its interest in the JV. GBC, to the best of its knowledge, represents and warrants to the Company with respect to the GBC Assignment that:

(a) GBC and Jiangsu Lixing Steel Ball Factory ("JSBF") have formed the JV under the laws of the People's Republic of China (the "PRC") to own and operate the business of manufacturing and marketing high quality rolling elements for bearings and other related products in the manufacturing facility located in Rugao City, Jiangsu Province, People's Republic of China ("JSBF Business") and own a 60% and 40% interest therein, respectively. No other person or entity owns or has the right, now or at any time in the future, to acquire any interest in the JV. GBC has previously delivered to NN a true, correct and complete copy of the Joint Venture Contract and the Articles of Association of the JV, as amended, and such documents (a) reflect the entire agreement

between GBC and JSBF related to the ownership and operation of the JSBF Business and (b) remain in effect and have not been further amended or modified.

(b) GBC has full power and authority to enter into this Agreement and to undertake and complete the transactions contemplated hereby. No consent or approval by any person or entity is required in order for GBC to enter into or complete the transactions contemplated by this Agreement, other than the approval from the Rugao International Economic Committee, Jiangsu Province, China (the "Approval Committee") required for the assignment of GBC's Assignment in the JV as contemplated hereby.

(c) GBC has fully and accurately disclosed to NN all material information related to the JV, JSBF and the JSBF Business. To GBC's best knowledge,

(1) JSBF has operated and since its formation the JV has operated, and continues to operate in accordance with all applicable law and all contracts, agreements, and orders binding on them;

(2) JSBF had full power and authority to transfer its assets and liabilities to the JV, subject only to governmental approvals all of which have been obtained;

(3) the JV was formed and currently exists in accordance with all applicable law;

(4) the JV owns or controls under leases all assets, tangible and intangible, necessary to carry on the JSBF Business as conducted prior to the formation of the JV; and

(5) The financial information of JSBF, the due diligence report by KPMG, and all other documents provided to NN are as provided to GBC.

Section 3.3. Member Loans. Immediately after the execution of this Agreement, the Members shall loan the Company the amounts reflected in Schedule 3, attached hereto and incorporated herein by reference, and NN agrees to loan the Company up to an additional US\$1,000,000 (together with the amount for NN reflected in Schedule 3 the "NN Member Loan") and GBC agrees to loan the Company up to an additional US\$1,500,000 (together with the amount for GBC reflected in Schedule 3 the "GBC Member Loan"). All Member Loans shall be in the form of the promissory notes (the "Notes") in Schedule 4, attached hereto and incorporated herein by reference. Notwithstanding anything to the contrary herein, the member of the Board of Managers appointed by NN shall have authority to execute the Notes evidencing the Member Loans described in this Section.

Section 3.4. Additional Capital Contributions. No Member shall be required to make any capital contributions to the Company beyond the capital contributions made pursuant to Section 3.1. In the event the Company needs additional funding, as determined by the Board of Managers, any Member shall have the right, but not the obligation, to contribute additional capital to the Company.

Section 3.5. No Interest on Capital. Except as expressly provided in Article IV and/or Article X hereof, no Member shall be paid interest on any capital contribution.

ARTICLE IV  
DISTRIBUTIONS

Section 4.1. Distributions of Net Cash Receipts. Subject to the provisions of Section 10.2 hereof (governing the application of Dissolution Proceeds), the Company's Net Cash Receipts shall be distributed to the Members in proportion to their respective Distribution Percentages at such times as the Board shall determine in its sole and absolute discretion on the following basis:

(a) first, used to repay the principal and interest on the Member Loans on a dollar for dollar basis until the GBC Member Loan is repaid in full;

(b) then, to the Member holding Class A Membership Units and to repay the principal and interest on the NN Member Loan on a dollar for dollar basis; and

(c) when both of the Member Loans have been repaid in full, Net Cash Receipts shall be distributed to the holders of the Class A Membership Units and Class B Membership Units according to their respective Distribution Percentages.

Section 4.2. Distributions to Be Made In Cash. Unless otherwise determined by the Board, all distributions shall be made in cash and no Member shall have the right to receive distributions of property other than cash either during the term of the Company or upon its dissolution. No Member may be compelled to accept a distribution of any property other than cash from the Company unless all Members receive undivided ownership interests therein that are in proportion to their respective Distribution Percentages.

ARTICLE V  
ALLOCATION OF PROFITS AND LOSSES

Section 5.1. Profits and Losses. The Company's income, gains, losses, deductions and credits (and items thereof), for each fiscal year of the Company, shall be allocated among the Members (for both book and tax purposes) in proportion to their respective Distribution Percentages.

ARTICLE VI  
ACCOUNTING

Section 6.1. Accounting Methods. The Company books and records shall be prepared in accordance with United States generally accepted accounting principles, consistently applied. A copy of the Company books and records shall be distributed to the parties within forty-five (45) days after the end of each financial quarter and ninety (90) days after the end of each fiscal year of the Company. The Company shall be on an accrual basis for both tax and accounting purposes. All tax returns of the Company shall be prepared by the Company's certified public accountants, under the direction of the Members.

Section 6.2. Fiscal Year. The fiscal year of the Company shall be the calendar year, except that the first fiscal year shall be the period beginning on the date of formation of the Company and ending on December 31, 2000.

ARTICLE VII  
MANAGEMENT AND CONTROL

Section 7.1 Appointment of Board of Managers. The Company shall initially have a Board of Managers consisting of two (2) members, one each appointed by NN and GBC. If at any time any Member's Distribution Percentage is equal to or greater than 66.67% (a "Controlling Member"), such Controlling Member shall have the right to increase the size of the Board of Managers to three (3) and to appoint an additional Member to the Board. Each member of the Board so chosen shall hold office until a successor shall be duly appointed.

Section 7.2 Authority of Board of Managers.

(a) The management of the Company shall be vested exclusively in the Board of Managers, and subject to the rights expressly granted to the Members under other provisions of this Agreement, the Board of Managers shall have the exclusive right, authority, and responsibility to manage and control the business, affairs and the day-to-day operations of the Company, and to make all decisions with respect thereto. Pursuant to this Article VII and subject to the other provisions of this Agreement, the Board of Managers shall have all of the rights and powers of a "manager" as provided in the Act and as otherwise provided by law.

(b) Without in any way limiting the general powers and authority of the Board of Managers, the Board shall have the exclusive right, power and authority, on behalf of the Company and in its name, to:

(1) Acquire, purchase, hold, exercise, operate, lease and manage the business property of the Company and to contract for and enter into agreements with others with respect to the acquisition, purchase, holding, exercise, operation, leasing and management of such business property;

(2) To execute and deliver, in furtherance of any or all of the purposes of the Company, and deed, lease, mortgage, security agreement, note, bill of sale, contract or other instrument purporting to convey, exchange, sell or encumber all or any part of the business property or any Interest therein of the Company;

(3) To execute and deliver any and all agreements, contracts, documents, certifications, and instruments necessary or convenient in connection with the ordinary conduct of the business and affairs of the Company and to give such receipts, releases and discharges with respect to all of the foregoing and all matters incident thereto;

(4) To borrow money and issue evidences of indebtedness and assume existing indebtedness necessary, convenient or incidental to the accomplishment of the purposes of the Company;

(5) To deposit or invest Company funds in such interest-bearing or non-interest bearing investments or accounts at a federally insured bank as the Board deems advisable to the extent such funds are not then required for Company operations and are not required to be distributed pursuant to this Agreement;

(6) To extent that that the funds of the Company are available therefor, to pay (or prepay) all debts and other obligations of the Company; and

(7) To supervise the operation, maintenance, manufacture, management and repair of the business property, including hiring, coordinating the services of, supervising the performance of, and terminating employees, independent contractors and other persons necessary or appropriate to carry out the business and purposes of the Company.

(c) Any person dealing with the Company may rely upon a certificate signed by the Board of Managers, or any person thereunto duly authorized by the Board of Managers, as to:

(1) The identity of any officer or any Member;

(2) The existence or non-existence of any fact which may constitute a condition precedent to acts by the Company or any Member or in any other matter germane to the affairs of the Company;

(3) The persons who are authorized to execute and deliver any instrument or document of the Company; or

(4) Any act or failure to act by the Company.

Section 7.3 Meetings; Voting Requirements. The Board of Managers shall meet at least once every six (6) months. At the option of the Board of Managers, meetings of the Board of Managers may be conducted by telephone. The affirmative vote of sixty percent (60%) of the members of the Board shall be the act of the Board of Managers. The Board may take action upon the unanimous written consent of sixty percent (60%) of the members of the Board.

Section 7.4 Outside Activities. A member of the Board of Managers shall not be required to manage the Company as its sole and exclusive function, but shall devote whatever time, effort and skill as may be reasonably necessary to the conduct of the Company's business.

Section 7.5 Limitations on Board of Managers. The Board of Managers shall not, without the prior written consent of all Members:

(a) Issue any ownership Interest in the Company to any party other than NN or GBC or their 100% owned affiliates.

(b) Sell all or substantially all of the assets of the Company.

(c) Dissolve or liquidate the Company.

(d) Incur any indebtedness of the Company.

(e) Do any act in contravention of this Agreement;

(f) Do any act which would make it impossible to carry on in the ordinary course of the business of the Company; or

(g) Change or reorganize the Company into any other legal form.

#### Section 7.6 Indemnification.

(a) The Company shall indemnify any member of the Board of Managers and its agents and affiliates (and their respective partners, directors, officers, employees, agents, members, shareholders and affiliates) and officers or employees of the Company against any and all losses, liabilities, damages or expenses (including, without limitation, reasonable attorneys' fees and expenses in connection therewith in amounts paid in settlement thereof) to which any of such persons may directly or indirectly become subject, but only to the extent that such person (i) acted in good faith and (ii) acted in a manner such person reasonably believed to be in or not opposed to the best interests of the Company.

(b) Expenses (including attorneys' fees) incurred by any person in defending any proceeding may be paid by the Company in advance of such proceeding's final disposition upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Company. Such expenses may be similarly paid upon such terms and conditions, if any, as the Board of Managers deems appropriate.

#### Section 7.7 Compensation.

Except with respect to out-of-pocket costs as provided in Section 12.2 or as may be determined by the Board of Managers, no Member shall be entitled to compensation for its services to the Company.

### ARTICLE VIII MEETINGS AND VOTING

Section 8.1. Meetings of Members. Meetings of Members may be held for any purpose or purposes, unless otherwise prohibited by law and may be called by the Member(s) holding not less than twenty percent (20%) of the Distribution Percentages of the Company. Such written request shall state the purpose or purposes of the proposed meeting. Business transacted at any meeting of Members shall be limited to the purposes stated in the notice.

Section 8.2. Location of Meetings. All meetings of the Members shall be held at such place as shall be designated from time to time by the Members as stated in the notice of the meeting or in a waiver of notice thereof. In the event that the Members shall fail to fix the place for a meeting of Members, such meeting shall be held at the Company's principal office. At the option of the Members, meetings of the Members may be conducted by telephone.



Section 8.3. Notice of Meetings. Notice of each meeting of Members stating the place, date and hour of the meeting and, the purpose or purposes for which the meeting is called, shall be given to each Member entitled to vote at such meeting not less than ten (10) and no more than sixty (60) days before the date of the meeting.

Section 8.4. Waiver of Notice. Whenever any notice is required to be given to any Member under the provisions of this Agreement or of any law, a waiver thereof in writing signed by such Member, whether before or after the time stated therein, shall be deemed the equivalent to the giving of such notice. Attendance of a Member at a meeting shall constitute a waiver of notice of such meeting, except when the Member attends a meeting for the express and exclusive purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or convened.

Section 8.5. Actions and Voting by Members. Except as otherwise specifically provided under the Act or this Agreement, all decisions reserved to the Members by this Agreement shall be made by Members Owning a Voting Majority in Interest. Similarly, at any meeting, Members Owning a Voting Majority shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the Act or this Agreement, a different vote is required.

Section 8.6. Proxies. At all meetings of the Members, every Member having the right to vote thereat shall be entitled to vote in person or by proxy appointed by an instrument in writing subscribed by such Member and bearing a date not more than three (3) years prior to such meeting.

#### ARTICLE IX TRANSFER OF MEMBERS' INTERESTS

Section 9.1. Restrictions. Without the unanimous written consent of all the Members, no Member may sell, assign, transfer, pledge, mortgage, or otherwise dispose of all or any part of his or her Interest in the Company. As a condition to any transfer or assignment of a Member's Interest, the transferor and the transferee shall provide such legal opinions and documentation as the non-transferring Members shall reasonably request.

Section 9.2. Additional Members. The Company may admit additional Members only with the unanimous written consent of all of the Members.

Section 9.3. Member Buyout. If a Member shall desire to dispose of its Interest in the Company, such Member shall have the right to transfer such Interest to the remaining Members in exchange for the amount of consideration agreed to by the Members at the time of such disposal, and if no agreement as to consideration is reached then the disposal of such Interest shall be for no consideration.

ARTICLE X  
DISSOLUTION OF THE COMPANY

Section 10.1. Dissolution Acts.

(a) No act, thing, occurrence, event or circumstance shall cause or result in the dissolution of the Company except that the happening of any one of the following events shall work as an immediate dissolution and termination of the Company:

(1) A determination by all of the Members to dissolve and terminate the Company; or

(2) Any event causing the last remaining Member to cease to be a member of the Company under the terms of the Act.

(b) The Company is hereby granted a right to continue and, absent the unanimous consent of the remaining Members to the contrary, shall continue, upon an Event of Withdrawal of a Member (other than the last remaining Member), or upon the occurrence of any other event which terminates the continued membership of a Member in the Company.

(c) Without limiting the other provisions hereof, neither the assignment of all or any part of a Member's Interest hereunder, nor the admission of a new Member shall cause the dissolution and termination of the Company.

Section 10.2. Distribution of Proceeds on Dissolution. Upon the dissolution and termination of the Company, the Board of Managers of the Company shall proceed with the liquidation and termination of the Company as promptly as possible, but in an orderly and businesslike manner so as not to involve undue sacrifice. The proceeds therefrom and any other funds and assets of the Company (the "Dissolution Proceeds"), shall be applied and distributed as follows and in the following order of priority:

(a) First, to the payment of debts and liabilities of the Company (excluding any liabilities on Member Loans described in Section 3.3) and the expenses of liquidation;

(b) Second, if a dissolution and distribution of proceeds occurs within one (1) year from the effective date of this Agreement then, to the extent available, the Member Loans shall first be repaid in full, without interest, followed by the return of the initial capital contributions of each Member and then any remaining cash shall be paid to the Members in accordance with their Distribution Percentages; and

(c) Third, if a dissolution and distribution of proceeds occurs after one (1) year from the effective date of this Agreement, then, to the extent available, all remaining cash shall be paid to the Members in accordance with their Distribution Percentages.

ARTICLE XI  
MANAGEMENT OF THE JV

Section 11.1. JV Board Representation. The Company will have the right to appoint three members of the board of the JV. NN and GBC agree that so long as they have equal representation on the Board of the Company that the three JV board representatives will consist of one person nominated by GBC, one person nominated by NN and one person mutually agreed by GBC and NN. In the event any Member becomes a Controlling Member, the three representatives on the JV board will consist of two persons nominated by the Controlling Member and one person nominated by the other Member. The initial NN representative on the JV board shall be Frank Gentry, the initial GBC representative on the JV board shall be David Gussack who shall also be elected as Chairman of the JV board, and the initial mutually agreed representative on the JV board shall be Joseph Hoo.

Section 11.2. JV Board Meetings. The three JV board representatives appointed by the Company shall cause the JV board to meet at least semi-annually and shall cause the chairman of the JV board to establish a schedule for such meetings at the beginning of each year and allow the meetings to be held by telephone.

Section 11.3. Related Party Transactions. The terms and conditions of any equipment lease or loan to the JV by any party related to the JV made prior to the appointment to the JV board of a person nominated by NN shall be provided in writing to NN for its review and comment.

Section 11.4. Formation of Danish Holding Company. The Company shall form or purchase a holding company organized under the laws of Denmark for the purpose of holding the interest in the JV.

ARTICLE XII  
GENERAL

Section 12.1. Notices. Any notice, request, approval, consent, demand or other communication required or permitted hereunder shall be given in writing by (a) personal delivery, (b) expedited delivery service with proof of delivery, (c) United States Mail, postage prepaid, registered or certified mail, return receipt requested, or (d) prepaid telegram, facsimile or telex, confirmed receipt required (provided that such telegram, facsimile or telex is confirmed by delivery service or by mail in the manner previously described), and shall be sent to each party at his respective address set in Section 1.5 hereof (or, in the case of the Company, the principal office address established pursuant to Section 1.6 hereof), or to such different address as such addressee shall have designated by written notice sent in accordance herewith, and shall be deemed to have been given and received either at the time of personal delivery or, in the case of delivery service or mail, as of the date of first attempted delivery at the address and in the manner provided herein, or in the case of telegram, facsimile or telex, upon receipt. Either Member may change the address and/or addresses to whom notice may be given by giving notice pursuant to this Section at least seven (7) days prior to the date the changes become effective.

Section 12.2. Public Disclosures. No Member, except as required by law, shall disclose any financial or operating information about the Company, including the economic impact of the Member's Interest in the Company, without the express written approval of the other Members.

Section 12.3. Amendments. This Agreement may be amended by a written agreement of amendment executed by all the Members, but not otherwise. No variations, modifications, amendments, or changes herein or hereof shall be binding upon any party hereto, unless set forth in a document duly executed by or on behalf of such party.

Section 12.4. Miscellaneous. This Agreement supersedes any prior agreement or understandings between the parties with respect to the Company. This Agreement and the rights of the parties hereunder shall be governed by and interpreted in accordance with the Act, without regard to conflict of laws principles. Except as herein otherwise specifically provided, this Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, legal representatives, successors and assigns. Captions contained in this Agreement in no way define, limit, or extend the scope or intent of this Agreement. If any provision of this Agreement or the application of such provision to any person or circumstance shall be held invalid, the remainder of this Agreement, or the application of such provision to any other persons or circumstances, shall not be affected thereby. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

Section 12.5. Remedies. If the Company or any party to this Agreement, obtains a judgment against any other party by reason of breach of this Agreement or failure to comply with the provisions hereof, reasonable attorneys' fees as fixed by the court shall be included in such judgment. Any Member shall be entitled to maintain, on his own behalf or on behalf of the Company, any action or proceeding against any other Member or the Company (including any action for damages, specific performance or declaratory relief) for or by reason of breach by such party of this Agreement, or any other agreement entered into in connection with the same, notwithstanding the fact that any or all of the parties to such proceeding may then be Members, and without dissolving the Company as a limited liability company. No remedy conferred upon the Company or any Member in this Agreement is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. No waiver by a Member or the Company of any breach of this Agreement shall be deemed to be a waiver of any other breach of any kind or nature and no acceptance of payment or performance by a Member or the Company after any such breach shall be deemed to be a waiver of any breach of this Agreement, whether or not such Member or the Company knows of such breach at the time it accepts such payment or performance. If a Member has the right herein to approve or consent to any matter or transaction, such approval or consent may be withheld in the sole discretion of such Member for any reason or no reason. No failure or delay on the part of a Member or the Company to exercise any right it may have shall prevent the exercise thereof by such Member or the Company at any time such other may continue to be so in default, and no such failure or delay shall operate as a waiver of any default.

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

MEMBERS:

NN BALL & ROLLER, INC.

By:  
Name:  
Title:

GENERAL BEARING CORPORATION

By:  
Name:  
Title:

SCHEDULE 1

INITIAL CAPITAL CONTRIBUTIONS

Member	Initial Capital Contribution
NN	US\$100,000
GBC	US\$100,000

SCHEDULE 2

INVESTMENT CAPITAL & EXPENSES RELATED TO FORMATION OF JOINT VENTURE

DATE	DESCRIPTION	AMOUNT
1.	CAPITAL	
01/00	Keybank wire - Investment in JGBR	\$2,000,000.00
2.	EXPENSES	
12/99	Coudert Brothers - legal service	\$ 7,886.37
	Lingyan Li - trip to China to clear open issues	5,541.18
02/00	KPMG Peat Marwick - due diligence	46,250.00
-- --		-----
	Total Expenses	\$59,677.55
		=====

SCHEDULE 3  
INITIAL LOANS TO COMPANY

Member	Initial Loans
NN	US\$2,400,000
GBC	US\$900,000



SCHEDULE 4  
FORM OF PROMISSORY NOTES

PROMISSORY NOTE

\$ 2,400,000.00

March \_\_, 2000

FOR VALUE RECEIVED, the undersigned, NN General, LLC, a Delaware limited liability company (the "Maker"), hereby promises to pay to the order of NN Ball & Roller, Inc., a Delaware corporation (the "Holder"), the principal sum of Two Million and Four Hundred Thousand Dollars (\$2,400,000.00), together with interest at the applicable federal rate as then published by the U.S. Treasury Department, compounded annually and computed on the basis of a 365 day year, on December 31, 2020. The Maker reserves the right to prepay all or any portion of this Promissory Note at any time and from time to time without premium or penalty of any kind.

Any payment made hereunder shall be made in lawful currency of the United States of America in immediately available funds, at 800 Tennessee Road, Erwin, Tennessee 37650, USA, or at such other place as the Holder may designate in writing.

This Promissory Note may not be assigned, including by operation or law, without the consent of the Maker.

This Promissory Note shall be governed by and construed and enforced in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned had duly caused this Promissory Note to be executed and delivered at the place specified above and as of the date first written above.

NN General, LLC

By:  
Name: David L. Dyckman  
Title: Manager

PROMISSORY NOTE

\$ 900,000.00

March \_\_\_\_, 2000

FOR VALUE RECEIVED, the undersigned, NN General, LLC, a Delaware limited liability company (the "Maker"), hereby promises to pay General Bearing Corporation, a Delaware corporation (the "Holder"), the principal sum of Nine Hundred Thousand Dollars (\$ 900,000.00), together with interest at the applicable federal rate as then published by the U.S. Treasury Department, compounded annually and computed on the basis of a 365 day year, on December 31, 2020. The Maker reserves the right to prepay all or any portion of this Promissory Note at any time and from time to time without premium or penalty of any kind.

Any payment made hereunder shall be made in lawful currency of the United States of America in immediately available funds, at 44 High Street, West Nyack, New York, New York 10994, USA, or at such other place as the Holder may designate in writing.

This Promissory Note may not be assigned, including by operation or law, without the consent of the Maker.

This Promissory Note shall be governed by and construed and enforced in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned had duly caused this Promissory Note to be executed and delivered at the place specified above and as of the date first written above.

NN General, LLC

By:  
Name: David L. Dyckman  
Title: Manager

ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT, (the "Assignment") is made as of this \_\_\_ day of March, 2000, by and between General Bearing Corporation, a Delaware corporation ("Assignor") and NN General, LLC, a Delaware limited liability company ("Assignee").

WHEREAS, the Assignor desires to assign and transfer all of its interest and rights in the Joint Venture Contract between the Assignor and the Jiangsu Lixing Steel Ball Factory (Group), a collectively-owned enterprise established and existing under the laws of China ("Lixing"), dated August 12, 1999 and as amended from time to time and attached hereto (the "Assigned Contract") to Assignee, and Assignee desires to assume the ongoing obligations arising under the Assigned Contract; and

WHEREAS, the Assignor desires to assign and transfer all of its interest and rights in the Jiangsu General Ball & Roller Co., Ltd., a limited liability company formed in accordance with the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment and its implementing regulations (the "JV"), whose Articles of Association were signed by authorized representatives of the Assignor and Lixing on November 4, 1999 (the "Assigned JV Interest") to Assignee, and Assignee desires to assume the ongoing obligations arising under the Assigned Interest.

NOW THEREFORE, in consideration for the above premises and the mutual covenants and agreements herein, the parties hereto agree as follows:

1. ASSIGNMENT OF CONTRACT. The Assignor hereby assigns to Assignee all of its rights, title and interest in and to the Assigned Contract together with any and all amendments to the Assigned Contract to the extent the Assigned Contract is assignable under Chinese law and the Assignee hereby accepts such Assignment.

2. ASSIGNMENT OF JV INTEREST. The Assignor hereby assigns to Assignee all of its rights, title and interest in and to the Assigned JV Interest including, but not limited to, the right to receive investment certificates from the JV and any amendments to the Articles of Association of the JV, to the extent the Assigned JV Interest is assignable under Chinese law and the Assignee hereby accepts such Assignment.

3. ASSUMPTION OF LIABILITIES. Assignee hereby assumes sole responsibility to perform, satisfy and discharge all of the duties, obligations, terms, conditions, covenants and liabilities which Assignor is bound to perform, discharge or otherwise satisfy under the Assigned Contracts.

4. INDEMNIFICATION OF ASSIGNOR. The Assignee shall indemnify and hold Assignor harmless for and from all liabilities of every kind, including reasonable attorney's fees incurred in connection with any claim made against Assignor, arising out of or relating to the contract and interests assigned herein.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be duly executed as of the day and year first above written.

ASSIGNOR

GENERAL BEARING CORPORATION

By:  
Name:  
Title:

ASSIGNEE

NN GENERAL, LLC

By:  
Name: David L. Dyckman  
Title: Manager

OPERATING AGREEMENT  
OF  
NNA, LLC

THIS OPERATING AGREEMENT (this "Agreement") is made and entered into as of March , 2000, by and among NN Ball & Roller, Inc., a Delaware corporation ("NN"), General Bearing Corporation, a Delaware corporation ("GBC"), and Mr. Shi Xiang Gui, an individual, (hereinafter sometimes referred to individually as a "Member" or collectively as the "Members").

RECITALS

WHEREAS, the Members desire to form a limited liability company called NNA, LLC (the "Company") pursuant to the provision of the Tennessee Limited Liability Company Act, Tenn.Code Ann. Sections 48-201, et seq. (the "Act"); and

WHEREAS, the Members, being all of the members of the Company, desire and agree to enter into this Operating Agreement in accordance with ss.48-206-101 of the Act;

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

ARTICLE I  
GENERAL PROVISIONS

Section 1.1. Formation of the Company. The Members hereby form the Company and associate themselves as Members in the Company as formed under and pursuant to the provisions of the Act for the purposes set forth in this Operating Agreement. The Manager (as defined in Section 2.1 hereof) shall take such actions as may be required to effect such formation including registration of the Company as a foreign limited liability company in any other jurisdiction in which such registration is necessary or appropriate. The costs and expenses associated with such formation shall be borne by the Company and the Company shall reimburse each Member for any and all out-of-pocket costs incurred by the Member directly related to the formation of the Company. The term of the Company shall be as set forth in the Articles of Organization of the Company and shall continue until dissolution and termination of the Company in accordance with the provisions thereof and hereof.

Section 1.2. Name. The business and affairs of the Company shall be conducted solely under the name of "NNA, LLC" and such name shall be used at all times in connection with the business and affairs of the Company.

Section 1.3. Purpose. The Company is organized for a profit and the nature of its business and purposes to be conducted or promoted are to engage in any lawful act or activities for which limited liability companies may be organized under the Act.

Section 1.4. Place of Business. The Company shall maintain an office and principal place of business at 800 Tennessee Road, Erwin, Tennessee 37650, USA, or at such other place or places as the Manager may from time to time designate.

Section 1.5. Names and Addresses of the Members and Initial Manager. The names and mailing addresses of the Members and the initial Manager of the Company are as follows:

Name of Member -----	Address of Member -----
NN Ball & Roller, Inc.	800 Tennessee Road Erwin, Tennessee 37650 USA
General Bearing Corporation	44 High Street West Nyack, New York 10994 USA
Mr. Shi Xiang Gui	80 Yuejin East Road Rugao, Jiangsu 226500 People's Republic of China
Name of Initial Manager -----	Address of Initial Manager -----
NN	800 Tennessee Road Erwin, Tennessee 37650 USA

Section 1.6. Registered Office and Resident Agent. The name of the Company's resident agent for service of process in Tennessee and its registered office in Tennessee shall be NN at 800 Tennessee Road, Erwin, Tennessee 37650, USA.

ARTICLE II  
DEFINITIONS

Section 2.1. Definitions. Capitalized terms used in this Agreement shall have the meanings set forth below or as otherwise specified herein:

"Affiliate" means (1) any executive officer or director of a Member or Manager, (2) any person that controls, is controlled by or is under common control with such Member or Manager, and (3) any executive officer or director of any entity described in (2) above.

"Agreement" means this Operating Agreement, as the same may be further amended and/or restated from time to time.

"Available Cash" means any Net Cash Receipts not required by the Company for ongoing operations or working capital needs as determined by the Manager.

"Capital Account" has the meaning set forth in Section 6.3 hereof.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Company" means NNA, LLC.

"Dissolution Proceeds" is defined in Section 10.2.

"Excess Cash" means any remaining Available Cash after repaying any outstanding amounts on the lines of credit provided by NN and GBC.

A Member's "Interest" in the Company means the right of such Member to any and all distributions to which such Member may be entitled as provided in this Agreement, together with the duties and obligations of such Member to comply with all of the terms and provisions of this Agreement.

"Manager" means the person(s) designated as Manager of the Company pursuant to Section 7.1 hereof (and their respective successors).

"Member" has the meaning set forth in the introductory paragraph.

"Members Owning a Majority in Interest" shall mean Members who, in the aggregate, hold not less than a majority of the Percentage of Ownership of the Company owned by all of the Members entitled to vote on the decision being taken.

"Net Book Value" means the Company's total assets less its total liabilities as shown on its last regularly prepared balance sheet.

"Net Cash Receipts" for the applicable period means the gross receipts of the Company during such period, plus any reductions in funded reserves arising out of the reversal of such reserves, less the following: (1) operating expenses paid during such period; (2) interest and principal paid during such period on indebtedness of the Company, including indebtedness to Members; (3) expenditures for capital improvements and other capital items paid during such period; and (4) additions to reserves made during such period. For purposes of the foregoing, (a) gross receipts of the Company shall not include Dissolution Proceeds, or any amount entering into the calculation thereof, and shall not include capital contributions or loans by the Members; (b) reserves for anticipated or contingent liabilities and working capital shall be established for the Company in such amounts as are reasonably determined by the Manager; and (c) no deductions from gross receipts of the Company shall be made for amounts paid out of funded reserves.

"Officer" shall mean the individuals designated or elected as President, Vice President, Secretary, or Treasurer as provided in this Agreement.



"Percentage of Ownership" shall be, for each Member, the percentage of the Member's Interest in proportion to the total Interests held by all of the Members in the Company and shall initially be as set forth opposite such Member's name, as follows:

Member -----	Percentage of Ownership -----
NN	33.33%
GBC	33.33%
Mr. Shi Xiang Gui	33.33%
	100.0%

"Treasury Regulation(s)" means the Income Tax Regulations promulgated by the United States Department of the Treasury under the Code, as such Treasury Regulations may be amended or supplemented from time to time.

Section 2.2. Additional Definitions. The definitions in Section 2.1 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun used herein shall include the corresponding masculine, feminine and neuter forms. The term "person" includes individuals, partnerships, corporations, limited liability companies, trusts, and other associations. The words "include," "includes," and "including" shall be deemed to be followed by the phrase "without limitation." The words "herein," "hereof," "hereunder," and similar terms shall refer to this Agreement, unless the context otherwise requires.

ARTICLE III  
CAPITAL CONTRIBUTIONS AND LINES OF CREDIT

Section 3.1. Initial Capital Contributions. As of the date hereof, the Members have heretofore made their respective capital contributions to the Company as reflected on Schedule 1 attached hereto and incorporated herein by reference.

Section 3.2. Additional Capital Contributions. Each Member may from time to time transfer and convey to the Company as a contribution to the capital of the Company items of property or cash, as approved by the Members. Except for the capital contributions made pursuant to Section 3.1, no Member is required to make any additional capital contributions to the Company. In the event the Company needs additional capital, as determined by the Members, each Member shall have the right to share in providing such additional capital.

Section 3.3. Lines of Credit. NN and GBC will establish lines of credit with the Company in such amounts, at such times, and on such terms and conditions as NN and GBC may agree from time to time. NN and GBC shall each initially establish a \$125,000 line of credit, which may be drawn upon, from time to time, by the Company, as the Manager determines necessary. The loans under the lines of credit shall be made on a pro-rata basis between NN and GBC and shall not be deemed contributions to the capital of the Company.

Section 3.4. Distributions of Capital; No Interest on Capital; Limitation on Contributions. Except as expressly provided in Article IV and/or Article X hereof, (a) no Member shall be entitled to withdraw or to receive distributions of or against its capital contributions until all liabilities of the Company have been paid or sufficient property of the Company remains to pay them, the prior written consent of all Members has been obtained, and upon the terms and conditions agreed upon by all of the other Members; (b) no Member shall be paid interest on any capital contribution; and (c) no Member shall have any priority over any other Member as to contributions or as to compensation by way of income.

#### ARTICLE IV DISTRIBUTIONS

Section 4.1. Distributions. Subject to the provisions of Section 10.2 hereof (governing the application of Dissolution Proceeds), the Company's Available Cash shall be first used to repay any outstanding amounts on the lines of credit provided by NN and GBC. Distributions of any Excess Cash may be made to the Members upon the unanimous consent of all Members based on each Member's Percentage of Ownership.

Section 4.2. Distributions to Be Made In Cash. Unless otherwise determined by the Members, all distributions shall be made in cash and no Member shall have the right to receive distributions of property other than cash either during the term of the Company or upon its dissolution. No Member may be compelled to accept a distribution of any property other than cash from the Company unless all Members receive undivided ownership interests therein that are in proportion to their respective Percentage of Ownership.

#### ARTICLE V ALLOCATION OF PROFITS AND LOSSES

Section 5.1. Allocations with Respect to Tax Matters.

(a) Solely for tax purposes, income, gain, loss and deduction with respect to property contributed to the Company by any Member shall (before allocations are made under Section 5.2 hereof) be allocated in accordance with Section 704(c) of the Code, Treasury Regulations issued thereunder, and Treasury Regulation ss. 1.704-1(b)(2)(iv)(g), so as to take account of any variation between the basis of the property to the Company and its fair market value at the time of contribution.

(b) For purposes of determining the Members' respective shares of nonrecourse liabilities of the Company under Treasury Regulation ss. 1.752-3(a)(3), it is hereby specified that each Member's interest in Company profits is his Percentage of Ownership.

(c) If, during any taxable year of the Company, there is a change in any Member's Interest in the Company, then the Manager shall cause the allocations of the Company's income, gain, losses, deductions and credits (and items thereof) to be made in a manner which takes into account the varying interests of the Members in the Company during such taxable year in accordance with Code Section 706(d) and the Treasury Regulations issued thereunder.

Section 5.2. Profits and Losses. Subject to Section 5.1 hereof, the Company's income, gain, losses, deductions and credits (and items thereof), for each fiscal year of the Company, shall be allocated among the Members (for both book and tax purposes) in proportion to their respective Percentage of Ownership.

#### ARTICLE VI ACCOUNTING

Section 6.1. Accounting Methods. The Company books and records shall be prepared in accordance with United States generally accepted accounting principles, consistently applied, except that the Members' Capital Accounts shall be maintained as provided in this Agreement. The Company shall be on an accrual basis for both tax and accounting purposes. All Federal, state and local tax returns of the Company shall be prepared by the Manager or by the Company's certified public accountants, under the direction of the Manager. NN is hereby designated as the "Tax Matters Partner" for the Company (as such term is defined in Section 6213(a)(7) of the Code).

Section 6.2. Fiscal Year. The fiscal year of the Company shall be the calendar year, except that the first fiscal year shall be the period beginning on the date of formation of the Company and ending on December 31, 2000.

Section 6.3. Capital Accounts. A capital account ("Capital Account") shall be established for each Member and shall be determined, maintained and adjusted in accordance with Treasury Regulation ss. 1.704-1(b)(2)(iv) and in accordance with the provisions of this Agreement. The Capital Accounts of the Members shall be adjusted upon each distribution of property by the Company to a Member to the extent required by and in the manner described in Treasury Regulation ss. 1.704-1(b)(2)(iv)(e).

Section 6.4. 754 Election. In the case of a transfer of a Company Interest which is permitted by this Agreement and which is made in the manner provided in Section 743 of the Code, upon the request of the transferee of such Company Interest, the Company shall file an election under Section 754 of the Code in accordance with procedures set forth in the Treasury Regulations applicable thereto.

Section 6.5. Tax Status. Notwithstanding any provision of this Agreement to the contrary, solely for Federal income tax purposes, each of the Members hereby recognize that the Company will be subject to all provisions of Subchapter K of Chapter 1 of Subtitle A of the Code; provided, however, the filing of U.S. Partnership Tax Returns shall not be construed to extend the purposes of the Company or expand the obligations or liabilities of the Company or its Members.

Section 6.6. Financial Statements and Tax Returns. Within 90 days after the end of each fiscal year the Manager shall send financial statements of the Company to each Member for the year then ended. As soon as practicable after the end of each year, the Manager shall also send each Member a copy of the federal and state tax return of the Company for the year then ended along with all other tax information reasonably necessary for the preparation by each Member of its tax matters.

ARTICLE VII  
MANAGEMENT

Section 7.1. Appointment of Manager. The Company shall have one (1) Manager, who shall be appointed yearly by the agreement of NN and GBC. NN is hereby designated as the initial Manager of the Company, to serve until its successor is appointed.

Section 7.2. Authority of Manager.

(a) The management of the Company shall be vested exclusively in the Manager, and subject to the rights expressly granted to the Members under other provisions of this Agreement, the Manager shall have the exclusive right, authority, and responsibility to manage and control the business, affairs and the day-to-day operations of the Company, and to make all decisions with respect thereto. Pursuant to this Article VII and subject to the other provisions of this Agreement, the Manager shall have all of the rights and powers of a "manager" as provided in the Act and as otherwise provided by law.

(b) Without in any way limiting the general powers and authority of the Manager, the Manager shall have the exclusive right, power and authority, on behalf of the Company and in its name, to:

(1) Acquire, purchase, hold, exercise, operate, lease and manage the business property of the Company and to contract for and enter into agreements with others with respect to the acquisition, purchase, holding, exercise, operation, leasing and management of such business property;

(2) To execute and deliver, in furtherance of any or all of the purposes of the Company, any deed, lease, mortgage, security agreement, note, bill of sale, contract or other instrument purporting to convey, exchange, sell or encumber all or any part of the business property or any interest therein of the Company;

(3) To execute and deliver any and all agreements, contracts, documents, certifications, and instruments necessary or convenient in connection with the ordinary conduct of the business and affairs of the Company and to give such receipts, releases and discharges with respect to all of the foregoing and all matters incident thereto;

(4) To draw on the NN and GBC lines of credit as provided in section 3.3;

(5) To deposit or invest Company funds in such interest-bearing or non-interest bearing investments or accounts at a federally insured bank as the Manager deems advisable to the extent such funds are not then required for Company operations and are not required to be distributed pursuant to this Agreement;

(6) To the extent that the funds of the Company are available therefor, to pay (or prepay) all debts and other obligations of the Company; and

(7) To supervise the operation, maintenance, manufacture, management and repair of the business property, including hiring, coordinating the services of, supervising the performance of, and terminating employees, independent contractors and other persons necessary or appropriate to carry out the business and purposes of the Company.

(c) Any person dealing with the Company or the Manager may rely upon a certificate signed by the Manager, thereunto duly authorized, as to:

(1) The identity of the Manager or any Member;

(2) The existence or non-existence of any fact which may constitute a condition precedent to acts by the Manager or any Member or in any other matter germane to the affairs of the Company;

(3) The persons who are authorized to execute and deliver any instrument or document of the Company; or

(4) Any act or failure to act by the Company.

Section 7.3. Outside Activities of Manager. The Manager shall not be required to manage the Company as its sole and exclusive function, but shall devote whatever time, effort and skill as may be reasonably necessary to the conduct of the Company's business.

Section 7.4. Limitations on Manager. The Manager shall not, without the prior written consent of all Members not then in default:

(a) Issue any new or additional ownership in the Company to any third party or Member;

(b) Sell all or substantially all of the assets of the Company;

(c) Liquidate or dissolve the Company;

(d) Incur any indebtedness of the Company other than as set forth in Section 3.3 above;

(e) Merge or consolidate the Company with another entity;

(f) Make distributions of Excess Cash;

(g) Admit new members to the Company;

(h) Do any act in contravention of this Agreement; or

(i) Do any act which would make it impossible to carry on in the ordinary course of the business of the Company.

Section 7.5. Indemnification of Manager. The Company shall indemnify the Manager and its agents and affiliates (and their respective partners, directors, officers, employees, agents, members, shareholders and affiliates) against any and all losses, liabilities, damages or expenses (including, without limitation, reasonable attorneys' fees and expenses in connection therewith in amounts paid in settlement thereof) to which the Manager or any of such persons may directly or indirectly become subject, but only to the extent that the Manager or such other person (a) acted in good faith and in conformity with this Agreement, (b) acted in a manner reasonably believed to be in the best interests of the Company, and (c) was neither grossly negligent nor engaged in willful misconduct.

Section 7.6. Management Fee. No fee shall be paid to the Manager for its services, but the Manager shall be reimbursed for all expenses, including allocated costs of personnel, overhead, and any other costs associated with management duties of the Company.

#### ARTICLE VIII MEETINGS AND VOTING

Section 8.1. Meetings of Members. Meetings of Members may be held for any purpose or purposes, unless otherwise prohibited by statute or by the Articles of Organization, and may be called by the Member(s) holding not less than twenty percent (20%) of the Percentage of Ownership of the Company. Such written request shall state the purpose or purposes of the proposed meeting. Business transacted at any meeting of the Members shall be limited to the purposes stated in the notice.

Section 8.2. Location of Meetings. All meetings of the Members shall be held at such place, either within or without the State of Tennessee, as shall be designated from time to time by the Manager as stated in the notice of the meeting or in a waiver of notice thereof. In the event that the Manager shall fail to fix the place for a meeting of the Members, such meeting shall be held at the Company's principal office. Upon the option of the Members, meetings of the Members may be held by telephone.

Section 8.3. Notice of Meetings. Notice of each meeting of the Members stating the place, date and hour of the meeting and, the purpose or purposes for which the meeting is called, shall be given to each Member entitled to vote at such meeting not less than ten (10) days and not more than sixty (60) days before the date of the meeting.

Section 8.4. Waiver of Notice. Whenever any notice is required to be given to any Member under the provisions of this Agreement, or of the Articles of Organization or of any law, a waiver thereof in writing signed by such Member, whether before or after the time stated therein, shall be deemed the equivalent to the giving of such notice. Attendance of a Member at a meeting shall constitute a waiver of notice of such meeting, except when the Member attends a meeting for the express and exclusive purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or convened.

Section 8.5. Actions and Voting by Members. Except as otherwise specifically provided in the Act, the Articles of Organization or this Agreement, all decisions reserved to the Members by this Agreement shall be made by Members Owning a Majority in Interest. Similarly, at any meeting, Members Owning a Majority in Interest shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the Act, the Articles of Organization or this Agreement, a different vote is required.

Section 8.6. Proxies. At all meetings of the Members, every Member having the right to vote thereat shall be entitled to vote in person or by proxy appointed by an instrument in writing subscribed by such Member and bearing a date not more than three (3) years prior to such meeting.

ARTICLE IX  
TRANSFER OF MEMBERS' INTERESTS

Section 9.1. Restrictions. Without the unanimous written consent of all the Members, no Member may sell, assign, transfer, pledge, mortgage, or otherwise dispose of all or any part of his or her Interest in the Company except any Member may assign its Interest in the Company to another individual in its immediate family or a corporation which is wholly-owned by that Member without the consent of the other Members. As a condition to any transfer or assignment of a Member's Interest, the transferor and the transferee shall provide such legal opinions and documentation as the non-transferring Members shall reasonably request.

Section 9.2. Additional Members. The Company may admit additional Members only with the unanimous written consent of all Members.

Section 9.3. Sale of Member Interest to the Company. Each Member (the "Selling Member") shall have the right to sell its Interest in the Company to either the Company or the other Members (in proportion to their Member Interests) at a price equal to the Net Book Value of the Member's Interest or at a price mutually agreed upon at the time by all of the Members. If neither the Company nor any Member agrees to purchase the Interest of the Selling Member within 60 days of the Selling Member's notice of intent to sell, the Selling Member shall have the right to cause the Company to be dissolved, wound up, and liquidated, as provided under Article X herein. Upon the sale of Selling Member's Interest in the Company, the Selling member shall transfer to the Company or provide a license for the Company to use (depending on the nature of the asset) any assets Selling Member owns which are exclusively used in and devoted to the business and operations of the Company. In addition and if applicable, the Selling Member shall provide the use of equipment, warehouse space, and other services for 180 days following the sale to ensure a smooth transition of the Selling Member's Interest. All Company assets, of any type, in the possession of the Selling Member, shall be transferred to the Company upon the sale of such Member's Interest.

Section 9.4. Payment of Purchase Price. Except as otherwise provided herein, whenever the Company or any Member is obligated or elect to purchase a Selling Member's Interest, that Interest shall be purchased by delivery of the lesser of 25% of the purchase price or \$50,000, in cash and a promissory note for the unpaid balance of the purchase price. Such promissory note shall be payable in forty (40) quarterly installments, with the first such

installment being due on the first day of the quarter following the quarter in which the cash down payment was made. The unpaid balance of the purchase price shall bear interest at LIBOR plus 100 basis points. The promissory note shall also provide that, should default be made in payment of any installment when due, the whole sum of principal and interest shall, at the option of the holder, become immediately due and payable, and that if an action is instituted on the promissory note, the Company or the Members, as the case may be, promise to pay reasonable attorneys' fees and costs of collection. The obligor shall have the right to pay any or all installments, in full or in part, at any time prior to maturity, without penalty. The note shall be secured by the Interest being purchased by the Payor from the Selling Member and shall be further secured, to the extent permitted by existing agreements to which the Company is bound, by liens on the real property of the Company, evidenced by mortgages and deeds of trust, as appropriate, and by the granting of a security interest in the tangible and intangible personal property of the Company, accounts receivable, contract rights and general intangibles, which security interest shall be granted in a Security Agreement in a form acceptable to the Selling Member.

ARTICLE X  
DISSOLUTION OF THE COMPANY

Section 10.1. Dissolution Acts.

(a) No act, thing, occurrence, event or circumstance shall cause or result in the dissolution of the Company except that the happening of any one of the following events shall work as an immediate dissolution and termination of the Company:

(1) A determination by all of the Members not then in default hereunder to dissolve and terminate the Company;

(2) The exercise of a Selling Member's right to cause a dissolution of the company pursuant to Section 9.3; or

(3) Any event described in ss. 245-101 of the Act ("Event(s) of Withdrawal") causing the last remaining Member to cease to be a member of the Company under the terms of the Act.

(b) The Company is hereby granted a right to continue and, absent the unanimous consent of all remaining Members to the contrary, shall continue, upon an Event of Withdrawal of a Member (other than the last remaining Member), or upon the occurrence of any other event which terminates the continued membership of a Member in the Company.

(c) Without limiting the other provisions hereof, neither the assignment of all or any part of a Member's Interest hereunder, nor the admission of a new Member shall work the dissolution and termination of the Company.

Section 10.2. Distribution of Proceeds on Dissolution; Reserves. Upon the dissolution and termination of the Company, the Manager shall file a notice of dissolution pursuant to ss. 245-401 of the Act and shall proceed with the liquidation and winding up of the Company pursuant to



ss. 245-501 of the Act as promptly as possible, but in an orderly and businesslike manner so as not to involve undue sacrifice, and the proceeds therefrom and any other funds and assets of the Company (the "Dissolution Proceeds"), shall be applied and distributed as follows and in the following order of priority:

(a) First, to the payment of debts and liabilities to creditors of the Company, including to Members, and the expenses of liquidation;

(b) Second, to the Members in accordance with and to the extent of their respective positive Capital Account balances; and

(c) Third, the remainder, to the Members in accordance with their Percentage of Ownership.

Section 10.3. No Negative Capital Account Restoration. In no event shall any Member be required to contribute capital to restore a negative balance in such Member's Capital Account upon the liquidation of the Company or such Member's Interest, or at any other time.

#### ARTICLE XI GENERAL

Section 11.1. Notices. Any notice, request, approval, consent, demand or other communication required or permitted hereunder shall be given in writing by (a) personal delivery, (b) expedited delivery service with proof of delivery, (c) United States Mail, postage prepaid, registered or certified mail, return receipt requested, or (d) prepaid telegram, facsimile or telex, confirmed receipt requested (provided that such telegram, facsimile or telex is confirmed by expedited delivery service or by mail in the manner previously described), and shall be sent to each party at his respective address set in Section 1.5 hereof (or, in the case of the Company, the principal office address established pursuant to Section 1.6 hereof), or to such different address as such addressee shall have designated by written notice sent in accordance herewith, and shall be deemed to have been given and received either at the time of personal delivery or, in the case of delivery service or mail, as of the date of first attempted delivery at the address and in the manner provided herein, or in the case of telegram, facsimile or telex, upon receipt. The Members may change the address to whom notice may be given by giving notice pursuant to this Section at least thirty (30) days prior to the date the changes become effective.

Section 11.2. Public Disclosures. No Member, except as required by law, shall disclose any financial or operating information about the Company, including the economic impact of the Member's Interest in the Company, without the express written approval of the other Members.

Section 11.3. Amendments. This Agreement may be amended by a written agreement of amendment executed by all the Members, but not otherwise. No variations, modifications, amendments, or changes herein or hereof shall be binding upon any party hereto, unless set forth in a document duly executed by or on behalf of such party.

Section 11.4. Miscellaneous. This Agreement supersedes any prior agreement or understandings between the parties with respect to the Company. This Agreement and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the

State of Tennessee, without regard to conflict of laws principles. Except as herein otherwise specifically provided, this Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, legal representatives, successors and assigns. Captions contained in this Agreement in no way define, limit, or extend the scope or intent of this Agreement. If any provision of this Agreement or the application of such provision to any person or circumstance shall be held invalid, the remainder of this Agreement, or the application of such provision to any other persons or circumstances, shall not be affected thereby. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

Section 11.5. Remedies. If the Company or any party to this Agreement, obtains a judgment against any other party by reason of breach of this Agreement or failure to comply with the provisions hereof, reasonable attorneys' fees as fixed by the court shall be included in such judgment. Any Member shall be entitled to maintain, on his own behalf or on behalf of the Company, any action or proceeding against any other Member or the Company (including any action for damages, specific performance or declaratory relief) for or by reason of breach by such party of this Agreement, or any other agreement entered into in connection with the same, notwithstanding the fact that any or all of the parties to such proceeding may then be Members, and without dissolving the Company as a limited liability company. No remedy conferred upon the Company or any Member in this Agreement is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. No waiver by a Member or the Company of any breach of this Agreement shall be deemed to be a waiver of any other breach of any kind or nature and no acceptance of payment or performance by a Member or the Company after any such breach shall be deemed to be a waiver of any breach of this Agreement, whether or not such Member or the Company knows of such breach at the time it accepts such payment or performance. If a Member has the right herein to approve or consent to any matter or transaction, such approval or consent may be withheld in the sole discretion of such Member for any reason or no reason. No failure or delay on the part of a Member or the Company to exercise any right it may have shall prevent the exercise thereof by such Member or the Company at any time such other may continue to be so in default, and no such failure or delay shall operate as a waiver of any default.

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

MEMBERS:

NN BALL & ROLLER, INC.

By:  
Name:  
Title:

GENERAL BEARING CORPORATION

By:  
Name:  
Title:

-----  
Mr. Shi Xiang Gui

SCHEDULE 1

INITIAL CAPITAL CONTRIBUTIONS

Member -----	Initial Capital Contribution -----
NN	\$1.00
GBC	\$1.00
Mr. Shi Xiang Gui	\$1.00

0000918541  
 NN Ball & Roller, Inc.  
 1,000  
 U.S. Dollars

3-MOS

	DEC-31-2000	
	JAN-01-2000	
	MAR-31-2000	
	1	1,516
	0	0
	22,229	
	(914)	
	12,219	
	37,201	98,325
	(45,746)	
	93,362	
13,584		0
0		0
	0	153
	60,470	
60,623		28,002
	28,002	20,346
		20,346
	20,346	
	4,175	
	0	
	290	
	3,190	
	1,080	
2,110		0
	0	0
		0
	2,110	
	0.14	
	0.14	