As filed with the Securities and Exchange Commission on July 15, 2002
Registration No. 333-89950

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

Amendment No. 1
to
FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

Delaware	62-1096725
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2000 Waters Edge Drive
Johnson City, Tennessee 37604
(423) 743-9151
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Roderick R. Baty
President and Chief Executive Officer
2000 Waters Edge Drive
Johnson City, Tennessee 37604
(423) 743-9151
(Name, address, including zip code, and telephone number, including area code, of agent for service)

With Copies to:

James M. Ash	John J. Jenkins
Blackwell Sanders Peper Martin LLP	Calfee, Halter & Griswold LLP
2300 Main Street, Suite 1000	1400 McDonald Investment Center
Kansas City, Missouri 64108	800 Superior Avenue
(816) 983-8000	Cleveland, Ohio 44114
	(216) 622-8200

Approximate date of commencement of proposed sale to the public: As soon as possible after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. [_]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest investment plans, check the following box. [_]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [_]

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration

Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 15, 2002

[LOGO] NN Inc

6,500,000 Shares

NN, INC.

Common Stock

NN, Inc. is selling 2,600,000 shares of common stock and the selling stockholders named in this prospectus are selling 3,900,000 shares. We will not receive any proceeds from the sale of the shares by the selling stockholders.

Our common stock is quoted on the Nasdaq National Market under the symbol "NNBR." On July 12, 2002, the closing price of our common stock on the Nasdaq National Market was $11.20 per share.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 6.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds to NN, before expenses	$	$
Proceeds to the selling stockholders, before expenses	$	$

The Company and the selling stockholders have granted the underwriters an option to purchase up to 975,000 additional shares of common stock to cover over-allotments.

We expect that the common stock will be ready for delivery on or about , 2002.

McDonald Investments Inc. | Legg Mason Wood Walker Incorporated

The date of this Prospectus is , 2002

[Photographs of the Company's products]

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You should rely only on the information contained in or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus or incorporated by reference in this prospectus. Because this is a summary, it is not complete and does not contain all of the information that may be important to you. You should read this entire prospectus carefully, including the information under "Risk Factors" and the consolidated financial statements and the notes thereto included elsewhere in this prospectus before making an investment decision. Unless the context otherwise requires, references to "we," "us," "our," "NN" or the "Company" refer collectively to NN, Inc. and its subsidiaries, including Industrial Molding Group, L.P. ("IMC"), The Delta Rubber Company ("Delta"), NN Arte S.De R.L. De D.V. ("NN Arte"), and NN Euroball, ApS ("Euroball"). Unless otherwise specified, all information assumes the underwriters do not exercise the over-allotment option.

The Company

NN manufactures and supplies high precision bearing components, consisting of balls, rollers, seals and retainers, for leading bearing manufacturers on a global basis. We are the leading independent manufacturer of precision steel bearing balls for the North American and European markets. In 1998, we began implementing a strategic plan designed to position us as a worldwide supplier of a broad line of bearing components. Through a series of acquisitions executed as part of that plan, we have built on our strong core ball business and greatly expanded our bearing component product offering. Today, we offer the industry's most complete line of bearing components. We emphasize engineered products that take advantage of our competencies in product design and high tolerance manufacturing processes. Our bearing customers use our components in fully assembled ball and roller bearings, which serve a wide variety of industrial applications in the transportation, electrical, agricultural, construction, machinery, mining and aerospace markets.

Our bearing component products accounted for approximately 90% of our revenue in 2001 and sales of high precision plastic products accounted for the balance. We estimate that the size of the global market for balls, rollers, seals and plastic retainers is $3.5 billion. Captive component production of bearing manufacturers accounts for approximately 65% of this market, while independent manufacturers currently serve approximately 35% of the market. We believe that we are a leader in the independent segment of the market with an approximate 14% market share. We also believe that the percentage of the market served by independent manufacturers is growing due to the ongoing component outsourcing trend among our major customers. Outsourcing components enables our global bearing customers to focus on their core competencies in the design and engineering of finished bearing technologies. In addition, outsourcing provides them with significant financial advantages, including lower long-term component costs and improved returns on invested capital.

We intend to continue to capitalize on this growing trend of outsourcing within our global bearing customer base. Recent successes include joining with our two largest bearing customers, SKF and INA/FAG, to create our majority-owned subsidiary, Euroball. In forming Euroball, we contributed our Ireland ball manufacturing facility, while SKF and INA/FAG contributed their captive ball manufacturing facilities in Italy and Germany. Both SKF and INA/FAG independently entered into long-term supply agreements designating Euroball as their primary supplier of ball products in Europe. Through Euroball, we are Europe's leading provider of precision balls.

We operate eight North American and European manufacturing facilities. Our two U.S. ball and roller production facilities are located in Tennessee and our Euroball subsidiary operates three manufacturing facilities located in Ireland, Germany and Italy. Our seal, retainer and plastic products are manufactured in three facilities located in Connecticut, Texas and Mexico.

Our Competitive Strengths

We believe that the following elements provide us with significant competitive strengths in our markets:

- High Precision, Low-Cost Manufacturing Capabilities. Our focus on lean manufacturing and continuous improvement have earned us a reputation as a supply chain partner that our customers can rely upon to deliver value-added components. We believe that our proprietary machinery, manufacturing processes and attention to quality and service are competitive advantages that allow us to consistently provide high quality precision products that meet exacting tolerances. For example, our grade 3 balls are manufactured to within three-millionths (0.000003) of an inch of roundness and our seal, retainer and plastic products are known for meeting the strict tolerances demanded by our customers. Our efforts to eliminate inefficient processes and improve productivity have enabled us to maintain our status as a low-cost producer.

- Leading Outsourcing Alternative to Captive Manufacturing. Euroball is the bearing industry's largest component outsourcing initiative and is an important milestone for the bearing component industry. This innovative model has enhanced the industry's awareness of the benefits of outsourcing and has established us as a proven, independent alternative to captive manufacturing. Our ability to focus solely on component manufacturing allows us to provide our customers with lower cost, higher quality products and improved customer service levels over captive manufacturing operations. Outsourcing also enables our customers to redirect critical capital investments.

- Uniquely Positioned as Integrated Supplier of Bearing Components. Through our recent acquisitions, we have become a leading independent supplier with the industry's most complete line of bearing components. Our core ball and roller product offerings, complemented by our more recently acquired bearing retainer and seal products, have allowed us to expand our key customer relationships by offering them the value of a single supply chain partner for a wide variety of components.

- Established Operating Expertise. Our experienced management team continues to be successful in implementing our strategic plan by completing and integrating three major acquisitions since 1998 and executing significant cost rationalization programs domestically and in Europe. Our nine senior managers average over 13 years of experience in the bearing component industry, which has allowed us to establish excellent working relationships with major bearing companies. Our management team has a proven track record of successfully managing our global businesses through international economic cycles, including the most recent economic downturn.

Our Business Strategy

Our strategic plan is designed to increase our revenues, income and long-term shareholder value by:

- Expanding Our Global Presence. We believe that maintaining production facilities in proximity to our major customers' manufacturing operations is essential. We see significant opportunities to increase market share and maintain our competitive cost advantage by expanding our global presence. We established our European presence in 1997 and, through Euroball, have become Europe's leading provider of precision balls to the bearing industry. We see further opportunities to expand our global manufacturing base to Asia, Eastern Europe and other geographic regions to more effectively serve the customers in these markets.

- Expanding Our Bearing Component Product Offerings. We seek to build on existing customer relationships and our core manufacturing and service competencies by diversifying into additional bearing component businesses. Our acquisitions have given us full-service design and production capabilities in bearing seals and plastic bearing retainers. These products serve the same global bearing customers as our core ball and roller products. As a result, we are able to provide, as a single independent company, a more diversified product offering to our global bearing customers.

- Continuing to Pursue Strategic Acquisitions and Alliances. Because much of the world's bearing production capacity is located outside of the U.S., we have sought to develop an effective way to serve our customers on a global basis and expand these critical customer relationships. We believe that outsourcing transactions and strategic acquisitions represent the most effective way to expand these relationships. The success of our approach, as in the case of Euroball, provides a framework for future strategic alliances and for future acquisitions of our customers' captive bearing component operations.

Corporate Information

Our principal executive offices are located at 2000 Waters Edge Drive, Johnson City, Tennessee 37604 and our telephone number is (423) 743-9151. Our website address is www.nnbr.com. Information contained on our website is not part of this prospectus.

The Offering

Common stock being offered by:	
The Company	2,600,000 shares
The selling stockholders	3,900,000 shares
Total	6,500,000 shares(1)
Common stock to be outstanding after this offering	17,967,273 shares(1)(2)
Use of Proceeds	We will use the estimated net proceeds of $27.2 million to repay a portion of our outstanding bank indebtedness. We will not receive any proceeds from the sale of shares by any of the selling stockholders. See "Use of Proceeds."
Nasdaq National Market symbol	NNBR

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(1) Does not include up to 975,000 shares the underwriters have the option to purchase to cover over-allotments.

(2) Based on the number of shares outstanding as of July 12, 2002, excluding 1,321,000 shares which may be issued upon exercise of currently outstanding options granted under our Stock Incentive Plan and options granted to our non-employee directors.

Cautionary Statement Concerning Forward-Looking Statements

This prospectus includes and incorporates by reference "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on our current expectations, estimates and projections about the industry and markets in which we operate. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions, which are difficult to predict and many of which are beyond our control, including those described in "Risk Factors" on pages 6 through 9 of this prospectus. Therefore, actual outcomes and results may differ materially from what is expressed, forecasted or implied in such forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, expect as required by applicable law.

Summary Consolidated Financial Data

The summary consolidated financial data presented below have been derived from our consolidated financial statements. Our consolidated financial statements as of and for the years ended December 31, 2000 and 2001 have been audited by KPMG LLP. Our consolidated financial statements as of and for the years ended December 31, 1997, 1998 and 1999 have been audited by PricewaterhouseCoopers LLP. Data for the three-month periods ended March 31, 2001 and 2002 have been derived from unaudited consolidated financial statements which, in our opinion, reflect all adjustments necessary for a fair presentation. Results for the three-month periods are not necessarily indicative of results for the full year. You should read the summary consolidated financial data presented below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial statements and the notes thereto and other financial information included elsewhere in this prospectus or incorporated by reference.

	Year Ended December 31,					Three Months Ended March 31,	
	1997	1998	1999	2000	2001	2001	2002
Statement of Income Data:	(in thousands, except per share data)						
Net sales	$75,252	$73,006	$85,294	$132,129	$180,151	$50,227	$47,200
Cost of products sold	51,707	50,353	59,967	93,926	137,591	38,184	35,532
Gross profit	23,545	22,653	25,327	38,203	42,560	12,043	11,668
Selling, general and administrative expenses	5,518	5,896	6,854	11,571	16,382	4,014	4,498
Depreciation and amortization	4,106	4,557	6,131	9,165	13,340	3,310	2,825
Restructuring and impairment costs	--	--	--	--	2,312	--	78
Income from operations	13,921	12,200	12,342	17,467	10,526	4,719	4,267
Interest expense	29	64	523	1,773	4,006	1,182	601
Equity in earnings of unconsolidated affiliates	--	--	--	(48)	--	(49)	--
Net gain on involuntary conversion	--	--	--	(728)	(3,901)	--	--
Other income	--	--	--	(136)	(186)	(132)	(355)
Income before provision for income taxes	13,892	12,136	11,819	16,606	10,607	3,718	4,021
Provision for income taxes	5,382	4,480	4,060	5,959	4,094	1,636	1,505
Minority interest in consolidated subsidiaries	--	--	--	660	1,753	536	668
Income before cumulative effect of change in accounting principle	8,510	7,656	7,759	9,987	4,760	1,546	1,848
Cumulative effect of change in accounting principle	--	--	--	--	98	98	--
Net income	$ 8,510	$ 7,656	$ 7,759	$ 9,987	$ 4,662	$ 1,448	$ 1,848
Earnings Per Share:							
Diluted	$ 0.57	$ 0.52	$ 0.52	$ 0.64	$ 0.30	$ 0.09	$ 0.12
Basic	$ 0.57	$ 0.52	$ 0.52	$ 0.66	$ 0.31	$ 0.10	$ 0.12
Weighted average common shares outstanding--diluted	14,809	14,804	15,038	15,531	15,540	15,396	15,735
Weighted average common shares outstanding--basic	14,804	14,804	15,021	15,247	15,259	15,247	15,341
Other Data:							
EBITDA(1)	$18,027	$16,757	$18,473	$ 26,632	$ 26,178	$ 8,029	$ 7,170
Capital expenditures	8,775	5,758	2,394	17,910	6,314	1,978	849
Cash dividends per share	$ 0.32	$ 0.32	$ 0.32	$ 0.32	$ 0.32	$ 0.08	$ 0.08

	As of March 31, 2002	
	Actual	As Adjusted (2)
Balance Sheet Data:		
Working capital	$ 20,692	$ 25,814
Total assets	189,420	189,420
Total debt	54,047	26,797
Total stockholders' equity	62,728	89,978

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(1) EBITDA is defined as the sum of income before income taxes, interest expense and depreciation and amortization. EBITDA as measured in this prospectus also excludes restructuring and impairment costs, equity in earnings of unconsolidated affiliates, net gain on involuntary conversion and other income and is not necessarily comparable with similarly titled measures for other companies. EBITDA is commonly used as an analytical

indicator and also serves as a measure of leverage capacity and debt servicing ability. EBITDA should not be considered as a measure of financial performance under accounting principles generally accepted in the United States. The items excluded from EBITDA are significant components in understanding and assessing financial performance. EBITDA should not be considered in isolation or as an alternative to net income, cash flows generated by operating, investing or financing activities or other financial statement data presented in the consolidated financial statements as an indicator of financial performance or liquidity.

(2) Adjusted to reflect the sale of 2,600,000 shares of our common stock in this offering at an assumed offering price of $11.20 per share (the last reported sale price on July 12, 2002) less underwriting commissions and estimated offering expenses payable by us and the application of the estimated net proceeds as discussed in "Use of Proceeds."

RISK FACTORS

You should carefully consider the following risks and uncertainties, and all other information contained in this prospectus or incorporated herein by reference, before making an investment in our common stock. The risks described below are not the only ones facing our Company. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations. Any of the following risks could have a material adverse effect on our business, financial condition or operating results. In such case, the trading price of our common stock could decline and you may lose all or part of your investment.

We depend heavily on a relatively limited number of customers, and the loss of any major customer would have a material adverse effect on our business.

Sales to various U.S. and foreign divisions of SKF, which is one of the largest bearing manufacturers in the world, accounted for approximately 35% of net sales in 2001, and sales to INA/FAG accounted for approximately 19% of net sales. During 2001, our ten largest customers accounted for approximately 73% of our consolidated net sales. None of our other customers accounted for more than 5% of our net sales for 2001. The loss of all or a substantial portion of sales to these customers would have a material adverse effect on our business.

The demand for our products is cyclical, which could adversely impact our revenues.

The end markets for fully assembled bearings are cyclical and tend to decline in response to overall declines in industrial production. As a result, the market for bearing components is also cyclical and impacted by overall levels of industrial production. Our sales in the past have been negatively affected, and in the future will be negatively affected, by adverse conditions in the industrial production sector of the economy or by adverse global or national economic conditions generally.

We may not be able to continue to make the acquisitions necessary for us to realize our growth strategy.

Acquiring businesses that complement or expand our operations has been and continues to be an important element of our business strategy. We bought our plastic bearing component business in 1999, formed Euroball in 2000 and acquired our bearing seal operations in 2001. We cannot assure you that we will be successful in identifying attractive acquisition candidates or completing acquisitions on favorable terms in the future. In addition, we may borrow funds to acquire other businesses, increasing our interest expense and debt levels. Our inability to acquire businesses, or to operate them profitably once acquired, could have a material adverse effect on our business, financial condition and results of operations.

The costs and difficulties of integrating acquired businesses could impede our future growth.

We cannot assure you that any future acquisition will enhance our financial performance. Our ability to effectively integrate any future acquisitions will depend on, among other things, the adequacy of our implementation plans, the ability of our management to oversee and operate effectively the combined operations and our ability to achieve desired operating efficiencies and sales goals. If we are not able to integrate the operations of acquired companies successfully into our business, our future earnings and profitability could be materially and adversely affected.

We depend on a very limited number of foreign sources for our primary raw material and are subject to risks of shortages and price fluctuation.

The steel that we use to manufacture precision balls and rollers is of an extremely high quality and is available from a limited number of producers on a global basis. Due to quality constraints in the U.S. steel industry, we obtain substantially all of the steel used in our U.S. ball and roller production from overseas suppliers. In addition, we obtain substantially all of the steel used in our European ball production from a single European source. If we had to obtain steel from sources other than our current suppliers, particularly in the case of our European operations, we could face higher prices and transportation costs, increased duties or taxes, and shortages of steel. Problems in obtaining steel, and particularly 52100 chrome steel, in the quantities that we require and on commercially reasonable terms, could have a material adverse effect on the operating and financial results of our Company.

We operate in and sell products to customers outside the U.S. and are subject to several related risks.

Because we obtain a majority of our raw materials from overseas suppliers, actively participate in overseas manufacturing operations and sell to a large number of international customers, we face risks associated with the following:

- adverse foreign currency fluctuations;
- changes in trade, monetary and fiscal policies, laws and regulations, and other activities of governments, agencies and similar organizations;
- the imposition of trade restrictions or prohibitions;
- high tax rates that discourage the repatriation of funds to the U.S.;
- the imposition of import or other duties or taxes; and
- unstable governments or legal systems in countries in which our suppliers, manufacturing operations, and customers are located.

We do not have a hedging program in place to help limit the risk associated with consolidating the operating results of our foreign businesses into U.S. dollars. An increase in the value of the U.S. dollar and/or the Euro relative to other currencies may adversely affect our ability to compete with our foreign-based competitors for international, as well as domestic, sales. Also, a decline in the value of the Euro relative to the U.S. dollar will negatively impact our consolidated financial results, which are denominated in U.S. dollars.

Our growth strategy depends on outsourcing, and if the industry trend toward outsourcing does not continue, our business could be adversely affected.

Our growth strategy depends in significant part on major bearing manufacturers continuing to outsource components, and expanding the number of components being outsourced. This requires manufacturers to depart significantly from their traditional methods of operations. If major bearing manufacturers do not continue to expand outsourcing efforts or determine to reduce their use of outsourcing, our business could be materially adversely affected.

Our market is highly competitive and many of our competitors have significant advantages that could adversely affect our business.

The global market for bearing components is highly competitive, with a majority of production represented by the captive production operations of certain large bearing manufacturers and the balance represented by independent manufacturers. Captive manufacturers make components for internal use and for sale to third parties. All of the captive manufacturers, and many independent manufacturers, are significantly larger and have greater resources than do we. Our competitors are continuously exploring and implementing improvements in technology and manufacturing processes in order to improve product quality, and our ability to remain competitive will depend, among other things, on whether we are able to keep pace with such quality improvements in a cost effective manner.

The production capacity we have added over the last several years has at times resulted in our having more capacity than we need, causing our operating costs to be higher than expected.

We have significantly expanded our ball and roller production facilities and capacity over the last several years. During 1997, we built an additional manufacturing plant in Kilkenny, Ireland, and we continued this expansion in 2000 through the formation of Euroball with SKF and INA/FAG. Our ball and roller facilities currently are not operating at full capacity and our results of operations for 2001 were adversely affected by the under-utilization of our production facilities, and we face risks of further under-utilization or inefficient utilization of our production facilities in future years.

The price of our common stock may be volatile.

The market price of our common stock could be subject to significant fluctuations after this offering, and may decline below the public offering price. Among the factors that could affect our stock price are:

- our operating and financial performance and prospects;
- quarterly variations in the rate of growth of our financial indicators, such as earnings per share, net income and revenues;
- changes in revenue or earnings estimates or publication of research reports by analysts;
- loss of any member of our senior management team;
- speculation in the press or investment community;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- sales of our common stock by stockholders;
- general market conditions; and
- domestic and international economic, legal and regulatory factors unrelated to our performance.

The stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock.

Provisions in our charter documents and Delaware law may inhibit a takeover, which could adversely affect the value of our common stock.

Our certificate of incorporation and bylaws, as well as Delaware corporate law, contain provisions that could delay or prevent a change of control or changes in our management that a stockholder might consider favorable and may prevent you from receiving a takeover premium for your shares. These provisions include, for example, a classified board of directors and the authorization of our board of directors to issue up to 5,000,000 preferred shares without a stockholder vote. In addition, our certificate of incorporation provides that stockholders may not call a special meeting.

We are a Delaware corporation subject to the provisions of Section 203 of the Delaware General Corporation Law, an anti-takeover law. Generally, this statute prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which such person became an interested stockholder, unless the business combination is approved in a prescribed manner. A business combination includes a merger, asset sale or other transaction resulting in a financial benefit to the stockholder. We anticipate that the provisions of Section 203 may encourage parties interested in acquiring us to negotiate in advance with our board of directors, because the stockholder approval requirement would be avoided if a majority of the directors then in office approve either the business combination or the transaction that results in the stockholder becoming an interested stockholder.

These provisions apply even if the offer may be considered beneficial by some of our stockholders. If a change of control or change in management is delayed or prevented, the market price of our common stock could decline.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from this offering, after deducting underwriting discounts, commissions and our estimated offering expenses, based on an assumed offering price to the public of $11.20 per share (the last reported sale price on July 12, 2002), will be approximately $27.2 million (or approximately $33.1 million if the over-allotment option is exercised in full). We will not receive any proceeds from the sale of the shares of common stock being sold by the selling stockholders.

We intend to use the net proceeds from this offering to repay a majority of the borrowings outstanding under the term loan portion of our existing U.S. credit facilities as required under those arrangements. The term loan under our credit facility expires on July 1, 2006 and bears interest at a floating rate equal to LIBOR (1.88% at March 31, 2002) plus an applicable margin of 0.75% to 2.00% based upon calculated financial ratios. Approximately $29.1 million was outstanding under the term loan as of March 31, 2002. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

On July 12, 2002, we amended our U.S. credit facility to convert the term loan portion into a reducing revolving credit line providing initial availability equivalent to the balance of the term loan prior to the offering.

CAPITALIZATION

The following table shows our capitalization as of March 31, 2002 on an actual basis and on an as adjusted basis, giving effect to the sale of 2,600,000 shares of our common stock in this offering at an assumed offering price of $11.20 per share (the last reported sale price on July 12, 2002) less underwriting commissions and estimated offering expenses payable by us and the application of the estimated net proceeds received by us to repay indebtedness under our credit facility. See "Use of Proceeds." You should read this table together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

	As of March 31, 2002	
	Actual	As Adjusted
	(in thousands)	
Current portion of U.S. long-term debt	$ 7,000	$ 1,878
Long-term debt:		
Euroball credit facilities	11,033	11,033
U.S. revolving credit facility	13,886	13,886
U.S. term loan	22,128	--
Total debt	$ 54,047	$ 26,797
Stockholders' equity:		
common stock, par value $0.01 per share; 45,000 shares authorized; 15,341 shares issued; 17,941 shares issued and outstanding, as adjusted	$ 154	$ 180
Additional paid-in capital	30,989	58,213
Retained earnings	36,760	36,760
Accumulated other comprehensive loss	(5,175)	(5,175)
Total stockholders' equity	62,728	89,978
Total capitalization	$116,775	$116,775

PRICE RANGE OF COMMON STOCK AND DIVIDENDS

Our common stock is traded on the Nasdaq National Market under the symbol "NNBR." The following table sets forth, for the calendar periods indicated, the high and low sale prices per share for our common stock as reported on the Nasdaq National Market, and the cash dividends per share.

	Price Range		Cash Dividends
	High	Low	Per Share
Year ended December 31, 1999			
First quarter	$ 6.75	$ 4.75	$0.08
Second quarter	6.75	5.38	0.08
Third quarter	7.63	5.88	0.08
Fourth quarter	7.44	6.25	0.08
Year ended December 31, 2000			
First quarter	10.88	6.75	0.08
Second quarter	11.38	8.03	0.08
Third quarter	10.50	7.50	0.08
Fourth quarter	9.50	7.03	0.08
Year ended December 31, 2001			
First quarter	9.17	6.53	0.08
Second quarter	10.81	6.50	0.08
Third quarter	10.84	7.25	0.08
Fourth quarter	11.30	7.75	0.08
Year ended December 31, 2002			
First quarter	11.19	8.75	0.08
Second quarter	12.88	9.11	0.08
Third quarter (through July 12)	12.45	11.05	

On July 12, 2002, the last reported sale price of our common stock on the Nasdaq National Market was $11.20 per share. As of July 12, 2002, there were 160 holders of record of our common stock.

Since October 1994, we have declared quarterly cash dividends of $0.08 per share on our common stock. Payment of future dividends is entirely at the discretion of our board of directors. We may reconsider or revise this policy from time to time based upon conditions then existing, including, without limitation, our earnings, financial condition, cash position, capital requirements, future prospects or other conditions our board of directors may deem relevant. In addition, our revolving credit facility contains covenants that limit the amount of any dividends paid in any fiscal year to $5.5 million and require us to maintain certain financial ratios relating to our ability to pay our current obligations. Although we expect to continue to declare and pay cash dividends on our common stock in the future if earnings are available, we cannot assure you that either cash or stock dividends will be paid in the future on our common stock or that, if paid, the dividends will be in the same amount or at the same frequency as paid in the past.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data presented below have been derived from our consolidated financial statements. Our consolidated financial statements as of and for the years ended December 31, 2000 and 2001 have been audited by KPMG LLP. Our consolidated financial statements as of and for the years ended December 31, 1997, 1998 and 1999 have been audited by PricewaterhouseCoopers, LLP. Data for the three-month periods ended March 31, 2001 and 2002 have been derived from unaudited consolidated financial statements which, in our opinion, reflect all adjustments necessary for a fair presentation. Results for the three-month periods are not necessarily indicative of results for the full year. You should read the selected consolidated financial data presented below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial statements and the notes thereto and other financial information included elsewhere in this prospectus or incorporated by reference.

	Year Ended December 31,					Three Months Ended March 31,	
	1997	1998	1999	2000	2001	2001	2002
Statement of Income Data:	(in thousands, except per share data)						
Net sales	$75,252	$73,006	$85,294	$132,129	$180,151	$50,227	$47,200
Cost of products sold	51,707	50,353	59,967	93,926	137,591	38,184	35,532
Gross profit	23,545	22,653	25,327	38,203	42,560	12,043	11,668
Selling, general and administrative expenses	5,518	5,896	6,854	11,571	16,382	4,014	4,498
Depreciation and amortization	4,106	4,557	6,131	9,165	13,340	3,310	2,825
Restructuring and impairment costs	--	--	--	--	2,312	--	78
Income from operations	13,921	12,200	12,342	17,467	10,526	4,719	4,267
Interest expense	29	64	523	1,773	4,006	1,182	601
Equity in earnings of unconsolidated affiliates	--	--	--	(48)	--	(49)	--
Net gain on involuntary conversion	--	--	--	(728)	(3,901)	--	--
Other income	--	--	--	(136)	(186)	(132)	(355)
Income before provision for income taxes	13,892	12,136	11,819	16,606	10,607	3,718	4,021
Provision for income taxes	5,382	4,480	4,060	5,959	4,094	1,636	1,505
Minority interest in consolidated subsidiaries	--	--	--	660	1,753	536	668
Income before cumulative effect of change in accounting principle	8,510	7,656	7,759	9,987	4,760	1,546	1,848
Cumulative effect of change in accounting principle	--	--	--	--	98	98	--
Net income	$ 8,510	$ 7,656	$ 7,759	$ 9,987	$ 4,662	$ 1,448	$ 1,848
Earnings Per Share:							
Diluted	$ 0.57	$ 0.52	$ 0.52	$ 0.64	$ 0.30	$ 0.09	$ 0.12
Basic	$ 0.57	$ 0.52	$ 0.52	$ 0.66	$ 0.31	$ 0.10	$ 0.12
Weighted average common shares outstanding--diluted	14,809	14,804	15,038	15,531	15,540	15,396	15,735
Weighted average common shares outstanding--basic	14,804	14,804	15,021	15,247	15,259	15,247	15,341
Other Data:							
EBITDA(1)	$18,027	$16,757	$18,473	$ 26,632	$ 26,178	$ 8,029	$ 7,170
Capital expenditures	8,775	5,758	2,394	17,910	6,314	1,978	849
Cash dividends per share	$ 0.32	$ 0.32	$ 0.32	$ 0.32	$ 0.32	$ 0.08	$ 0.08

	As of March 31, 2002
Balance Sheet Data:	
Working capital	$ 20,692
Total assets	189,420
Total debt	54,047
Total stockholders' equity	62,728

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(1) EBITDA is defined as the sum of income before income taxes, interest expense and depreciation and amortization. EBITDA as measured in this prospectus also excludes restructuring and impairment costs, equity in earnings of unconsolidated affiliates, net gain on involuntary conversion and other income and is not necessarily comparable with similarly titled measures for other companies. EBITDA is commonly used as an analytical indicator and also serves as a measure of leverage capacity and debt servicing ability. EBITDA should not be considered as a measure of financial performance under accounting principles generally accepted in the United States. The items excluded from EBITDA are significant components in understanding and assessing financial performance. EBITDA should not be

considered in isolation or as an alternative to net income, cash flows generated by operating, investing or financing activities or other financial statement data presented in the consolidated financial statements as an indicator of financial performance or liquidity.

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

The following discussion should be read in conjunction with, and is qualified in its entirety by, our consolidated financial statements and the notes thereto and other financial data included elsewhere in this prospectus or incorporated by reference. Historical operating results and percentage relationships among any amounts included in the consolidated financial statements are not necessarily indicative of future operating results.

Overview

Our core business is the manufacture and sale of high quality, precision steel balls and rollers. In 2001, sales of balls and rollers accounted for approximately 77% of our total net sales, with 74% and 3% of sales from balls and rollers, respectively. Sales of seals, retainers and plastic products accounted for the remaining 23% of our sales.

Beginning with the third quarter of 2000, we have reported our financial results in three segments: Domestic Ball and Roller, Euroball and Plastics. Our reportable segments are based on differences in product lines and geographic locations. The Domestic Ball and Roller segment comprises our United States ball and roller manufacturing operations. The Euroball segment comprises our European manufacturing operations. Our Domestic Ball and Roller and Euroball segments make precision balls and rollers used primarily in the bearing industry. The Plastics segment comprises the operations of IMC, NN Arte and Delta. IMC and NN Arte manufacture plastic products for the bearing, automotive, instrumentation, fiber optic and consumer hardware markets. Delta manufactures engineered bearing seals used principally in automotive, industrial, agricultural, mining and aerospace applications.

In 1998, we developed and implemented a strategic plan designed to position us as a worldwide supplier of a broad line of bearing components. As part of this strategy, we sought to augment our internal growth with complementary acquisitions. In July 1999, we acquired substantially all of IMC's assets. In August 2000, we acquired a 51% ownership interest in NN Mexico LLC, which owns 99% of NN Arte, and in February 2001, we acquired all of Delta's outstanding common stock.

We formed Euroball in July 2000 and own 54% of that entity. The parent companies of SKF and INA/FAG each owns a 23% interest. We report the financial results of Euroball on a consolidated basis due to our majority ownership. Under the terms of a shareholder agreement, both SKF and INA/FAG have the right, beginning January 2003, to require us to purchase their interest in Euroball.

All of our acquisitions were accounted for using the purchase method, with goodwill being amortized on a straight line basis over 20 years. Our results of operations for 1999, 2000 and 2001 include $325,000, $904,000 and $1.9 million, respectively, of goodwill amortization related to these acquisitions. Upon implementation of the Financial Accounting Standards Board ("FASB") Statement No. 142, "Goodwill and Other Intangible Assets" in January 2002, we stopped goodwill amortization. We currently believe that we will record no impairment of asset value pursuant to Statement No. 142.

In December 2001, we closed our Walterboro, South Carolina ball manufacturing facility in keeping with our strategy to redistribute our global productive capacity. Because of the shift in production from the U.S. to Europe in connection with the establishment of our Ireland facility and

Euroball operations, the Walterboro facility was no longer needed. The precision ball production of the Walterboro facility has been fully absorbed by our remaining U.S. ball and roller manufacturing facilities. In 2001, we recorded pre-tax charges associated with the closing of $1.9 million, including a $1.1 million asset impairment charge and $750,000 related to employee severance costs. These amounts are reflected as restructuring and impairment costs in our consolidated financial statements. The building, along with certain machinery and equipment, is held for sale as of December 31, 2001. These assets are carried on our balance sheet with an aggregate value of $4.3 million as of March 31, 2002.

In December 2001, we sold our minority interest in a Chinese ball manufacturer to our partner for cash of $622,000 and a note of $3.3 million. In 2001, we recorded a non-cash, after-tax loss on this sale of $144,000.

Critical Accounting Policies

Our critical accounting policies, including the assumptions and judgments underlying them, are disclosed in the notes to the financial statements. These policies have been consistently applied in all material respects and address such matters as revenue recognition, useful lives of depreciable assets, inventory valuation, asset impairment recognition, accounts receivable, business combination accounting and pension and post-retirement benefits. Due to the estimation processes involved, we consider the following summarized accounting policies and their application to be critical to understanding our business operations, financial condition and results of operations. There can be no assurance that actual results will not significantly differ from the estimates used in these critical accounting policies.

Accounts Receivable

In establishing allowances for doubtful accounts, we continuously perform credit evaluations of our customers, considering numerous inputs when available including the customers' financial position, past payment history, relevant industry trends, cash flows, management capability, historical loss experience and economic conditions and prospects. Due to the bankruptcy of one plastic clip customer and other write-offs, we experienced $1.7 million of bad debt expense during 2001 versus none during 2000.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Our inventories are not generally subject to obsolescence due to spoilage or expiring product life cycles. We operate generally as a make-to-order business. However, we also stock products for certain customers in order to meet delivery schedules.

Acquisitions and Acquired Intangibles

Our acquisitions typically result in intangible assets and goodwill which may affect the amount of possible future impairment expense that we may incur. The determination of the value of such intangible assets and goodwill as well as the determination of their useful lives require us to make estimates that affect our consolidated financial statements.

Impairment of Long-Lived Assets

Our long-lived assets include property, plant and equipment and goodwill. The recoverability of such long-term investments is dependent on the performance of the assets in question, as well as volatility inherent in the external markets served by those assets. In assessing potential impairment for these investments, we will consider these factors as well as forecasted financial performance. Future adverse changes in market conditions or adverse operating results of the underlying investments could result in our having to record impairment charges not previously recognized.

Pension and Post-retirement Obligations

We use several assumptions in determining our periodic pension and post-retirement expense and obligations. These assumptions include determining an appropriate discount rate and rate of compensation increase, as well as the remaining service period of active employees. We use an independent actuary to calculate the periodic pension and post-retirement expense and obligations based upon these assumptions and actual employee census data.

Useful Lives of Depreciable Assets

We use judgment in determining the estimated useful lives of our depreciable long-lived assets. The estimate of useful lives is determined by our historical experience with the type of asset purchased, which is impacted by our preventative maintenance programs. We begin depreciation on our long-lived assets when they are substantially put into service.

Results of Operations

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

	As a percentage of Net Sales				
	Year Ended December 31,			Quarter Ended March 31,	
	1999	2000	2001	2001	2002
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of products sold	70.3	71.1	76.4	76.0	75.3
Gross profit	29.7	28.9	23.6	24.0	24.7
Selling, general and administrative expenses	8.0	8.8	9.1	8.0	9.5
Depreciation and amortization	7.2	6.9	7.4	6.6	6.0
Restructuring and impairment costs	--	--	1.3	--	0.2
Income from operations	14.5	13.2	5.9	9.4	9.0
Interest expense	0.6	1.3	2.2	2.4	1.3
Equity in earnings of unconsolidated affiliates	--	--	--	(0.1)	--
Net gain on involuntary conversion	--	(0.6)	(2.2)	--	--
Other income	--	(0.1)	0.1	(0.3)	(0.8)
Income before provision for income taxes	13.9	12.6	5.9	7.4	8.5
Provision for income taxes	4.8	4.5	2.3	3.3	3.2
Minority interest in income of consolidated subsidiaries	--	0.5	1.0	1.1	1.4
Income before cumulative effect of change in accounting principle	9.1	7.6	2.6	3.1	3.9
Cumulative effect of change in accounting principle	--	--	--	0.2	--
Net income	9.1%	7.6%	2.6%	2.9%	3.9%

Three Months Ended March 31, 2002 Compared to the Three Months Ended March 31, 2001

Net Sales. Net sales decreased by approximately $3.0 million, or 6.0%, from $50.2 million for the first quarter of 2001 to $47.2 million for the first quarter of 2002. By segment, sales decreased $2.6 million and $3.6 million for our Domestic Ball and Roller and Euroball segments, respectively. These decreases were due mainly to decreased demand for our products as a result of the economic environment. This decrease was partially offset by a $3.2 million increase in the Plastics segment's sales resulting from the inclusion of a full quarter of Delta's results in 2002 as well as sales increases at NN Arte and IMC.

Gross Profit. Gross profit decreased approximately $375,000, or 3.1%, from $12.0 million for the first quarter of 2001 to $11.7 million for the first quarter of 2002. Sales volume decreases in our Domestic Ball and Roller segment were offset by cost savings associated with the closing of the Walterboro facility, resulting in a net $627,000 decrease. Sales volume decreases in the Euroball segment were similarly offset by cost reductions, resulting in a net $784,000 decrease. These decreases were partially offset by the Plastic segment's operations, where gross profit improved by approximately $1.0 million. The inclusion of a full quarter of Delta's results accounted for $515,000 of the increase while improved profitability at NN Arte and IMC accounted for the balance of the

increase. As a percentage of net sales, gross profit increased from 24.0% in the first quarter of 2001 to 24.7% for the same period in 2002. This increase in gross profit as a percentage of sales was due primarily to cost savings associated with the closing of the Walterboro facility as well as other cost reduction and containment programs initiated during 2001.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by approximately $484,000, or 12.1%, from $4.0 million in the first quarter of 2001 to $4.5 million in the first quarter of 2002. Expense increases included $260,000 for strategic planning and information technology initiatives at Euroball,$172,000 for advisory services associated with our analysis of strategic alternatives, and $168,000 for expenses associated with the inclusion of a full quarter of Delta's operations. Offsetting these increases were savings from various cost reduction and containment programs. Reflecting our lower sales levels, selling, general and administrative expenses as a percentage of net sales, increased from 8.0% for the first quarter of 2001 to 9.5% for the same period in 2002.

Depreciation and Amortization. Depreciation and amortization expense decreased by approximately $485,000, or 14.6%, from $3.3 million for the first quarter of 2001 to $2.8 million for the same period in 2002. The adoption of FASB Statement No. 142 eliminated the amortization of goodwill and contributed $405,000 of the decrease. Reclassification of the Walterboro facility and certain equipment as assets held for sale reduced depreciation and amortization expense by an additional $325,000. Partially offsetting these reductions were $203,000 of depreciation and amortization expenses associated with the inclusion of a full quarter of Delta's results in 2002. As a percentage of net sales, depreciation and amortization expense decreased from 6.6% in the first quarter of 2001 to 6.0% in the first quarter of 2002.

Restructuring and Impairment Costs. We recorded a restructuring charge of $78,000 in the first quarter of 2002. The restructuring costs principally pertain to our decision to close the Walterboro facility in 2001. The $78,000 charge represents the accrual for additional severance costs related to the closing of this facility. Restructuring costs represent 0.2% of net sales in the first quarter of 2002. There were no similar charges during the first quarter of 2001.

Interest Expense. Interest expense decreased by approximately $581,000 from $1.2 million in the first quarter of 2001 to $601,000 during the same period in 2002. This was due to lower interest rates on our credit facilities, as well as a decline in outstanding indebtedness. Total debt decreased from $70.4 million at March 31, 2001 to $54.0 million at March 31, 2002. As a percentage of net sales, interest expense decreased from 2.4% in the first quarter of 2001 to 1.3% for the same period in 2002.

Equity in Earnings of Unconsolidated Affiliates. Equity in earnings of unconsolidated affiliates decreased from earnings of $49,000 in the first quarter of 2001 to none during the same period of 2002. The decrease is due to the sale of our minority interest in a Chinese ball manufacturer, effective December 21, 2001.

Minority Interest in Consolidated Subsidiaries. Minority interest in consolidated subsidiaries represents the interest of the minority partners of Euroball and the minority partners of NN Arte's parent company. Reflecting Euroball's increased earnings, minority interest in consolidated subsidiaries increased $182,000 from $536,000 for the first quarter of 2001 to $668,000 for the first quarter of 2002.

Net Income. Net income increased by $400,000, or 27.6%, from $1.4 million for the first quarter of 2001 to $1.8 million for the same period in 2002. As a percentage of net sales, net income increased from 2.9% in the first quarter of 2001 to 3.9% for the first quarter of 2002.

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

Net Sales. Our net sales increased $48.0 million, or 36.3%, from $132.1 million in 2000 to $180.2 million in 2001. The inclusion of a full year of Euroball sales contributed $46.1 million of the increase, excluding the performance of our facility in Ireland, which we owned prior to the formation of Euroball. In addition, the inclusion of 10.5 months of Delta's net sales in 2001 contributed $14.0 million of the increase. Offsetting this increase were decreased sales in the Domestic Ball and Roller and Plastics segments in the last half of the year due to slowing demand related to the overall economic environment in the U.S. Decreased sales during the year for the Plastics segment were also due to decreased sales to one customer.

Gross Profit. Gross profit increased by $4.4 million, or 11.4%, from $38.2 million in 2000 to $42.6 million in 2001. Euroball contributed $10.1 million of gross profit, net of the contribution of our Ireland facility. The inclusion of 10.5 months of Delta's results contributed $3.3 million in gross profit. Offsetting these increases, sales volume deterioration in the Domestic Ball and Roller and Plastics segments decreased gross profit $9.0 million. Gross profit decreased from 28.9% of net sales in 2000 to 23.6% of net sales in 2001 due to the aforementioned sales volume deterioration and to a lesser degree, product mix changes at the Plastics segment.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $4.8 million, or 41.6%, from $11.6 million in 2000 to $16.4 million in 2001. The inclusion of a full year of Euroball results, net of the contribution of our Ireland facility, accounted for $3.5 million of the increase. The inclusion of 10.5 months of Delta's results accounted for $1.2 million of the increase. Additionally, bad debt expense primarily related to the bankruptcy filing of a major Plastics segment customer contributed $814,000. Offsetting these increases were decreased spending related to various cost reduction and cost containment efforts. As a percentage of net sales, selling, general and administrative expenses increased from 8.8% in 2000 to 9.1% in 2001.

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

Restructuring and Impairment Costs. Restructuring and impairment costs increased by $2.3 million from none in 2000 to $2.3 million in 2001. The increase includes a $1.1 million charge for the recording of impairment on our Walterboro facility, a $750,000 charge related to employee severance costs related to the closing of the Walterboro facility and a $365,000 charge related to Euroball. Restructuring and impairment costs were 1.3% of net sales during 2001.

Interest Expense. Interest expense increased by $2.2 million from $1.8 million in 2000 to $4.0 million in 2001. Interest expense related to the purchase of Delta accounted for $1.0 million of the increase. Additionally, the inclusion of a full year of interest expense related to the debt incurred by Euroball accounted for approximately $1.0 million of the increase. As a percentage of net sales, interest expense increased from 1.3% in 2000 to 2.2% in 2001.

Equity in Earnings of Unconsolidated Affiliates. Equity in earnings of unconsolidated affiliates decreased from $48,000 in 2000 to none in 2001. The decrease is due to the sale of our minority interest in a Chinese ball manufacturer, effective December 21, 2001.

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

Minority Interest in Consolidated Subsidiaries. Minority interest in consolidated subsidiaries increased $1.1 million from $660,000 in 2000 to $1.8 million in 2001. This increase is due entirely to Euroball, which has been consolidated since its formation on August 1, 2000.

Net Income. Net income decreased $5.3 million, or 53.3%, from $10.0 million in 2000 to $4.7 million in 2001. As a percentage of net sales, net income decreased from 7.6% in 2000 to 2.6% in 2001.

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

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

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

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

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

Interest Expense. Interest expense increased by $1.3 million from $523,000 in 1999 to $1.8 million in 2000. Interest expense related to the debt incurred by Euroball accounted for $622,000 of the

increase. Additionally, the inclusion of a full year of interest expense related to the purchase of the IMC business accounted for approximately $500,000 of the increase. The remainder of the increase was due to increased expenditures associated with our business development activity during 2000. Additionally, the timing of expenditures associated with the March 12, 2000 fire and the reimbursement of insurance proceeds caused an increase in the amount outstanding under our domestic line of credit. As a percentage of net sales, interest expense increased from 0.6% in 1999 to 1.3% in 2000.

Equity in Earnings of Unconsolidated Affiliates. Equity in earnings of unconsolidated affiliates increased from none in 1999 to $48,000 in 2000. The increase was due to our share of earnings from our interest in a Chinese ball manufacturer. Earnings from this interest were offset by losses incurred from the start-up of the marketing arm of this venture and losses sustained from start-up expenses from the investment in Mexico.

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

Minority Interest in Consolidated Subsidiaries. Minority interest in consolidated subsidiaries increased from none in 1999 to $660,000 in 2000. This increase is due entirely to Euroball.

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

Liquidity and Capital Resources

We have a $25 million senior non-secured revolving credit facility, expiring on July 25, 2003, and a senior non-secured term loan for $35 million expiring on July 1, 2006. Amounts outstanding under the revolving facility and the term loan facility bear interest at a floating rate equal to LIBOR (1.88% at March 31, 2002) plus an applicable margin of 0.75% to 2.00% based upon calculated financial ratios. The loan agreement contains customary financial and non-financial covenants. Restrictive covenants specify, among other things, restrictions on the incurrence of indebtedness, payment of dividends, capital expenditures, and the maintenance of certain financial ratios. We were in compliance with all such covenants as of March 31, 2002. At March 31, 2002, $11.1 million was available under these facilities.

We intend to use the net proceeds to the Company from this offering to reduce the term loan portion of our borrowings. On July 12, 2002, we amended our U.S. credit facility to convert the term loan portion into a reducing revolving credit line providing initial availability equivalent to the balance of the term loan prior to the offering. Amounts available for borrowing under this facility will be reduced by $7.0 million per annum and the facility will expire on July 1, 2006. This facility will provide us with access to funds for future strategic acquisitions and outsourcing alliances involving captive production businesses that offer us the opportunity to further penetrate existing markets or expand into new geographic markets. We are engaged in preliminary discussions with a number of prospective acquisition candidates, but have not entered into a preliminary or definitive agreement for any potential acquisition at the present time. We cannot assure you concerning when or whether any potential acquisition might be completed.

In addition, our partners in Euroball have the right to require us to purchase their interests in that entity beginning in January 2003, based on a formula using Euroball's historical net income and cash flow. As a result, the exact amount of the purchase price cannot be determined until the put right is exercised. Applying the formula at March 31, 2002, the amount payable in the event both parties exercised their put rights would have been Euro 22.8 million or $18.9 million (applying the exchange rate for Euros on that date).

In July 2000, Euroball and its subsidiaries entered into a senior secured revolving credit facility of Euro 5.0 million, expiring on July 15, 2006, and a senior secured term loan of Euro 36.0 million, expiring on July 15, 2006. On July 31, 2000, upon closing of the joint venture, Euroball borrowed a total of Euro 31.5 million against these facilities for acquisition financing. Additional working capital and capital expenditure financing are provided for under the facility. Amounts outstanding under the facilities accrue interest at a floating rate equal to EURIBOR (3.36% at March 31, 2002) plus an applicable margin of 1.125% to 2.25% based upon calculated financial ratios. The loan agreement contains various restrictive covenants that specify, among other things, restrictions on the incurrence of indebtedness and the maintenance of certain financial ratios. These facilities also include certain negative pledges. Euroball was in compliance with all such covenants as of March 31, 2002. At March 31, 2002, Euro 3.6 million was available to Euroball under these facilities.

To date, cash generated by Euroball and its subsidiaries has been used exclusively for general Euroball-specific purposes including investments in plant, property and equipment and prepayment of the Euroball senior secured term loan, which is secured by Euroball and its subsidiaries. Accordingly, no dividends have been declared or paid that may have been used by the Company to pay down our domestic credit facilities. While the Company controls the declaration of such dividends, we only receive 54% of the cash distributed--in accordance with our ownership percentage in Euroball. We anticipate future cash generated by Euroball will continue to be used for Euroball-specific activities.

Distributions of cash by Euroball to the Company are subject to U.S. corporate income taxes. Therefore, our ability to deploy cash generated by Euroball to meet the funding needs of our domestic operations is limited by the tax effects associated with the repatriation of those funds.

Our arrangements with our domestic customers typically provide that payments are due within 30 days following the date we ship the goods, while arrangements with foreign customers served from our U.S. facilities generally provide that payments are due within either 90 or 120 days following the date of shipment. Euroball provides its customers with 30 day payment terms from product shipment. Under our inventory management program with certain European customers, payments typically are due within 30 days after the customer uses the product. Our net sales and receivables can be influenced by seasonality due to our relative percentage of European business coupled with many foreign customers ceasing or significantly slowing production during the month of August.

We bill and receive payment from some of our foreign customers in Euro or other currencies. To date, we have not been materially adversely affected by currency fluctuations or foreign exchange restrictions. To manage risks associated with currency fluctuations and foreign exchange restrictions, we have strategies in place, including a hedging program, which allows management to hedge foreign currencies when exposures reach certain levels. However, we have not entered into any currency hedges in 2001 or during the current year. 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, inventories and accounts payable was $20.7 million at March 31, 2002 as compared to $17.9 million at December 31, 2001. The ratio of current assets to current liabilities increased from 1.47 to 1 at December 31, 2001 to 1.53 to 1 at March 31, 2002. Cash flow from operations decreased from $3.5 million during the first three months of 2001 to $1.1 million during the first three months of 2002.

During 2002, we plan to spend approximately $6.8 million on capital expenditures (of which approximately $849,000 has been spent through March 31, 2002) including the purchase of additional machinery and equipment at all of our domestic and international ball facilities. We intend to finance these activities with cash generated from operations and funds available under the credit facilities described above. We believe that funds generated from operations, borrowings from the credit facilities and the proceeds of this offering will be sufficient to finance our working capital needs and projected capital expenditure requirements through December 2003.

The Euro

We currently have operations in Italy, Germany and Ireland, all of which are Euro participating countries, and we sell product to customers in many of the participating countries. The Euro has been adopted as the functional currency at all of Euroball's locations.

Seasonality and Fluctuation in Results of Operations

Our net sales historically have been seasonal in nature, and as foreign sales have increased as a percentage of total sales, seasonality has become a more significant factor for the Company in that many foreign customers cease production during the month of August.

Inflation and Changes in Prices

While our operations have not been affected by inflation during recent years, prices for 52100 chrome steel and other raw materials are subject to change. For example, during 1995, due to an increase in worldwide demand for 52100 chrome steel and the decrease in the value of the U.S. dollar relative to foreign currencies, we experienced an increase in the price of 52100 chrome steel and some difficulty in obtaining an adequate supply of 52100 chrome steel from our existing suppliers. In our U.S. operations, our typical pricing arrangements with steel suppliers are subject to adjustment once every six months. In an effort to limit our exposure to fluctuations in steel prices, we have generally avoided the use of long-term, fixed price contracts with our customers. Instead, we typically reserve the right to increase product prices periodically in the event of increases in our raw material costs.

Historically, we have been able to minimize the impact on our operations resulting from the 52100 chrome steel price increases by taking such measures. Certain sales agreements are in effect with SKF and INA/FAG which provide for minimum purchase quantities and specified, annual sales price adjustments that may be modified up or down for changes in material costs. These agreements expire during 2006.

Recently Issued Accounting Standards

In June 2000, the FASB issued Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activity, an Amendment of SFAS 133." Statement No. 133 and Statement No. 138 require that all derivative instruments be recorded on the balance sheet at their respective fair values. Statement No. 133 and Statement No. 138 became effective for us January 1, 2001.

In June 2001, the FASB issued Statement No. 141, "Business Combinations" and Statement No. 142, "Goodwill and Other Intangible Assets." Statement No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Statement No. 141 also specifies criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. Statement No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but rather, periodically tested for impairment. The effective date of Statement No. 142 is January 1, 2002. As of the date of adoption, we had unamortized goodwill of approximately $39.8 million, which will be subject to the provisions of Statement No. 142. As a result of adopting these standards in the first quarter of 2002, we no longer amortize goodwill. We estimate that amortization expense for goodwill would have been approximately $2.1 million (or $1.2 million net of tax and minority interest) for 2002. We are currently evaluating the impact of adoption of Statement No. 142 related to the transitional goodwill impairment review required by the new standards during the first six months after adoption.

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

In August 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets." Statement No. 144 supercedes Statement No. 121 but retains many of its fundamental provisions. Additionally, Statement No. 144 expands the scope of discontinued operations to include more disposal transactions. The provisions of Statement No. 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001. We have adopted Statement No. 144 effective January 1, 2002. We believe that no asset impairment exists under the provisions of Statement No. 144 that would materially affect our financial condition.

The Company

NN manufactures and supplies high precision bearing components, consisting of balls, rollers, seals and retainers, for leading bearing manufacturers on a global basis. We are the leading independent manufacturer of precision steel bearing balls for the North American and European markets. In 1998, we began implementing a strategic plan designed to position us as a worldwide supplier of a broad line of bearing components. Through a series of acquisitions executed as part of that plan, we have built on our strong core ball business and greatly expanded our bearing component product offering. Today, we offer the industry's most complete line of bearing components. We emphasize engineered products that take advantage of our competencies in product design and high tolerance manufacturing processes. Our bearing customers use our components in fully assembled ball and roller bearings, which serve a wide variety of industrial applications in the transportation, electrical, agricultural, construction, machinery, mining and aerospace markets.

Our Competitive Strengths

We believe that the following elements provide us with significant competitive strengths in our markets:

- High Precision, Low-Cost Manufacturing Capabilities. Our focus on lean manufacturing and continuous improvement have earned us a reputation as a supply chain partner that our customers can rely upon to deliver value-added components. We believe that our proprietary machinery, manufacturing processes and attention to quality and service are competitive advantages that allow us to consistently provide high quality precision products that meet exacting tolerances. For example, our grade 3 balls are manufactured to within three-millionths (0.000003) of an inch of roundness and our seal, retainer and plastic products are known for meeting the strict tolerances demanded by our customers. Our efforts to eliminate inefficient processes and improve productivity have enabled us to maintain our status as a low-cost producer.

- Leading Outsourcing Alternative to Captive Manufacturing. Euroball is the bearing industry's largest component outsourcing initiative and is an important milestone for the bearing component industry. This innovative model has enhanced the industry's awareness of the benefits of outsourcing and has established us as a proven, independent alternative to captive manufacturing. Our ability to focus solely on component manufacturing allows us to provide our customers with lower cost, higher quality products and improved customer service levels over captive manufacturing operations. Outsourcing also enables our customers to redirect critical capital investments.

- Uniquely Positioned as Integrated Supplier of Bearing Components. Through our recent acquisitions, we have become a leading independent supplier with the industry's most complete line of bearing components. Our core ball and roller product offerings, complemented by our more recently acquired bearing retainer and seal products, have allowed us to expand our key customer relationships by offering them the value of a single supply chain partner for a wide variety of components.

- Established Operating Expertise. Our experienced management team continues to be successful in implementing our strategic plan by completing and integrating three major acquisitions since 1998 and executing significant cost rationalization programs domestically

and in Europe. Our nine senior managers average over 13 years of experience in the bearing component industry, which has allowed us to establish excellent working relationships with major bearing companies. Our management team has a proven track record of successfully managing our global businesses through international economic cycles, including the most recent economic downturn.

Our Business Strategy

Our strategic plan is designed to increase our revenues, income and long-term shareholder value by:

- Expanding Our Global Presence. We believe that maintaining production facilities in proximity to our major customers' manufacturing operations is essential. We see significant opportunities to increase market share and maintain our competitive cost advantage by expanding our global presence. We established our European presence in 1997 and, through Euroball, have become Europe's leading provider of precision balls to the bearing industry. We see further opportunities to expand our global manufacturing base to Asia, Eastern Europe and other geographic regions to more effectively serve the customers in these markets.

- Expanding Our Bearing Component Product Offerings. We seek to build on existing customer relationships and our core manufacturing and service competencies by diversifying into additional bearing component businesses. Our acquisitions have given us full-service design and production capabilities in bearing seals and plastic bearing retainers. These products serve the same global bearing customers as our core ball and roller products. As a result, we are able to provide, as a single independent company, a more diversified product offering to our global bearing customers.

- Continuing to Pursue Strategic Acquisitions and Alliances. Because much of the world's bearing production capacity is located outside of the U.S., we have sought to develop an effective way to serve our customers on a global basis and expand these critical customer relationships. We believe that outsourcing transactions and strategic acquisitions represent the most effective way to expand these relationships. The success of our approach, as in the case of Euroball, provides a framework for future strategic alliances and for future acquisitions of our customers' captive bearing component operations.

Products

Precision Steel Balls. We offer high quality, precision steel balls ranging in diameter from 1/8 of an inch to 12 1/2 inches. We produce and sell balls in grades ranging from grade 3 to grade 1000 as established by the American Bearing Manufacturers Association. The grade number for a ball or a roller indicates the degree of spherical or cylindrical precision of the ball or roller; for example, grade 3 balls are manufactured to within three-millionths of an inch of roundness and grade 50 rollers are manufactured to within fifty-millionths of an inch of roundness. Our steel balls are used primarily by manufacturers of anti-friction bearings where precise spherical, tolerance and surface finish accuracies are required.

Steel Rollers. We manufacture rollers in a wide variety of sizes, ranging from grade 50 to grade 1000, that are the primary components of anti-friction bearings that are subjected to heavy load conditions. Our roller products are used primarily for applications similar to those of our ball product lines, plus hydraulic pumps and motors.

Bearing Seals and Retainers. We manufacture and sell a wide range of precision bearing seals produced through a variety of compression and injection molding processes and adhesion technologies to create rubber-to-metal bonded bearing seals. The seals are used in applications for automotive, industrial, agricultural, mining and aerospace markets. We also manufacture and sell high precision plastic retainers for ball and roller bearings used in a wide variety of industrial applications. Retainers are used to separate and space balls or rollers within a fully assembled bearing.

Precision Plastic Components. We also manufacture and sell a wide range of specialized plastic products including automotive under-the-hood components, electronic instrument cases and precision electronic connectors and lenses, as well as a variety of other specialized parts.

Customers

Our bearing component products are supplied primarily to bearing manufacturers for use in a broad range of industrial applications, including transportation, electrical, agricultural, construction, machinery, mining and aerospace. We supply over 500 customers; however, our top 10 customers account for approximately 73% of our revenue. These top 10 customers include SKF, INA/FAG, Torrington, GKN, SNR, Koyo, NTN, Timken, Delphi, and NSK. In 2001, 40% of our products was sold to customers in North America, 50% to customers in Europe, and the remaining 10% to customers located throughout the rest of the world, primarily Asia. As seen in the chart below, our top two customers constituted approximately 54% of sales in 2001, demonstrating our long-term, strategic relationships with these key customers. Historically, we have increased our supply to SKF and INA/FAG on an annual basis and we have almost tripled our sales to these two companies since 1999. These gains are directly attributed to the success of Euroball and our efforts to develop a closer partnering relationship with our global bearing customers.

[CHART]

SFK	35.0%
Other	27.0%
INA/FAG	19.0%
NSK	2.375%
AP	2.375%
Torrington	2.375%
Delphi	2.375%
Timken	2.375%
NTN	2.375%
SNR	2.375%
GKN	2.375%

Certain customers have contracted to purchase all of their bearing component requirements from us, although they are not obligated to purchase any specific amounts. While firm orders are generally received on a monthly basis, we are normally aware of future order levels well in advance of the placement of a firm order. For our domestic ball and roller operations, we maintain a computerized, bar coded inventory management system with most of our major customers that enables us to determine on a day-to-day basis the amount of these components remaining in a customer's inventory. When such inventories fall below certain levels, we automatically ship additional product.

Euroball has entered into six-year supply agreements with SKF and INA/FAG providing for the purchase of Euroball products in amounts and at prices that are subject to adjustment on an annual basis. The agreements contain provisions obligating Euroball to maintain specified quality standards and comply with various ordering and delivery procedures, as well as other customary provisions. SKF may terminate its agreement if, among other things, Euroball acquires or becomes acquired by a competitor. INA/FAG may terminate its agreement if , among other things, Euroball assigns its rights under the agreement, whether voluntarily or by operation of law.

As shown in the chart below, the addition of the retainer and seal product lines have further enhanced many of our key customer relationships, making us a more complete and integrated supplier of bearing component parts.

			Products		
Name	Country	Description	Balls & Rollers	Seals	Retainers
SKF	Sweden	Global bearing manufacturer	X	X	X
INA/FAG	Germany	Global bearing manufacturer	X	X	X
Torrington	USA	Global bearing manufacturer	X	X	X
NTN	Japan	Global bearing manufacturer	X	X	X
SNR	France	Global bearing manufacturer	X		
Timken	USA	Global bearing manufacturer		X	X
Delphi	USA	Automotive component supplier	X	X	X
Koyo	Japan	Global bearing manufacturer	X	X	X
AP	USA	Automotive component supplier			X
NSK	Japan	Global bearing manufacturer	X		X

Sales and Marketing

A primary emphasis of our marketing strategy is to expand key customer relationships by offering them the value of a single supply chain partner for a wide variety of components. As a result, we have integrated our sales organization on a global basis across all of our product lines. Our sales organization includes seven direct sales and 12 customer service representatives. Due to the technical nature of many of our products, our engineers and manufacturing management personnel also provide technical sales support functions, while internal sales employees handle customer orders and other general sales support activities.

Our bearing component marketing strategy focuses on increasing our outsourcing relationships with global bearing manufacturers that maintain captive bearing component manufacturing operations. Our marketing strategy for our other precision plastic products is to offer custom manufactured, high quality, precision parts to niche markets with high value-added characteristics at competitive price

levels. This strategy focuses on relationships with key customers that require the production of technically difficult parts, enabling us to take advantage of our strengths in custom product development, tool design, and precision molding processes.

Manufacturing Process

We have become a leading independent bearing component manufacturer through exceptional service and high quality manufacturing processes. We are recognized throughout the industry as a low-cost producer. For example, with balls, we have the ability to design and build our own production machinery at a lower overall cost than the equivalent machines in the commercial marketplace. In addition to the significant capital cost savings associated with our proprietary machine design, a more significant benefit is the reduced manufacturing time needed to produce our high precision balls and rollers. Because our ball and roller manufacturing processes incorporate the use of standardized tooling, load sizes, and process technology, we are able to produce large volumes of products while maintaining high quality standards.

The key to our low-cost, high quality production of seals and retainers is the incorporation of customized engineering into our manufacturing processes. We employ 20 skilled engineers who design and customize the tooling necessary to meet the needs of each customer's product. This design process includes the testing and quality assessment of each product.

Suppliers

The primary raw material used in our ball and roller business is 52100 chrome steel in rod and wire form, and in 2001 it accounted for approximately 97% of the steel we use. The 52100 chrome steel balls have a high degree of hardness, provide excellent resistance to wear and deformation and are used primarily by manufacturers of anti-friction ball bearings where precise spherical and tolerance accuracies are required. Our other steel requirements include type 440C stainless steel and type S2 rock bit steel.

We purchase substantially all of our 52100 chrome steel requirements from foreign sources in Europe and Japan. Because the vast majority of the 52100 chrome steel we use has been exempted from recent U.S. tariffs on imported steel, we have not been materially affected by import regulations. We allocate steel purchases among suppliers on the basis of price and, more significantly, composition and quality. The pricing arrangements with our suppliers are typically subject to adjustment once every six months. In general, we do not enter into written supply agreements with suppliers or commit to maintain minimum monthly purchases of steel.

We have established a supply alliance with The Torrington Company, a subsidiary of Ingersoll-Rand, to leverage our combined supply requirements. The purchasing entity is empowered to negotiate and execute supply agreements for both companies. Because we both use similar raw materials from many common sources, we believe the potential synergies in raw material procurement will be of significant value.

The primary raw materials used in our plastic products are engineered resins. We purchase substantially all of our resin requirements from domestic manufacturers and the majority of these suppliers are international companies with resin manufacturing facilities located throughout the world. Our seal operation uses a variety of rubber molds and metal stampings that we purchase from four main suppliers with which we have had long-term relationships.

Competition

The global market for bearing components is highly competitive, with the majority of production represented by the captive production operations of certain large bearing manufacturers and the balance represented by independent manufacturers. All of the captive manufacturers, and many independent manufacturers, are significantly larger than we and have greater resources than do we. Our competitors are continuously exploring and implementing improvements in technology and manufacturing processes in order to improve product quality, and our ability to remain competitive will depend, among other things, on whether we are able to keep pace with such quality improvements in a cost effective manner.

Our primary foreign competitors include Amatsuji Steel Ball Manufacturing Company, Ltd. ("AKS") and Tsubaki Nakashima Company, Ltd. ("Tsubaki"), and our main domestic competitor is Hoover Precision Products, Inc., a wholly-owned subsidiary of Tsubaki. While AKS and Tsubaki control a majority of the market share in Asia, and Tsubaki, through its Hoover subsidiary, has comparable share to ours in the Americas, neither has significant market share in Europe. We compete effectively through our precision manufacturing capabilities, reputation for consistent quality and reliability, and high employee productivity.

Seal and retainer manufacturers compete on price, custom quality, tool engineering capabilities, and lead-time. Our primary competitor in the bearing retainer segment is Nakanishi Manufacturing Corporation. Nypro, Inc. and Key Plastics are our main competitors in the automotive segment. We believe we compete effectively through our product development capabilities, tool design and fabrication, precision molding processes, and reputation in the marketplace as a quality producer of technically difficult products.

Facilities

We operate a total of eight facilities in North America and Europe, and our corporate headquarters is located in Johnson City, Tennessee. Our ball and roller facilities consist of over 180,000 square feet in two Tennessee plants and 630,000 square feet in three European plants. Our plastic and rubber bearing components and other products are produced in three plants in Connecticut, Texas and Mexico that total almost 300,000 square feet.

Employees

As of June 30, 2002, we employed a total of 1,349 full-time employees. Our U.S. ball and roller operations employed 234 workers, Euroball employed 671 workers, our other product operations employed 439 workers, and there were five employees at the Company's corporate headquarters. Of our total employment, 19% are management/staff employees and 81% are production employees. We believe we are able to attract and retain high quality employees because of our quality reputation, technical expertise, history of financial and operating stability, attractive employee benefit programs, and our progressive, employee-friendly working environment. Only the employees in the Eltmann, Germany and Pinerolo, Italy plants are unionized and we have never experienced any involuntary work stoppage. We consider our relations with our employees to be excellent.

Board of Directors

Our board of directors is divided into three classes, with the members of each class serving three-year terms. The following table sets forth information as of the date of this prospectus concerning our directors.

Name	Age	Position	Term as Director Expires
Roderick R. Baty...	48	Chairman, Chief Executive Officer, President and Director	2003
Richard D. Ennen(1)	74	Director	2003
Michael D. Huff(1).	54	Director	2004
Michael E. Werner..	57	Director	2004
James L. Earsley...	56	Director	2005
G. Ronald Morris...	65	Director	2005
Steven T. Warshaw..	53	Director	2005

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(1) Mr. Ennen and Mr. Huff are also selling stockholders.

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

Richard D. Ennen is the principal founder of the Company and has been a director of the Company since its formation in 1980. He served as Chairman of the Board from its inception until September 2001, Chief Executive Officer from the Company's inception until 1997, and as President from the Company's inception until 1990. Prior to forming the Company, Mr. Ennen held various management and executive positions with Hoover Precision Products, Inc. (formerly Hoover Universal, Inc.), a division of Tsubakimoto Precision Products Co. Ltd., including Corporate Vice President and General Manager of the ball and roller division. Mr. Ennen has over 40 years of experience in the anti-friction bearing industry.

Michael D. Huff has served as a director of the Company since its formation in 1980. From 1980 until his retirement in January 1995, Mr. Huff served as the Chief Financial Officer, Treasurer and Secretary of the Company. Before joining the Company, Mr. Huff served as a division controller of Hoover Precision Products, Inc. from 1975 until 1980. Mr. Huff is a member of the American Institute of Certified Public Accountants and the Tennessee Society of Certified Public Accountants.

Michael E. Werner is a management consultant with Werner Associates, a management consulting firm that Mr. Werner co-founded in 1982 specializing in manufacturing companies. Prior to forming Werner Associates, Mr. Werner served as Director of Strategic Planning and Business Development for the Uniroyal Chemical Company. He also has held positions with the New York Central Company, Western Electric Company and the Continental Group.

James L. Earsley spent his entire career with, and is the retired chairman of IMC, which was acquired by the Company in July 1999.

G. Ronald Morris retired in 1999 from Western Industries, Inc., a contract manufacturer of metal and plastic products. Mr. Morris had served as President, Chief Executive Officer and director of Western Industries, Inc. since July 1991. From 1989 to 1991, Mr. Morris served as Chairman of the Board of Integrated Technologies, Inc., a manufacturer of computer software, and from 1988 to 1989, he served as Vice Chairman of Rexnord Corporation, a manufacturer of mechanical power transmission components and related products, including anti-friction bearings. From 1982 to 1988, Mr. Morris served as President and Chief Executive Officer of PT Components, Inc., a manufacturer of mechanical power transmission components and related products that was acquired by Rexnord Corporation in 1988.

Steven T. Warshaw served as President of Hexcel Schwebel, a global producer of advanced structural materials, from April 2000 to November 2001. Prior to this position, he served from February 1999 as Senior Vice President of Photronics, Inc., a global supplier to the semiconductor industry. From 1996 to 1999, Mr. Warshaw served as President of Olin Microelectronic Materials, a company supplying technologically advanced chemicals, products, and services to semiconductor manufacturers. Mr. Warshaw served in a variety of positions at Olin since 1974, including President of OCG Microelectronic Materials and Vice President of Olin's Chemicals Division.

Management

The following table sets forth information as of the date of this prospectus concerning certain of our key management personnel.

Name	Age	Position
Roderick R. Baty	48	Chairman, Chief Executive Officer and President
Frank T. Gentry, III.	46	Vice President--Manufacturing
Robert R. Sams	44	Vice President--Market Services
David L. Dyckman	37	Vice President--Corporate Development and Chief Financial Officer
William C. Kelly, Jr.	43	Treasurer, Secretary and Chief Accounting Officer
Calvin Leach	44	Vice President and General Manager--IMC
Paul N. Fortier	40	Vice President and General Manager--Delta
Dario Galetti	47	Managing Director--Euroball
Larry B. Emerick	54	Vice President and General Manager--NN Arte

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

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

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

William C. Kelly, Jr. has served as Treasurer since 1995 and as the Company's Chief Accounting Officer since 1994. Prior to that, he was the Company's Assistant Treasurer and Manager of Investor Relations. Prior to joining the Company, Mr. Kelly served from 1988 to 1993 as a Staff Accountant and as a Senior Auditor with the accounting firm of PricewaterhouseCoopers LLP.

Calvin Leach was named Vice President and General Manager--IMC in January of 2002. Prior to being named Vice President and General Manager, from 1989 to 2002 Mr. Leach held increasingly responsible positions in materials, manufacturing, and operations management at IMC.

Paul N. Fortier was appointed Vice President and General Manager--Delta in May 2001 shortly after the Company's acquisition of Delta in February 2001. Prior to joining the Company, from 1988 to 2001, Mr. Fortier held a variety of quality, manufacturing, marketing, and general management positions with Siemens AG in its precision materials and general lighting divisions.

Dario Galetti was named Managing Director--Euroball in August 2000. From 1993 to 2000, he served as the Factory Manager Director of SKF's Pinerolo, Italy ball facility. From 1990 to 1993 he was Factory Manager of the SKF Bari Bearing Factory.

Larry B. Emerick was named Vice President and General Manager--NN Arte in September 2000. From 1984 to 1988, Mr. Emerick served in a variety of manufacturing management positions with B.F. Goodrich. He held the position of Plant Manager for Oiles Bearing from 1990 to 2000. Mr. Emerick has more than 25 years of cumulative experience in the plastics, metal forming and bearing industries.

SELLING STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of our common stock as of July 15, 2002, and as by the stockholders who are selling shares of common stock in this offering, and as adjusted to reflect the sale of shares offered in this prospectus. Unless otherwise noted, to our knowledge, each selling stockholder has sole voting and investment power over the shares shown.

	Shares Beneficially Owned Prior to Offering		Shares Being	Shares Beneficially Owned After Offering	
	Number	Percent (%)	Offered(1)	Number	Percent (%)
Richard D. Ennen(2)...	2,788,868(3)	18.2	2,524,470	264,398	1.5
Michael D. Huff(4)....	427,227(5)	2.8	374,790	52,437	*
Charles L. Edmisten(6)	416,386(7)	2.7	365,430	50,956	*
Leonard Bowman.....	300,085	2.0	226,200	73,885	*
Janet M. Huff.....	225,000	1.5	203,580	21,420	*
Monica C. Ennen.....	129,900	*	117,780	12,120	*
Deborah E. Bagierek...	96,869	*	87,750	9,119	*

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* Amounts are less than one percent.

(1) If the underwriters exercise their over-allotment option in full, Mr. Ennen will sell an additional 264,398 shares, Mr. Huff will sell an additional 39,437 shares, Mr. Edmisten will sell an additional 50,956 shares, Mr. Bowman will sell an additional 23,800 shares, Ms. Huff will sell an additional 21,420 shares, Ms. Ennen will sell an additional 12,120 shares, and Ms. Bagierek will sell an additional 9,119 shares. The Company will pay the SEC registration fee related to the shares of the selling stockholders.

(2) Mr. Ennen currently sits on the Company's Board of Directors and has since the Company's formation in 1980. He was Chairman of the Board from the formation of the Company until September 2001.

(3) Includes 1,800,000 shares held by the Richard D. Ennen Charitable Remainder Unitrust of which Mr. Ennen is the trustee and 200,000 shares held by the Ennen Charitable Trust of which Mr. Ennen is the trustee.

(4) Mr. Huff currently sits on the Company's Board of Directors and has since the Company's formation in 1980.

(5) Includes 13,000 shares subject to presently exercisable options. Excludes 10,000 shares subject to options that are not currently exercisable.

(6) Mr. Edmisten has been employed by the Company as a technical advisor since resigning as an officer of the Company in 1999.

(7) Includes 403,753 shares held by the C/D Edmisten Charitable Remainder Unitrust of which Mr. Edmisten is the trustee. Includes 12,633 shares subject to presently exercisable options. Excludes 3,667 shares subject to options that are not currently exercisable.

DESCRIPTION OF OUR CAPITAL STOCK

Our authorized capital stock consists of 45 million shares of common stock and 5 million shares of undesignated preferred stock, $.01 par value per share. As of July 12, 2002, there were 15,367,273 shares of common stock issued and outstanding. Upon completion of this offering, there will be 17,967,273 shares of common stock issued and outstanding, assuming no exercise of the underwriters' over-allotment option. There are no shares of our preferred stock outstanding.

Common Stock

Voting Rights. Each share of common stock is entitled to one vote on all matters submitted to a vote of our stockholders, including the election of directors. Holders of shares of our common stock have no cumulative voting rights. Therefore, the holders of a majority of the shares of common stock voted in an election of directors can elect all of the directors then standing for election, subject to any rights of the holders of any preferred stock that may be outstanding in the future. Directors are divided into three classes. Each year the terms of the members of a different class of directors expire and the directors for that class are elected to three-year terms.

Dividends. Holders of shares of common stock are entitled to receive dividends, if, as and when such dividends are declared by our Board of Directors out of assets legally available therefor, after payment of any dividends required to be paid on shares of preferred stock that may be outstanding in the future.

Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the corporation after payment of our debts and other liabilities and making provision for the holders of preferred stock that may be outstanding in the future our remaining assets will be distributed among the holders of our common stock.

Preferred Stock

Our Board of Directors has authority to issue preferred stock in one or more series and to establish the rights and restrictions granted to or imposed on any unissued shares of preferred stock and to fix the number of shares constituting any series, without any further vote or action by our stockholders. Our Board of Directors has the authority, without approval of our stockholders, to issue preferred stock that has voting, dividend and conversion rights superior to our common stock, which could have the effect of deterring, delaying or preventing a change in control. We currently have no plans to issue any shares of preferred stock.

Transfer Agent and Registrar

The Transfer Agent and Registrar for our common stock is SunTrust Bank, Atlanta, Georgia.

UNDERWRITING

Subject to the terms and conditions set forth in an underwriting agreement among the selling stockholders, us and McDonald Investments Inc. and Legg Mason Wood Walker, Incorporated, as representatives of the underwriters named in the agreement, we and the selling stockholders have agreed to sell to each underwriter, and each underwriter has severally agreed to purchase from the selling stockholders and us, the number of shares of common stock set forth opposite its name in the table below.

Underwriter	Number of Shares of Common Stock
McDonald Investments Inc.....	
Legg Mason Wood Walker, Incorporated	
Total.....	6,500,000

Under the terms of the underwriting agreement, the underwriters are committed to purchase all of the shares of common stock if any are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make in respect thereof.

The underwriting agreement provides that the underwriters' obligations to purchase the shares of common stock depend on the satisfaction of the conditions contained in the underwriting agreement.

The conditions contained in the underwriting agreement include the requirement that the representations and warranties made by us and the selling stockholders to the underwriters are true, that there is no material change in the financial markets and that we deliver to the underwriters customary closing documents.

The underwriters propose to offer our shares of common stock directly to the public at $ per share and to certain dealers at such price less a concession not in excess of $ per share. The underwriters may allow, and such dealers may reallow, a concession not in excess of $ per share to certain dealers.

The following table shows the per share and total underwriting discount we and the selling stockholders will pay to the underwriters. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase 975,000 additional shares of common stock.

	Per Share	Total Without Option Exercised	Total With Option Exercised
Public offering price.....	$	$	$
Underwriting discount(1).....	$	$	$
Proceeds to us (before expenses)	$	$	$

- --------
(1) The underwriting discount is %, or $ per share.

We expect to incur expenses of approximately $310,000 in connection with this offering.

We and the selling stockholders have granted the underwriters an option to purchase up to 975,000 additional shares of common stock at the public offering price less the underwriting discount. The underwriters may exercise the option for 30 days from the date of this prospectus solely to cover any over-allotments. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares of common stock proportionate to that underwriter's initial amount reflected in the above table.

Each of our officers and directors, and each of the selling stockholders, has agreed with the underwriters, for a period of 90 days after the date of this prospectus, subject to certain exceptions, not to sell any shares of common stock or any securities convertible into or exchangeable for shares of common stock owned by the holders, without the prior written consent of the underwriters. However, the underwriters may, in their sole discretion and at any time without notice, release all or any portion of the securities subject to these agreements.

Until the distribution of the shares of common stock is completed, Securities and Exchange Commission rules may limit the underwriters and selling group members from bidding for and purchasing our shares of common stock. However, the underwriters may engage in transactions that stabilize the price of the shares of common stock, such as bids or purchases to peg, fix or maintain that price.

If the underwriters create a short position in the shares of common stock in connection with the offering, i.e., if they sell more shares than are listed on the cover of this prospectus, the underwriters may reduce that short position by purchasing shares in the open market. The underwriters may also elect to reduce any short position by exercising all or part of the over-allotment option described above. Purchases of the shares of common stock to stabilize the price or to reduce a short position may cause the price of the shares of common stock to be higher than it might be in the absence of such purchases.

Neither we nor the underwriters makes any representation or prediction as to the effect the transactions described above may have on the price of the shares of common stock. These transactions may occur on the Nasdaq National Market or otherwise. If such transactions are commenced, they may be discontinued without notice at any time.

Royce & Associates, LLC, an affiliate of Legg Mason Wood Walker, Incorporated, manages accounts that beneficially own 911,800 shares of our common stock as of June 4, 2002. In addition, some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions.

LEGAL MATTERS

Certain legal matters in connection with the common stock offered hereby will be passed upon for us by Blackwell Sanders Peper Martin LLP, Two Pershing Square, 2300 Main Street, Suite 1000, Kansas City, Missouri 64108. Certain legal matters in connection with this offering will be passed upon for the underwriters by Calfee, Halter & Griswold LLP, 1400 McDonald Investment Center, 800 Superior Avenue, Cleveland, Ohio 44114.

EXPERTS

Our consolidated financial statements as of December 31, 2001 and 2000, and for each of the years in the two-year period ended December 31, 2001, have been included and incorporated by reference in this prospectus and the registration statement on Form S-3, and have been so included in reliance on the report of KPMG LLP, independent accountants included and incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing. The audit report covering the December 31, 2001 financial statements refers to a change in the Company's method of accounting for derivative investments and hedging activities.

Our consolidated financial statements as of December 31, 1999 and for the year then ended have been incorporated in this registration statement by reference to the Annual Report on Form 10-K for the year ended December 31, 2001, and have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any of these materials at the SEC's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the SEC's regional offices in New York, New York and Chicago, Illinois. You may obtain information on the operation of the public reference rooms by calling the SEC at 1-800-SEC-0330. Our SEC filings, including the registration statement, will also be available to you on the SEC's website. The address of this website is http://www.sec.gov.

We have filed a registration statement on Form S-3 with the SEC to register shares of our common stock. This prospectus is part of that registration statement and, as permitted by the SEC's rules, does not contain all of the information included in the registration statement. For further information about us and this offering, you may refer to the registration statement and its exhibits. You can review and copy the registration statement and its exhibits at the public reference rooms maintained by the SEC or on the SEC's website described above.

This prospectus may contain summaries of contracts or other documents. Because they are summaries, they will not contain all of the information that may be important to you. If you would like complete information about a contract or other document, you should read the copy filed as an exhibit to the registration statement.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information we incorporate by reference is considered to be a part of this prospectus, and information that we file with the SEC at a later date will automatically update or supersede this information. We incorporate by reference the following documents as well as any future filing we will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934:

- Our Annual Report on Form 10-K for the year ended December 31, 2001, as amended by Form 10-K/A filed with the SEC on April 1, 2002;
- Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 filed with the SEC on May 10, 2002;
- Our Current Report on Form 8-K filed with the SEC on June 7, 2002; and
- The description of our common stock contained in the registration statement on Form 8-A filed with the SEC on February 28, 1994.

You may request a copy of these filings, at no cost, by written or telephone request to:

NN, Inc.
Attn: Corporate Secretary
2000 Waters Edge Drive
Johnson City, Tennessee 37604
(423) 743-9151

This prospectus may contain information that updates, modifies or is contrary to information in one or more of the documents incorporated by reference in this prospectus. Reports we file with the SEC after the date of this prospectus may also contain information that updates, modifies or is contrary to information in this prospectus or in documents incorporated by reference in this prospectus. Investors should review these reports as they may disclose a change in our business, prospects, financial condition or other affairs after the date of this prospectus.

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NN, Inc.

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Independent Auditors' Report

The Board of Directors
NN, Inc.:

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

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

/s/ KPMG LLP

Charlotte, North Carolina
February 28, 2002

Report of Independent Accountants

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

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

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Charlotte, North Carolina
February 4, 2000

NN, Inc.

Consolidated Balance Sheets

December 31, 2001 and 2000

(In thousands, except per share data)

	2001	2000
Assets		
Current assets:		
Cash and cash equivalents	$ 3,024	$ 8,273
Accounts receivable, net	24,832	29,549
Inventories, net	23,418	23,742
Other current assets	3,034	1,512
Current deferred tax asset	1,309	790
Total current assets	55,617	63,866
Property, plant and equipment, net	82,770	91,693
Assets held for sale	4,348	--
Goodwill, net of accumulated amortization of $3,009 in 2001 and $1,297 in 2000	39,805	27,865
Other non-current assets	4,862	4,212
Non-current deferred tax asset	733	172
Total assets	$188,135	$187,808
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 15,829	$ 16,883
Bank overdraft	1,141	454
Accrued salaries, wages and benefits	3,813	2,248
Income taxes payable	2,074	1,341
Payable to affiliates	1,277	1,762
Short-term loans	--	2,000
Short term portion of long term debt	7,000	--
Other liabilities	6,552	9,038
Current deferred tax liability	50	114
Total current liabilities	37,736	33,840
Minority interest in consolidated subsidiaries	30,932	30,257
Non-current deferred tax liability	6,499	5,239
Long-term debt	47,661	50,515
Accrued pension	2,390	2,133
Other	878	578
Total liabilities	126,096	122,562
Stockholders' equity:		
Common stock--$0.01 par value, authorized 45,000 shares, issued and outstanding 15,317 shares in 2001 and 15,247 shares in 2000	154	153
Additional paid-in capital	30,841	30,414
Retained earnings	36,139	36,364
Accumulated other comprehensive loss	(5,095)	(1,685)
Total stockholders' equity	62,039	65,246
Total liabilities and stockholders' equity	$188,135	$187,808

See accompanying notes to consolidated financial statements.

NN, Inc.

Consolidated Statements of Income and Comprehensive Income

Years ended December 31, 2001, 2000 and 1999

(In thousands, except per share data)

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

See accompanying notes to consolidated financial statements.

NN, Inc.

Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2001, 2000 and 1999

(In thousands)

	Common Stock				Accumulated Other	
	Number of shares	Par Value	Additional Paid-In Capital	Retained Earnings	Comprehensive Loss	Total
Balance at December 31, 1998	14,804	$149	$27,902	$28,306	$ (115)	$56,242
Shares Issued	440	4	2,496	--	--	2,500
Net income	--	--	--	7,759	--	7,759
Dividends paid	--	--	--	(4,810)	--	(4,810)
Cumulative translation loss	--	--	--	--	(1,563)	(1,563)
Balance, December 31, 1999	15,244	$153	$30,398	$31,255	$(1,678)	$60,128
Shares Issued	3	--	16	--	--	16
Net income	--	--	--	9,987	--	9,987
Dividends paid	--	--	--	(4,878)	--	(4,878)
Cumulative translation loss	--	--	--	--	(7)	(7)
Balance, December 31, 2000	15,247	$153	$30,414	$36,364	$(1,685)	$65,246
Shares Issued	70	1	427	--	--	428
Net income	--	--	--	4,662	--	4,662
Dividends paid	--	--	--	(4,887)	--	(4,887)
Additional minimum pension liability	--	--	--	--	(53)	(53)
Cumulative translation loss	--	--	--	--	(3,357)	(3,357)
Balance, December 31, 2001	15,317	$154	$30,841	$36,139	$(5,095)	$62,039

See accompanying notes to consolidated financial statements.

NN, Inc.

Consolidated Statements of Cash Flows

Years Ended December 31, 2001, 2000 and 1999

(In thousands)

	2001	2000	1999
Cash flows from operating activities:			
Net Income	$ 4,662	$ 9,987	$ 7,759
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	13,340	9,165	6,131
Cumulative effect of change in accounting principle	98	--	--
Loss on disposals of property, plant and equipment	--	1,194	43
Loss on sale of NNG	222	--	--
Equity in earnings of unconsolidated affiliates	--	(48)	--
Deferred income tax	433	1,185	(369)
Interest income on receivable from unconsolidated affiliates	(104)	(159)	--
Minority interest in consolidated subsidiary	1,753	660	--
Restructuring costs and impairment costs	2,312	--	--
Changes in operating assets and liabilities:			
Accounts receivable	6,838	1,955	(641)
Inventories	1,175	(3,021)	5,121
Other current assets	(1,461)	(106)	471
Other assets	(618)	(1,719)	19
Accounts payable	(2,846)	5,544	(1,439)
Other liabilities	(1,187)	2,227	750
Net cash provided by operating activities	24,617	26,864	17,845
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired	(23,496)	(57,788)	(27,535)
Acquisition of property, plant and equipment	(6,314)	(17,910)	(2,394)
Sale of NNG	622	--	--
Long-term note receivable	--	(3,440)	--
Investment in unconsolidated affiliates	--	(172)	--
Proceeds from disposals of property, plant and equipment	106	--	46
Net cash used by investing activities	(29,082)	(79,310)	(29,883)
Cash flows from financing activities:			
Net proceeds under revolving line of credit	--	7,547	17,151
Minority shareholders contributions	--	29,600	--
Proceeds from long-term debt	71,430	25,817	--
Bank overdrafts	687	(785)	1,239
Repayment of long-term debt	(65,946)	--	--
Proceeds (repayment) of short-term debt	(2,000)	2,000	--
Proceeds from issuance of stock	428	16	--
Cash dividends	(4,887)	(4,878)	(4,810)
Net cash provided (used) by financing activities	(288)	59,317	13,580
Effect of exchange rate changes	(496)	(7)	(1,563)
Net change in cash and cash equivalents	(5,249)	6,864	(21)
Cash and cash equivalents at beginning of period	8,273	1,409	1,430
Cash and cash equivalents at end of period	$ 3,024	$ 8,273	$ 1,409
Supplemental schedule of non-cash investing and financing activities:			
Note received related to sale of NNG	$ 3,300	$ --	$ --
Stock issued related to acquisition of IMC	$ --	$ --	$ 2,500

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies and Practices

(a) Description of Business

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

(b) Cash and Cash Equivalents

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

(c) Inventories

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

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Assets held for sale are stated at lower of cost or fair market value less selling cost. Expenditures for maintenance and repairs are charged to expense as incurred. Major renewals and betterments are capitalized. When a major property item is retired, its cost and related accumulated depreciation or amortization are removed from the property accounts and any gain or loss is recorded in income or expense, respectively. The Company reviews the carrying values of long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. During the year ended December 31, 2001, the Company incurred an impairment charge of $1,083 to write-down the land and building at the Walterboro, SC production facility to its net realizable value, which was based upon fair market value appraisals. The carrying value of this land and building of $1,692 has been classified as a component of assets held for sale in the accompanying financial statements. During the year ended December 31, 2000, the Company did not incur any impairment charges.

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

(e) Revenue Recognition

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

(f) Income Taxes

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

(g) Net Income Per Common Share

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

(h) Stock Incentive Plan

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

(i) Principles of Consolidation

The Company's consolidated financial statements include the accounts of NN, Inc. and subsidiaries in which the Company owns more than 50% voting interest. Unconsolidated subsidiaries and investments where ownership is between 20% and 50% are accounted for under the equity method. All significant intercompany profits, transactions, and balances have been eliminated in consolidation. The ownership interests of other shareholders in companies that are more than 50% owned, but less than 100% owned, are reflected as minority interests. Minority interest represents the minority shareholders interest of Euroball and NN Arte.

(j) Foreign Currency Translation

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

(k) Goodwill

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

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

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

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

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

(n) Reclassifications

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

(o) Recently Issued Accounting Standards

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

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

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

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

(p) Derivative Financial Instruments

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

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

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

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

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

(2) Acquisitions

On February 16, 2001, the Company completed the acquisition of all of the outstanding stock of Delta, a Connecticut corporation for $22,500 in cash, of which $500 was to be held in escrow for one year from the date of closing. Delta provides high quality engineered bearing seals and other

(In thousands, except per share data)

precision-molded rubber products to original equipment manufacturers. The Company plans to continue the operation of the Delta business, which operates a manufacturing facility in Danielson, Connecticut. The excess of the purchase price over the fair value of the net identifiable assets acquired of $14,107 has been recorded as goodwill and is being amortized on a straight-line basis over twenty years.

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

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

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

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

Effective July 4, 1999, the Company acquired substantially all of the assets and assumed certain liabilities of Earsley Capital Corporation, a Nevada corporation and successor to and formerly known as Industrial Molding Group, L.P. ("IMC"). IMC, located in Lubbock, Texas, operates as a premier full-service designer and manufacturer of precision plastic injection molded components. The Company paid consideration of approximately $30,000, consisting of $27,500 in cash and

(In thousands, except per share data)

440 shares of its common stock, for the net assets acquired from IMC. The Company has accounted for the IMC acquisition using the purchase method of accounting and, accordingly, the results of operations of IMC have been included in the Company's consolidated financial statements from July 4, 1999. The excess of the purchase price over the fair value of the net identifiable assets acquired of $13,200 has been recorded as goodwill, which is being amortized, on a straight-line basis over twenty years.

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

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

(3) Restructuring and Impairment Charges

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

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

Accrued restructuring costs of $460 are included in other current liabilities as of December 31, 2001. The Company has charged expenses for moving machinery, equipment and inventory to

(In thousands, except per share data)

other production facilities and other costs to close the facility, which will benefit future operations in the period they are incurred.

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

The following summarizes the 2001 restructurings:

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

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

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

(5) Accounts Receivable

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

(In thousands, except per share data)

Allowance for doubtful accounts is as follows:

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

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

(6) Inventories

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

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

(7) Property, Plant and Equipment

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

(In thousands, except per share data)

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

(8) Debt

(a) Short Term

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

(b) Long-Term

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

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

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

(In thousands, except per share data)

The loan agreement contains restrictive covenants which specify, among other things, restrictions on the incurrence of indebtedness, payment of dividends, capital expenditures,
and the maintenance of certain financial ratios. The Company, as of December 31, 2001, was in compliance with all such covenants.

In connection with the Euroball transaction (see Note 2) the Company and Euroball, entered into a Facility Agreement with a bank to provide up to Euro 36,000 in Term Loans and Euro 5,000 in revolving credit loans. The Company borrowed Euro 30,500 ($28,755) under the term loan facility and Euro 1,000 ($943) under the revolving credit facility. Amounts outstanding under the Facility Agreement are secured by inventory and accounts receivable and bear interest at EURIBOR (3.30% at December 31, 2001) plus an applicable margin between 1.125% and 2.25% based upon financial ratios. The shareholders of Euroball have provided guarantees for the Facility Agreement. The Facility Agreement contains restrictive covenants, which specify, among other things, restrictions on the incurrence of indebtedness and the maintenance of certain financial ratios. Euroball was in compliance with all such covenants at December 31, 2001.

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

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

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

(9) Employee Benefit Plans

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

The plan in place for IMC covers all employees who have completed six months of service and have elected to participate in the plan. A participant may elect to contribute from 1% to 15% of his or her compensation to the plan, subject to a maximum deferral set forth in the Internal

(In thousands, except per share data)

Revenue Code. The Company matches 25% of the first 6% of each employee's contribution to the plan and provides for a discretionary contribution at the end of each plan year. The contributions by the Company for IMC plan since acquisition in July 1999 were $58 in 2001, $70 in 2000 and $196 in 1999. Vesting occurs in equal increments over a period of five years.

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

The Company has a defined benefit pension plan covering its Eltmann, Germany facility employees (a Euroball division). The benefits are based on the expected years of service including the rate of compensation increase. The plan is unfunded.
Following is a summary of the changes in the projected benefit obligation for the defined benefit pension plan during 2001 and 2000:

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

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

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

(In thousands, except per share data)

Amounts recognized in the Consolidated Balance Sheets consist of:

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

(10) Stock Incentive Plan

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

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

	2001		2000		1999	
	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price
Outstanding at beginning of year	1,091	$6.87	1,049	$ 8.53	548	$11.53
Granted	396	8.09	555	7.63	539	5.93
Exercised	(70)	6.09	(2)	5.87	--	--
Forfeited	(44)	6.78	(511)	10.95	(38)	12.28
Outstanding at end of year	1,373	7.25	1,091	6.87	1,049	8.53
Options exercisable at year-end	528	$6.59	290	$ 6.09	345	$11.53

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

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

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

On August 4, 1998 the Company's Board of Directors authorized the repurchase of up to 740 shares of its Common Stock, equaling 5% of the company's issued and outstanding shares as of August 4, 1998. The program may be extended or discontinued at any time, and there is no assurance that the Company will purchase any or all of the full amount authorized. The Company has not repurchased any shares under this program through December 31, 2001.

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

(In thousands, except per share data)

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

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

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

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

(11) Segment Information

The Company adopted the provisions of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," effective with its December 31, 1998 reporting and identified its reportable segments based upon the geographic location of its business units. During 2001, the Company's reportable segments are based on differences in product lines and geographic locations and are divided among Domestic Ball and Roller, Euroball and Plastics. The Domestic Ball and Roller segment is comprised of two manufacturing facilities in the eastern United States. The Euroball segment acquired in July 2000, is comprised of manufacturing facilities located in Kilkenny, Ireland, Eltmann, Germany and Pinerolo, Italy. All of the facilities in the Domestic Ball and Roller and Euroball segments are engaged in the production of precision balls and rollers used primarily in the bearing industry. The Plastics segment is compromised of five facilities: two located in Lubbock, Texas, which represents the IMC business acquired in July 1999; two facilities located in Danielson, Connecticut, which represents the Delta business acquired in February 2001, and one facility located in Guadalajara, Mexico, which represents the

(In thousands, except per share data)

NN Arte business. IMC and NN Arte manufacture plastic products for the bearing, automotive, instrumentation, fiber optic and consumer hardware markets. Delta manufactures engineered bearing seals used principally in automotive, industrial, agricultural, mining and aerospace applications.

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

	December 31, 2001			December 31, 2000			December 31, 1999	
	Domestic Ball and Roller	Euroball	Plastics	Domestic Ball and Roller	Euroball	Plastics	Domestic Ball and Roller	Plastics
Net sales	$52,692	$86,719	$40,740	$67,637	$33,988	$30,504	$67,736	$17,558
Interest expense	237	1,574	2,194	385	622	766	--	523
Depreciation & amortization	4,439	5,426	3,475	4,796	2,123	2,246	4,932	1,199
Income tax expense	2,435	2,474	815	4,284	1,408	267	3,816	244
Segment profit (loss)	4,498	1,962	(1,798)	8,314	775	898	7,293	466
Segment assets	62,978	68,288	55,721	62,574	91,392	33,842	58,557	31,811
Expenditures for long-lived assets	1,117	3,537	1,660	9,319	3,737	4,854	1,723	671

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

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

Two customers comprised 49%, 49% and 46% of the Domestic Ball and Roller segments sales during the years ended December 31, 2001, 2000, and 1999, respectively (see Note 18). Two customers comprised 76% of the Euroball segments sales during the year ended December 31, 2001. One customer comprised 5% and 20% of IMC's sales for the years ended December 31, 2001 and 2000, respectively. Accounts receivable concentrations as of December 31, 2001 are generally reflective of sales concentrations during 2001.

(In thousands, except per share data)

(12) Income Taxes

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

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

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

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

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

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

(In thousands, except per share data)

The tax effects of the temporary differences are as follows:

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

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

	2001	2000
Change in net deferred income tax liability	$116	$1,780
Other comprehensive income adjustment	31	--
Cumulative effect of a change in accounting principle	112	--
Acquisition of deferred tax asset (liability) recorded under purchase accounting	229	(595)
Effect of currency translation	(55)	--
Deferred income tax expense	$433	$1,185

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

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

(In thousands, except per share data)

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

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

(13) Reconciliation of Net Income Per Share

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

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

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

(14) Commitments and Contingencies

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

Year ended December 31,	
2002	$ 1,473
2003	1,345
2004	1,311
2005	1,280
2006	1,204
Thereafter	12,005
Total minimum lease payments	$18,618

The Kilkenny operation of the Euroball segment has received certain grants from the Ireland government. These grants are based upon the Kilkenny facility hiring and retaining certain

(In thousands, except per share data)

employment levels. At December 31, 2001, actual employment levels are less than those required by certain grant covenants. As of December 31, 2001, the Company anticipates the grant agreement and employment level thresholds will be adjusted.

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

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

(15) Quarterly Results of Operations (Unaudited)

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

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

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

(In thousands, except per share data)

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

(16) Fair Value of Financial Instruments

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

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

(17) Involuntary Conversion

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

(18) Related Party Transactions

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

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

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

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

NN, Inc.

Consolidated Statements of Income and Comprehensive Income (Loss)

(In thousands, except per share data)

(Unaudited)

	Three Months Ended March 31,	
	2002	2001
Net sales	$47,200	$50,227
Cost of products sold	35,532	38,184
Gross profit	11,668	12,043
Selling, general and administrative	4,498	4,014
Depreciation and amortization	2,825	3,310
Restructuring and impairment costs	78	--
Income from operations	4,267	4,719
Interest expense	601	1,182
Equity in earnings of unconsolidated affiliates	--	(49)
Other income	(355)	(132)
Income before provision for income taxes	4,021	3,718
Provision for income taxes	1,505	1,636
Minority interest in consolidated subsidiaries	668	536
Income before cumulative effect of change in accounting principle	1,848	1,546
Cumulative effect of change in accounting principle, net of income tax benefit of $112 and related minority interest impact of $84	--	98
Net income	1,848	1,448
Other comprehensive income (loss):		
Foreign currency translation	(80)	(3,386)
Comprehensive income (loss)	$ 1,768	$(1,938)
Basic income per share:		
Income before cumulative effect of change in accounting principle	$ 0.12	$ 0.10
Cumulative effect of change in accounting principle	--	--
Net income	$ 0.12	$ 0.10
Weighted average shares outstanding	15,341	15,247
Diluted income per share:		
Income before cumulative effect of change in accounting principle	$ 0.12	$ 0.10
Cumulative effect of change in accounting principle	--	(0.01)
Net income	$ 0.12	$ 0.09
Weighted average shares outstanding	15,735	15,396

See accompanying notes to consolidated financial statements.

NN, Inc.

Condensed Consolidated Balance Sheets

(In thousands)

	March 31, 2002 (Unaudited)	December 31, 2001
Assets		
Current assets:		
Cash and cash equivalents	$ 2,204	$ 3,024
Accounts receivable, net	30,808	24,832
Inventories, net	21,720	23,418
Other current assets	4,844	4,343
Total current assets	59,576	55,617
Property, plant and equipment, net	80,742	82,770
Assets held for sale	3,929	4,348
Goodwill, net	39,666	39,805
Other assets	5,507	5,595
Total assets	$189,420	$188,135
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 14,446	$ 14,552
Bank overdraft	646	1,141
Accrued salaries, wages and benefits	3,826	3,813
Income taxes payable	3,799	2,377
Payable to affiliates	935	1,277
Short-term portion of long-term notes	7,000	7,000
Other current liabilities	8,232	7,576
Total current liabilities	38,884	37,736
Minority interest in consolidated subsidiaries	31,186	30,932
Non-current deferred tax liability	6,482	6,499
Long-term debt	47,047	47,661
Accrued pension	2,292	2,390
Other	801	878
Total liabilities	126,692	126,096
Total stockholders' equity	62,728	62,039
Total liabilities and stockholders' equity	$189,420	$188,135

See accompanying notes to consolidated financial statements.

NN, Inc.

Consolidated Statements of Changes in Stockholders' Equity

(In thousands)

(Unaudited)

Thousands of Dollars	Common Stock Number of Shares	Common Stock Par value	Additional paid in capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2000....	15,247	$153	$30,414	$36,364	$(1,685)	$65,246
Net income.....	--	--	--	1,448	--	1,448
Dividends paid.....	--	--	--	(1,220)	--	(1,220)
Other comprehensive loss..	--	--	--	--	(3,386)	(3,386)
Balance, March 31, 2001.....	15,247	$153	$30,414	$36,592	$(5,071)	$62,088
Balance, December 31, 2001....	15,317	$154	$30,841	$36,139	$(5,095)	$62,039
Shares issued.....	24	--	148	--	--	148
Net income.....	--	--	--	1,848	--	1,848
Dividends paid.....	--	--	--	(1,227)	--	(1,227)
Other comprehensive loss..	--	--	--	--	(80)	(80)
Balance, March 31, 2002.....	15,341	$154	$30,989	$36,760	$(5,175)	$62,728

See accompanying notes to consolidated financial statements.

NN, Inc.

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

Thousands of Dollars	Three Months Ended March 31, 2002	2001
Cash flows from operating activities:		
Net income	$ 1,848	$ 1,448
Adjustments to reconcile net income:		
Depreciation and amortization	2,825	3,310
Cumulative effect of change in accounting principle	--	98
Equity in earnings of unconsolidated affiliate	--	(49)
Interest income on receivable from unconsolidated affiliates	--	(52)
Minority interest in consolidated subsidiaries	668	536
Restructuring costs and impairment costs	78	--
Changes in operating assets and liabilities:		
Accounts receivable	(5,996)	(6,363)
Inventories	1,578	702
Other current assets	(558)	(127)
Other assets	2	1,049
Accounts payable	(1,371)	(2,251)
Income taxes payable	1,421	1,675
Other liabilities	571	3,501
Net cash provided by operating activities	1,066	3,477
Cash flows from investing activities:		
Acquisition of Delta Rubber Company, net of cash acquired	--	(23,472)
Acquisition of property, plant, and equipment	(849)	(1,978)
Net cash used by investing activities	(849)	(25,450)
Cash flows from financing activities:		
Net proceeds under revolving line of credit	--	24,642
Proceeds from long-term debt	1,710	--
Bank overdrafts	495	3,081
Repayment of long-term debt	(2,132)	(4,731)
Repayment of short-term debt	--	(2,000)
Proceeds from issuance of stock	148	--
Cash Dividends	(1,227)	(1,220)
Net cash provided (used) by financing activities	(1,006)	19,772
Effect of exchange rate changes	(31)	1,415
Net Change in Cash and Cash Equivalents	(820)	(786)
Cash and Cash Equivalents at Beginning of Period	3,024	8,273
Cash and Cash Equivalents at End of Period	$ 2,204	$ 7,487

See accompanying notes to consolidated financial statements.

NN, Inc.
Notes to Consolidated Financial Statements
Three Months Ended March 31, 2002 and 2001
(In thousands, except per share data)

Note 1. Interim Financial Statements

The accompanying consolidated financial statements of NN, Inc. (the "Company") have not been audited by independent accountants, except that the balance sheet at December 31, 2001 is derived from the Company's audited financial statements. 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, 2002 and 2001, the Company's financial position at March 31, 2002 and December 31, 2001, and the cash flows for the three month periods ended March 31, 2002 and 2001. 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 the 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 2002 are not necessarily indicative of future results.

Certain 2001 amounts have been reclassified to conform with the 2002 presentation.

Note 2. Derivate Financial Instruments

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

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

As of March 31, 2002, the fair value of the swap is a loss of approximately $312, which is recorded in other non-current liabilities. The change in fair value during the three month period ended March 31, 2002 and 2001 was a gain of approximately $56 and a loss of approximately $48, respectively, which have been included as a component of other income.

Note 3. Inventories

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

(In thousands, except per share data)

Inventories are comprised of the following:

	March 31, 2002 (Unaudited)	Dec. 31, 2001
Raw materials.....	$ 5,083	$ 5,494
Work in process.....	4,453	5,016
Finished goods.....	12,373	13,065
Less inventory reserves	(189)	(157)
	$21,720	$23,418

Note 4. Net Income Per Share

	Three Months Ended March 31, 2002	2001
Net income.....	$ 1,848	$ 1,448
Adjustments to net income.....	--	--
Net income.....	$ 1,848	$ 1,448
Weighted average basic shares...	15,340,806	15,246,909
Effect of dilutive stock options	393,904	149,543
Weighted average dilutive shares	15,734,710	15,396,452
Basic net income per share.....	$ 0.12	$ 0.10
Diluted net income per share....	$ 0.12	$ 0.09

Excluded from the shares outstanding for each of the three month periods ended March 31, 2002 and 2001 were 0 and 10,750 antidilutive options, respectively, which had exercise prices ranging from $9.75 to $11.50 as of March 31, 2001.

Note 5. Segment Information

During 2002 and 2001, the Company's reportable segments are based on differences in product lines and geographic locations and are divided among Domestic Ball and Roller, Euroball and Plastics. The Domestic Ball and Roller segment is comprised of two manufacturing facilities in the eastern United States. The Euroball segment was acquired in July 2000 and is comprised of manufacturing facilities located in Kilkenny, Ireland, Eltmann, Germany and Pinerolo, Italy. All of the facilities in the Domestic Ball and Roller and Euroball segment are engaged in the production of precision balls and rollers used primarily in the bearing industry. The Plastics segment is comprised of the IMC business, located in Lubbock, Texas, which was acquired in July 1999, NN Arte formed in August of 2000, located in Guadalajara, Mexico and Delta, located in Danielson, Connecticut, which was acquired in February 2001. IMC and NN Arte are engaged in the production of plastic injection molded products for the bearing, automotive, instrumentation, fiber optic and consumer hardware markets. Delta is engaged principally in the production of engineered bearing seals used principally in automotive, industrial, agricultural, mining and aerospace applications.

(In thousands, except per share data)

The accounting policies of each segment are the same as those described in the summary of significant accounting policies in the December 31, 2001 Form 10-K/A including those policies as discussed in Note 8. The Company evaluates segment performance based on profit or loss from operations before income taxes and minority interest not including nonrecurring gains and losses. The Company accounts for inter-segment sales and transfers at current market prices; however, the Company did not have any material inter-segment transactions during the three month periods ended March 31, 2002 and 2001.

	Three Months Ended March 31,					
	2002			2001		
	Domestic Ball & Roller	Euroball	Plastics	Domestic Ball & Roller	Euroball	Plastics
Revenues from external customers	$13,203	$21,725	$12,272	$15,799	$25,337	$ 9,091
Segment pretax profit (loss)....	998	2,351	672	1,546	2,658	(486)
Segment assets.....	65,982	66,412	57,026	62,468	86,955	59,904

Note 6. Acquisitions and Joint Ventures

On February 16, 2001, the Company completed the acquisition of all of the outstanding stock of Delta, a Connecticut corporation for $22.5 million in cash. Delta manufactures and sells high quality engineered bearing seals to original equipment manufacturers and operates a manufacturing facility in Danielson, Connecticut. The Company has accounted for this acquisition using the purchase method of accounting.

Note 7. Restructuring Charges

In September of 2001, the Company announced that it would close its Walterboro, South Carolina ball manufacturing facility as part of its ongoing strategy to locate manufacturing capacity in closer proximity to customers. The closure was substantially completed by December 31, 2001. Current plans are to sell the land and building. The plant closing resulted in the termination of approximately 80 full time hourly and salaried employees in 2001.

Prior to December 31, 2001, production capacity and certain machinery and equipment were transferred from the Walterboro facility to the Company's two domestic ball facilities in Erwin, Tennessee and Mountain City, Tennessee. The Company has recorded restructuring costs of $62 for additional severance payments during the quarter ended March 31, 2002. Additionally, prior to December 31, 2001, the Company decided to sell the Walterboro land, building and certain machinery and incurred an impairment charge of approximately $1.1 million during 2001 to write down the land and building to its net realizable value of approximately $1.7 million, which was based upon fair market appraisals less costs to sell. The amounts the Company will ultimately realize upon disposition of these assets could differ materially from the amounts assumed in arriving at the 2001 impairment loss. The remaining equipment recorded at a historical net book value of $2.2 million is also held for sale. The Company anticipates selling the land, building and machinery during 2002.

Accrued restructuring costs of $114 are included in other current liabilities as of March 31, 2002. The Company has charged expenses for moving machinery, equipment and inventory to other

(In thousands, except per share data)

production facilities and other costs to close the facility which will benefit future operations in the period they are incurred.

The Company's Euroball subsidiary incurred restructuring charges of $16 for the quarter ended March 31, 2002 for additional severance payments as a result of the termination of 15 hourly employees and 3 salaried employees at its Italy production facility. Approximately $69 of the severance payments were paid during the quarter ended March 31, 2002 and there are no remaining accrued restructuring costs included in other current liabilities as of March 31, 2002 related to Euroball.

The following summarizes the 2002 activity related to the restructurings:

	Accrual Balance at 12/31/01	Charges	Paid in 2002	Accrual Balance at 3/31/02
Severance and other employee costs	$513	$78	$477	$114
Total	$513	$78	$477	$114

Note 8. New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (Statement No. 141), and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (Statement No. 142). Statement No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Statement No. 141 also specifies criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. Statement No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but rather, periodically tested for impairment. The effective date of Statement No. 142 is January 1, 2002. As of the date of adoption, the Company had unamortized goodwill of approximately $39.8 million, which is subject to the provisions of Statement No. 142.

As a result of adopting these standards in the first quarter of 2002, the Company no longer amortizes goodwill. The Company estimates that amortization expense for goodwill would have been approximately $2.1 million (or $1.2 million net of tax and minority interest) for the year ended December 31, 2002.

As a result of adopting these new standards, the Company's accounting policies for goodwill and other intangibles changed on January 1, 2002, as described below:

Goodwill: The Company recognizes the excess of the purchase price of an acquired entity over the fair value of the net identifiable assets as goodwill. Goodwill is tested for impairment on an annual basis and between annual tests in certain circumstances. Impairment losses are recognized whenever the implied fair value of goodwill is less than its carrying value. Prior to January 1, 2002, goodwill was amortized over a twenty-year period using the straight-line method. Beginning January 1, 2002, goodwill is no longer amortized.

(In thousands, except per share data)

Other Acquired Intangibles: The Company recognizes an acquired intangible asset apart from goodwill whenever the asset arises from contractual or other legal rights, or whenever it is capable of being divided or separated from the acquired entity or sold, transferred, licensed, rented, or exchanged, whether individually or in combination with a related contract, asset or liability. An intangible asset other than goodwill is amortized over its estimated useful life unless that life is determined to be indefinite. The Company will review the lives of intangible assets each reporting period and, if necessary, recognize impairment losses if the carrying amount of an intangible asset subject to amortization is not recoverable from expected future cash flows and its carrying amount exceeds its fair value.

The Company is currently evaluating the impact of adoption of Statement No. 142 related to the transitional goodwill impairment review required by the new standards during the first six months after adoption.

The table below describes the impact of the amortization of goodwill for the three months ended March 31, 2002 and 2001:

	For the Quarter Ended March 31,	
	2002	2001
Reported net income	$1,848	$1,448
Add back: Goodwill amortization, net of tax	--	220
Pro-forma net income	$1,848	$1,668
Basic earnings per share:		
Reported net income	$ 0.12	$ 0.10
Goodwill amortization	--	0.01
Pro-forma net income	$ 0.12	$ 0.11
Diluted earnings per share:		
Reported net income	$ 0.12	$ 0.09
Goodwill amortization	--	0.01
Pro-forma net income	$ 0.12	$ 0.11

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

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

Company has adopted Statement No. 144 effective January 1, 2002. Management believes that as of March 31, 2002 no asset impairment exists under the provisions of Statement No. 144.

Note 9. Long-Term Debt

On July 20, 2001, the Company entered into a syndicated loan agreement with AmSouth Bank ("AmSouth"), as the administrative agent for the lenders, for a senior non-secured revolving credit facility of up to $25 million, expiring on July 25, 2003 and a senior non-secured term loan for $35 million expiring on July 1, 2006. This credit facility replaces the $25 million revolving credit facility that was temporarily extended and restated in February of 2001 to $50 million and the additional $2 million of availability extended in March of 2001. Amounts outstanding under the revolving facility and the term loan facility bear interest at a floating rate equal to LIBOR (1.88% at March 31, 2002) plus an applicable margin of 0.75% to 2.00% based upon calculated financial ratios. The loan agreement contains customary financial and non-financial covenants. The Company was in compliance with all such covenants as of March 31, 2002.

In connection with the Euroball transaction the Company and Euroball, entered into a Facility Agreement with a bank to provide up to Euro 36 million in Term Loans and Euro 5 million in revolving credit loans. The Company borrowed Euro 30.5 million ($28,755) under the term loan facility and Euro 1 million ($943) under the revolving credit facility. Amounts outstanding under the Facility Agreement are secured by inventory and accounts receivable and bear interest at EURIBOR (3.36% at March 31, 2002) plus an applicable margin between 1.125% and 2.25% based upon financial ratios. The shareholders of Euroball have provided guarantees for the Facility Agreement. The Facility Agreement contains restrictive covenants, which specify, among other things, restrictions on the incurrence of indebtedness and the maintenance of certain financial ratios. Euroball was in compliance with all such covenants as of March 31, 2002.


[Photograph of the Company's products]

[LOGO] NN Inc

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses payable by us in connection with the sale of Common Stock being registered. All amounts other than the registration fee are estimates.

SEC registration fee.....	$ 7,221
NASD filing fee.....	8,349
Legal fees and expenses.....	150,000
Accounting fees and expenses.....	50,000
Nasdaq National Market listing fee	22,500
Transfer agent fees and expenses..	5,000
Printing and engraving expenses...	60,000
Miscellaneous fees and expenses...	6,930
Total.....	$310,000

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company has entered into indemnification agreements with certain officers and directors of the Company. Under these agreements, the Company agrees to hold harmless and indemnify each indemnitee generally to the full extent permitted by Section 145 of the Delaware General Corporation Law (the "DGCL") and against any and all liabilities, expenses, judgments, fines, penalties and costs in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative to which the indemnitee is made a party by reason of the fact that the indemnitee has, is or at the time becomes a director or officer of the Company or any other entity at the request of the Company.

Section 145 permits a corporation to indemnify certain persons, including officers and directors, who are (or are threatened to be made) parties to any threatened, pending or completed legal action (whether civil, criminal, threatened or investigative) for reason of their being officers or directors. The indemnity may include expenses, attorneys' fees, judgments, fines and reasonably incurred costs of settlement, provided the officer and director acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation's best interest and, in the case of criminal proceedings, he had no reasonable cause to believe that his conduct was illegal. The corporation may indemnify officers and directors in derivative actions (in which suit is brought by a shareholder on behalf of the corporation) under the same conditions, except that no indemnification is permitted without judicial approval if the officer or director is judged liable for negligence or misconduct in the performance of his duty to the corporation. If the officer or director is successful on the merits or otherwise in defense of any action referred to above, the corporation must indemnify him against the expenses and attorneys' fees he actually and reasonably incurred.

The Company has obtained liability insurance coverage for its officers and directors with respect to actions arising out of the performance of such officer's or director's duty in his or her capacity as such.

ITEM 16. EXHIBITS

1.1	Form of Underwriting Agreement.
3.1	Restated Certificate of Incorporation of the Company.*
3.2	Restated By-Laws of the Company.*
4.1	The specimen certificate representing the Company's Common Stock, par value $0.01 per share.*
4.2	Article IV, Article V (Sections 3 through 6), Article VI (Section 2) and Article VII (Sections 1 and 3) of the Restated Certificate of Incorporation of the Company (included in Exhibit 3.1).*
4.3	Article II (Sections 7 and 12), Article III (Sections 2 and 15) and Article VI of the Restated By-Laws of the Company (included in Exhibit 3.2).*
5.1	Opinion of Blackwell Sanders Peper Martin LLP, counsel to the Company.*
10.1	NN Ball & Roller, Inc. Stock Incentive Plan and Form of Incentive Stock Option Agreement pursuant to the Stock Incentive Plan.**
10.2	Amendment No. 1 to the Stock Incentive Plan increasing the number of shares of Common Stock available for Awards by 500,000 shares to a total of 1,625,000 (incorporated by reference to Exhibit 4.6 of the Company's Registration Statement on Form S-8 filed on November 30, 2000).**
10.3	Amendment No. 2 to the Stock Incentive Plan increasing the number of shares of Common Stock available for Awards by 825,000 shares to a total of 2,450,000 shares and renaming the Stock Incentive Plan the NN, Inc. Stock Incentive Plan (incorporated by reference to Exhibit 4.7 of the Company's Registration Statement on Form S-8 filed on September 18, 2001).**
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10.24 NN Euroball, ApS Shareholder Agreement dated April 6, 2000 among NN, Inc., AB SKF and FAG Kugelfishcher Georg Schafer AG (incorporated by reference to Exhibit 10.26 of the Company's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2001).
21.1 List of Subsidiaries of the Company.
23.1 Consent of Blackwell Sanders Peper Martin LLP (included in Exhibit 5.1).*
23.2 Consent of KPMG LLP, Independent Auditors.
23.3 Consent of PricewaterhouseCoopers LLP, Independent Auditors.
24 Powers of Attorney (included in the signature page to the Registration Statement).*

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* Previously filed.
**Represents a management contract or compensatory plan or arrangement.

ITEM 17. UNDERTAKINGS

(a) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(b) The undersigned Company hereby undertakes that:

(i) For purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(ii) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(iii) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Johnson City, State of Tennessee, on July 15, 2002.

NN, Inc.

By: /s/ RODERICK R. BATY
Roderick R. Baty
Chairman, Chief Executive Officer and President

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/S/ RODERICK R. BATY Roderick R. Baty	Chairman, Chief Executive Officer, President and Director (Principal Executive Officer)	July 15, 2002
/S/ DAVID L. DYCKMAN David L. Dyckman	Vice President-Business Development and Chief Financial Officer (Principal Financial Officer)	July 15, 2002
/S/ WILLIAM C. KELLY, JR. William C. Kelly, Jr.	Treasurer, Secretary and Chief Accounting Officer (Principal Accounting Officer)	July 15, 2002
RODERICK R. BATY*	A majority of the Board of Directors	July 15, 2002
MICHAEL D. HUFF*		July 15, 2002
G. RONALD MORRIS*		July 15, 2002
STEVEN T. WARSHAW*		July 15, 2002
JAMES L. EARSLEY*		July 15, 2002

*By: /S/ DAVID L. DYCKMAN
David L. Dyckman
As Attorney-in-fact for the above-named officers and directors pursuant to powers of attorney duly executed by such persons

Index of Exhibits

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24	Powers of Attorney (included in the signature page to the Registration Statement).*

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* Previously filed.
**Represents a management contract or compensatory plan or arrangement.

Exhibit 1.1

NN, INC.

6,500,000 Shares of Common Stock*

UNDERWRITING AGREEMENT

July __, 2002

McDonald Investments Inc.
Legg Mason Wood Walker, Incorporated
As Representatives of the Several Underwriters
c/o McDonald Investments Inc.
McDonald Investment Center
800 Superior Avenue
Cleveland, Ohio 44114

Dear Sirs:

1. Introductory. NN, Inc., a Delaware corporation (the "Company"), proposes to issue and sell 2,600,000 shares of its common stock, $0.01 par value per share (the "Common Stock"), which are authorized but unissued, and certain stockholders of the Company named in Schedule A hereto (the "Selling Stockholders"), propose to sell 3,900,000 shares of Common Stock, which are issued and outstanding, to the public through the underwriters named in Schedule B annexed hereto (the "Underwriters"), for whom you are acting as the Representatives. The 6,500,000 shares of Common Stock to be purchased in aggregate from the Company and the Selling Stockholders are hereinafter referred to as the "Firm Stock." The Company and the Selling Stockholders also propose to sell to the Underwriters, at their option, an aggregate of not more than 975,000 additional shares of Common Stock, including 421,250 shares of Common Stock to be sold by the Selling Stockholders and 553,750 shares of Common Stock to be sold by the Company, which are hereinafter referred to as the "Option Stock." The Firm Stock and the Option Stock are hereinafter collectively referred to as the "Stock" and are more fully described in the Registration Statement and the Prospectus (as hereinafter defined). The Company and the Selling Stockholders hereby confirm their several agreements with you, acting as the Representatives of the Underwriters.

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* Plus an option to purchase up to 975,000 additional shares of Common Stock to cover over-allotments.

2. Representations and Warranties of the Company. The Company represents and warrants to each of the Underwriters that:

(a) The Company has been subject to the requirements of Section 12 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), for a period of at least 12 months prior to the initial filing of the Registration Statement (as hereinafter defined) and has filed all material required to be filed pursuant to Section 13, 14 or 15(d) of the Exchange Act for a period of at least 12 calendar months immediately preceding the initial filing of the Registration Statement and through and including the date of this Agreement in a timely manner and otherwise satisfies all applicable requirements for the use of Form S-3 under the Act in connection with the transactions contemplated hereby and by the Registration Statement (as hereinafter defined).

(b) The documents incorporated by reference in the Prospectus (as hereinafter defined), when they were filed with the Commission, conformed in all material respects to the requirements of the Exchange Act and the rules and regulations of the Commission thereunder (the "Exchange Act Regulations"), and none of such documents contained at the date of such filing an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(c) The Company does not own or control, directly or indirectly, any corporation, association or other entity other than those listed in Exhibit 21 to the Registration Statement (as hereinafter defined). The Company has been duly organized and is validly existing as a corporation in good standing under the laws of Delaware with power and authority to own and lease its properties and conduct its business as described in the Prospectus (as hereinafter defined). Each of the Company's subsidiaries has been duly incorporated or duly formed, as the case may be, and is validly existing as a corporation, limited liability company or limited partnership, as the case may be, in good standing under the laws of its respective jurisdiction of incorporation, with power and authority to own and lease its properties and conduct its respective business. The Company and each of its subsidiaries are duly qualified to do business as a foreign entity and are in good standing in all jurisdictions (i) in which the conduct of business, as presently being conducted, requires such qualification (except for those jurisdictions in which the failure to so qualify will not in the aggregate have a material adverse effect on the Company and its subsidiaries) and (ii) in which the Company or its subsidiaries owns or leases real property. Except as disclosed in the Registration Statement, the Company does not own, directly or indirectly, any equity securities or securities convertible into or exchangeable for equity securities of any other corporation, partnership, joint venture, Massachusetts or other business trust, limited liability company, limited partnership or any other business enterprise.

(d) This Agreement has been duly and validly authorized, executed and delivered on behalf of the Company and constitutes a valid and binding obligation of the Company enforceable in accordance with its terms.

(e) The Company has prepared and filed with the Securities and Exchange Commission (the "Commission"), in accordance with the provisions of the Securities Act of 1933, as amended (the "Act"), and the Rules and Regulations of the Commission thereunder (as hereinafter defined), a registration statement on Form S-3 (Registration No. 333-89950) including a preliminary prospectus relating to the Company's Stock, and such amendments to such registration statement as may have been required prior to the date hereof have been similarly prepared and filed with the Commission. The registration statement as amended at the time when it becomes effective, or, if applicable, as amended at the time the most recent post-effective amendment to such registration statement filed with the Commission prior to the execution and delivery of this Agreement became effective (the "Effective Date"), and including information (if any) contained in a prospectus subsequently filed with the Commission pursuant to Rule 424(b) under the Act, and deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Act (including the documents incorporated therein by reference pursuant to Item 12 of Form S-3 under the Act and the information, if any, deemed to be part thereof pursuant to Rule 430A of the Rules and Regulations of the Commission thereunder, as hereinafter defined) is hereinafter referred to as the "Registration Statement"; the prospectus in the form first used to confirm sales of Stock, whether or not filed with the Commission pursuant to Rule 424(b) under the Act is hereinafter referred to as the "Prospectus." Any reference herein to the Registration Statement, and preliminary prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated therein by reference pursuant to Item 12 of Form S-3 under the Act.

(f) As of the Effective Date, and at all times subsequent thereto up to and including the respective Closing Dates (as hereinafter defined) of the offering, (i) the Registration Statement and the Prospectus, and any amendments thereof or supplements thereto, will in all material respects conform to the requirements of the Act and the applicable rules, regulations and interpretive releases of the Commission thereunder (the "Rules and Regulations"); (ii) the Registration Statement or any amendment thereof or supplement thereto, did not or will not contain, as the case may be, any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and (iii) the Prospectus or any amendment thereof or supplement thereto, did not or will not, as the case may be, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representations, warranties or agreements as to information contained in the Registration Statement or the Prospectus or any such amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Company (a) through you as the Representatives specifically for use in the preparation thereof, or (b) by the Selling Stockholders specifically for use in the preparation thereof.

(g) The Company has a duly authorized and outstanding capitalization as set forth under "Capitalization" in the Prospectus; all of the outstanding shares of Common Stock are duly authorized and validly issued, fully paid and nonassessable, are free of any preemptive rights, rights of first refusal or similar rights, were issued and sold in compliance with the applicable Federal and state securities laws and conform in all material respects to the description in the Prospectus; except as described in the Prospectus, there are no outstanding

options, warrants or other rights calling for the issuance of, and there are no commitments, plans or arrangements to issue any shares of capital stock of the Company or any security convertible or exchangeable or exercisable for capital stock of the Company. There are no holders of securities of the Company who, by reason of the filing of the Registration Statement have the right (and have not waived such right) to request the Company to include in the Registration Statement securities owned by them, other than such rights as have been satisfied by the inclusion of securities in the Registration Statement.

(h) The Common Stock of the Company conforms in substance to all statements in relation thereto contained in the Registration Statement and the Prospectus; the Stock to be sold by the Company and the Selling Stockholders hereunder has been duly authorized and, (i) with respect to the Stock to be sold by the Company, when issued and delivered pursuant to this Agreement, will be validly issued, fully paid and nonassessable and (ii) with respect to the Stock to be sold by the Selling stockholders, is validly issued, fully paid and nonassessable; and (iii) will conform to the description thereof contained in the Prospectus. All corporate action required to be taken for the issuance of the Stock by the Company has been validly and sufficiently taken. The Company has not granted any preemptive rights of security holders of the Company with respect to the issuance and sale of the Stock by the Company and the Selling Stockholders pursuant hereto.

(i) All the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and the portion of such shares owned by the Company is free and clear of all liens, encumbrances, equities, security interests, or claims; and there are no outstanding options, warrants or other rights calling for the issuance of, and there are no commitments, plans or arrangements to issue, any shares of capital stock of any subsidiary or any security convertible or exchangeable or exercisable for capital stock of any subsidiary; except as disclosed in the Registration Statement and except for the shares of stock or equity interests of each subsidiary owned by the Company, neither the Company nor any subsidiary owns, directly or indirectly, any shares of capital stock of any corporation or has any equity interest in any firm, partnership, joint venture, association, limited liability company, limited partnership or other entity.

(j) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, except as set forth or contemplated in the Prospectus, (i) neither the Company nor any of its subsidiaries has incurred any material liabilities or obligations, direct or contingent, nor have any of them entered into any material transaction, (ii) there has not been and will not have been any change on a pro forma basis or otherwise in the capital stock or funded debt of the Company and its subsidiaries which is material or any material adverse change in the business or the financial position or results of operations of the Company and its subsidiaries, taken as a whole and (iii) no loss or damage (whether or not insured) to the property of the Company and its subsidiaries have been sustained which materially and adversely affects the operations of the Company and its subsidiaries, taken as a whole.

(k) The consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not conflict with or result in a breach of any of the terms and

provisions of, or constitute a default under, (i) the Certificate of Incorporation or Bylaws of the Company, or the organizational documents of any of its subsidiaries, or (ii) any indenture, mortgage, deed of trust or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound, or (iii) any order, rule or regulation applicable to the Company or any of its subsidiaries of any court or of any federal or state regulatory body or administrative agency or other governmental body having jurisdiction over the Company or any of its subsidiaries or any of their properties.

(l) The financial statements of the Company included or incorporated by reference in the Registration Statement and the Prospectus fairly present the financial position and results of operations of the Company at the respective dates and for the respective periods to which they apply, and such financial statements have been prepared in conformity with generally accepted accounting principles consistently applied throughout the periods involved, except as described in the financial statements.

(m) KPMG, LLP and PricewaterhouseCoopers LLP, who have examined and expressed their opinion on the financial statements of the Company referenced in their opinions set forth in the Prospectus, are each independent accountants within the meaning of the Act and the Rules and Regulations.

(n) The Company and its subsidiaries hold all necessary material authorizations, approvals, orders, licenses, certificates and permits of and from all governmental regulatory officials and bodies (collectively the "licenses") required for the conduct of its business as described in the Prospectus, and all such licenses are valid and in full force and effect, and the Company and its subsidiaries have no reason to believe they are not operating in compliance in all material respects with the terms and provisions of such licenses and with all material laws, regulations, orders and decrees applicable to the Company and its subsidiaries, and their respective businesses and assets.

(o) Neither the Company nor any of its subsidiaries is in violation of any applicable Federal, state or local laws, statutes, rules, regulations or ordinances relating to public health, safety or the environment, including, without limitation, relating to releases, discharges, emissions or disposal to air, water, land or groundwater, to the withdrawal or use of groundwater, to the use, handling or disposal of polychlorinated biphenyls (PCBs), asbestos or urea formaldehyde, to the treatment, storage, disposal or management of hazardous substances (including, without limitation, petroleum, crude oil or any fraction thereof, or other hydrocarbons), pollutants or contaminants, to exposure to toxic, hazardous or other controlled, prohibited or regulated substances, which violation would have a material adverse effect on the business, condition (financial or other) or results of operations of the Company and its subsidiaries, taken as a whole, or which might materially and adversely affect the consummation of the transactions contemplated by this Agreement. In addition, and irrespective of such compliance, neither the Company nor any of its subsidiaries is subject to any liabilities for environmental remediation or clean-up, including any liability or class of liability of the lessee under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or the Resource Conservation and Recovery Act of 1976, as amended, which liability would have a material adverse effect on the business, condition (financial or other) or results of

operations of the Company and its subsidiaries, taken as a whole, or which might materially and adversely affect the consummation of the transactions contemplated by this Agreement.

(p) There are no legal or governmental actions, suits or proceedings pending or, to the knowledge of the Company, threatened to which the Company or any of its subsidiaries, or any of their executive officers or directors is a party or of which the business or property (including, without limitation, any of the licenses referred to in (l) above) of the Company or any of its subsidiaries or any of the Company's or any of its subsidiaries' employees is the subject which if decided adversely, would have a material adverse effect on the business, condition (financial or other) or results of operations of the Company and its subsidiaries, taken as a whole, except as set forth in the Prospectus.

(q) Neither the Company nor any of its subsidiaries is in violation of its Certificate of Incorporation or its Bylaws or other organizational documents, and no default exists by the Company or any of its subsidiaries in the due performance and observance of any term, covenant or condition of any agreement material to the Company and its subsidiaries to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound.

(r) The Company and its subsidiaries have good title to, or valid and enforceable leasehold estates in, all properties and assets used for their businesses (including the property described in the Prospectus as being owned or leased by the Company), in each case free and clear of all liens, encumbrances and defects other than those set forth or referred to in the Registration Statement or Prospectus or those which do not materially affect the value of such property or leasehold and do not materially interfere with the use made or proposed to be made of such property or leasehold by the Company and its subsidiaries; and all of the leases and subleases under which the Company and its subsidiaries hold such properties are in full force and effect.

(s) Other than as set forth in the Prospectus, the Company and its subsidiaries own or possess, or can acquire on reasonable terms, the patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets, applications and other unpatented or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, and trade names (collectively, "Proprietary Rights") used in or necessary for the conduct of their businesses as now conducted and as proposed to be conducted as described in the Prospectus; the Company and its subsidiaries have the right to use all Proprietary Rights used in or necessary for the conduct of their businesses without infringing the rights of any person or violating the terms of any licensing or other agreement to which the Company or any of its subsidiaries is a party, and to the knowledge of the Company no person is infringing upon any Proprietary Right which the Company or any of its subsidiaries has the sole and exclusive right to use; no charges, claims or litigation have been asserted or to the knowledge of the Company threatened against the Company or any of its subsidiaries contesting the right of the Company or any of its subsidiaries to use, or the validity of, any Proprietary Right or challenging or questioning the validity or effectiveness of any license or agreement pertaining thereto or asserting the misuse thereof, and, to the Company's knowledge, no valid basis exists for the assertion of any such charge, claim or litigation; all licenses and other

agreements to which the Company or any of its subsidiaries is a party relating to Proprietary Rights are in full force and effect and constitute valid, binding and enforceable obligations of the Company or such subsidiary, and, to the Company's knowledge, the other respective parties thereto, and there have not been and there currently are not any defaults which would have a material adverse effect on the Company and its subsidiaries, taken as a whole, and no event has occurred which (whether by notice or lapse of time or both) would constitute a default under any license or other agreement affecting Proprietary Rights used in or necessary for the conduct of the businesses of the Company and its subsidiaries by any party; and except as set forth in the Prospectus, the validity, continuation and effectiveness of all such licenses and other agreements and the current terms thereof will not be affected by the transactions contemplated by this Agreement.

(t) No approval, authorization, consent or other order of any public board or body (other than in connection with or in compliance with the provisions of the Act and the securities or Blue Sky laws of various jurisdictions) is legally required for the sale of the Stock by the Company.

(u) The Common Stock has been registered under Section 12(g) of the Exchange Act, and has been authorized for trading on the Nasdaq National Market ("Nasdaq").

(v) The outstanding debt, the properties and the business of the Company and its subsidiaries conform in all material respects to the description thereof contained in the Registration Statement and the Prospectus.

(w) The Company and its subsidiaries have filed on a timely basis all necessary Federal, state, local and foreign income and franchise tax returns required to be filed through the date hereof and have paid all taxes shown as due thereon; and no tax deficiency has been asserted against the Company or any of its subsidiaries, nor does the Company know of any tax deficiency which is likely to be asserted against the Company or any of its subsidiaries which if determined adversely to the Company or such subsidiary could materially adversely affect the business, prospects, properties, assets, results of operations or condition (financial or otherwise) of the Company and its subsidiaries, taken as a whole. All tax liabilities are adequately provided for on the books of the Company.

(x) The Company and each of its subsidiaries maintain insurance of the types and in the amounts generally deemed adequate for their respective businesses and, to the best of the Company's knowledge, consistent with insurance coverage maintained by similar companies in similar businesses.

(y) To the best of the Company's knowledge, no labor problem exists with its employees or is threatened or imminent that could materially adversely affect the Company and its subsidiaries, and the Company is not aware of any existing, threatened or imminent labor disturbance by the employees of any of its principal suppliers, contractors or customers that could be expected to materially adversely affect the business, prospects, properties, assets, results of operation or condition (financial or other) of the Company and the subsidiaries, taken as a whole.

(z) The Company has obtained the agreement of each of its executive officers and directors who are not Selling Stockholders that, for a period of 90 days from the date of the Prospectus, such persons will not, without the prior written consent of McDonald Investments Inc., except for any transfer by gift upon the condition that the donee shall agree in writing, with a copy to be delivered to McDonald Investments Inc., to be bound by the following restriction in the same manner as it applies to the donor, (i) directly or indirectly sell, offer to sell, contract to sell, pledge, grant any option for the sale of, transfer, distribute or otherwise dispose of by any means any shares of the Company's Common Stock or any securities that such persons have or will have the right to acquire through options, warrants, subscription or other rights, (ii) announce an intent to sell, an offer to sell, a contract to sell, the grant of any option for the sale of, a transfer or a distribution of any shares of the Company's Common Stock or any securities that such persons have or will have the right to acquire through options, warrants, subscription or other rights, or exercise any registration rights with respect to any shares of the Company's Common Stock.

(aa) Neither the Company nor any of its officers, directors or affiliates (as defined in the Act and the Rules and Regulations), has taken or will take, directly or indirectly, any action designed to stabilize or manipulate, or which has constituted, or might in the future reasonably be expected to cause or result in, stabilization or manipulation of, the price of the Stock of the Company in order to facilitate the sale or resale of the Stock or otherwise.

(bb) The Company's system of internal accounting controls is sufficient to meet the broad objectives of internal accounting control insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the Company's financial statements, and, to the best of the Company's knowledge, neither the Company nor any employee or agent of the Company or any of its subsidiaries has made any payment of funds of the Company or any of its subsidiaries or received or retained any funds and no funds of the Company or any of its subsidiaries have been set aside to be used for any payments in violation of any law, rule or regulation.

(cc) Neither the Company nor any of its subsidiaries is an "investment company" under the Investment Company Act of 1940, as amended.

(dd) All contracts and documents which are required to be filed as exhibits to the Registration Statement have been so filed.

(ee) Neither the Company nor, to the best of the Company's knowledge, any officer, director, employee, agent or stockholder thereof, in each case acting on behalf of the Company, has done any act or authorized, directed or participated in any act, in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended, applicable to such entity or person for which civil or criminal liability or penalties, as the case may be, could currently be imposed on the Company.

3. Representations and Warranties of the Selling Stockholders. Each Selling Stockholder hereby represents and warrants to each of the Underwriters that:

(a) Such Selling Stockholder now has and at each Closing Date (as defined in Section 4 hereof) will have good and valid title to all the Stock of the Company to be sold by such Selling Stockholder hereunder on such date, free and clear of all liens, encumbrances, equities, security interests and claims whatsoever, with full legal right, power and authority to enter into this Agreement and the Custody Agreement and Power of Attorney, dated as of _____ __, 2002 (the "Custody Agreement");

(b) Such Selling Stockholder has duly executed and delivered the Custody Agreement, and the Attorneys-in-Fact are authorized to execute and deliver this Agreement on behalf of such Selling Stockholder, to determine the purchase price to be paid by the Underwriters to such Selling Stockholder, to authorize the delivery of the Stock to be sold by such Selling Stockholder hereunder, to accept payment therefor, and otherwise act on behalf of such Selling Stockholder in connection with the Agreement, subject to the terms of and the limitations set forth in the Custody Agreement.

(c) Such Selling Stockholder has not taken and will not take, directly or indirectly, any action designed to stabilize or manipulate, or which has constituted or which might in the future reasonably be expected to cause or result in stabilization or manipulation of, the price of the Stock of the Company in order to facilitate the sale or resale of the Stock or otherwise.

(d) Such Selling Stockholder is disposing of such Stock for his, her or its own account. Such Selling Stockholder is not selling such Stock, directly or indirectly, for the benefit of the Company, and no part of the proceeds of the such sale to be received by such Selling Stockholder will inure, directly or indirectly, to the benefit of the Company.

(e) This Agreement and the Custody Agreement have been duly authorized, executed and delivered by or on behalf of such Selling Stockholder, and each of this Agreement and the Custody Agreement is a valid and binding obligation of such Selling Stockholder enforceable in accordance with its terms, subject to general principles of equity and to applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or other similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies; and pursuant to the power of attorney conferred by such Custody Agreement, such Selling Stockholder has, among other things, authorized the Attorneys-in-Fact to execute and deliver on such Selling Stockholder's behalf this Agreement and any other document that such Selling Stockholder may deem necessary, advisable or appropriate in connection with the transactions contemplated hereby.

(f) All information furnished in writing to the Company or the Underwriters by such Selling Stockholder specifically for use in the preparation of the Registration Statement and the Prospectus and other documents to be filed with the National Association of Securities Dealers, Inc. or state securities or Blue Sky authorities is true and correct and does not contain an untrue statement of a material fact nor does it omit to state any material fact required to be stated therein or necessary to make such information not misleading.

(g) The execution and performance of this Agreement and the consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not conflict with, result in a breach of, or constitute a default under any will, trust (constructive or other), agreement, indenture, mortgage, note, deed, rule, regulation, order, injunction, judgment, decree or other instrument to which such Selling Stockholder is a party or by which he is bound.

(h) All consents, approvals, authorizations and orders necessary for the execution and delivery by such Selling Stockholder of this Agreement and for the sale and delivery of the Stock to be sold by such Selling Stockholder hereunder have been obtained other than (i) such as have been obtained, or will have been obtained at each Closing Date under the Act, (ii) such approvals as have been obtained in connection with the approval of the quotation of the Stock on Nasdaq and (iii) any necessary qualification under the securities or blue sky laws of the various jurisdictions in which the Stock is being offered by the Underwriters.

(i) For a period of 90 days from the date of the Prospectus, such Selling Stockholder will not, without the prior written consent of McDonald Investments Inc., except for any transfer by gift upon the condition that the donee shall agree in writing, with a copy to be delivered to McDonald Investments Inc., to be bound by the following restriction in the same manner as it applies to the donor, (a) directly or indirectly sell, offer to sell, contract to sell, pledge, grant any option for the sale of, transfer, distribute or otherwise dispose of by any means any shares of the Company's Common Stock or any securities that such Selling Stockholder has or will have the right to acquire through options, warrants, subscription or other rights, (ii) announce an intent to sell, an offer to sell, a contract to sell, the grant of any option for the sale of, a transfer or a distribution of any shares of the Company's Common Stock or any securities that such Selling Stockholder has or will have the right to acquire through options, warrants, subscription or other rights, or exercise any registration rights with respect to any shares of the Company's Common Stock.

(j) Certificates for all shares of Stock to be sold by such Selling Stockholder pursuant to this Agreement in suitable form for transfer have been placed in custody with the Custodian (as defined in the Custody Agreement) for the purpose of effecting delivery hereunder.

4. Sale, Purchase and Delivery of Stock. (a) On the basis of the representations and warranties herein contained, but subject to the terms and conditions herein set forth, the Company and the Selling Stockholders hereby agree to sell to each Underwriter, and each Underwriter, severally and not jointly, agrees to purchase from the Company and the Selling Stockholders the respective number of shares of the Firm Stock set forth opposite the Underwriter's name in Schedule B hereto, at a price of $_____ per share.

(b) The Company and the Selling Stockholders will deliver the Firm Stock to you for the respective accounts of the several Underwriters at the office of McDonald Investments Inc., McDonald Investment Center, 800 Superior Avenue, Cleveland, Ohio 44114, at 10:00 A.M., Cleveland time, or to your designee at a specified place at the same time, against payment of the purchase price at the place of such Closing, by wire transfer in immediately

available funds to the accounts designated by the Company and the Selling Stockholders in writing on the third full business day after the effective date of the Registration Statement (or, if the Firm Stock is priced after 4:30 p.m., Cleveland time on the effective date of the Registration Statement, the fourth full business day after the effective date of the Registration Statement), or at such other time not later than seven full business days after such public offering as you shall determine, such time and place being herein referred to as the "Closing Date." The certificates for the Firm Stock so to be delivered will be in such denominations and registered in such names as you may specify to the Company at or before 3:00 P.M., Cleveland time, on the second full business day prior to the Closing Date. Such certificates will be made available for checking and packaging at least 24 hours prior to the Closing Date.

(c) On the basis of the representations and warranties herein contained, but subject to the terms and conditions herein set forth, the Company and the Selling Stockholders, on a pro rata basis, hereby grant an option to the several Underwriters to purchase, severally and not jointly, up to 975,000 additional shares in the aggregate of the Option Stock, including 421,250 shares of Common Stock from the Selling Stockholders and 553,750 shares of Common Stock from the Company, at the purchase price set forth in Section 4(a) hereof, for use solely in covering any over-allotments made by the Underwriters in the sale and distribution of the Firm Stock. The option granted hereunder may be exercised at any time (but not more than once) within 30 days after the date the Registration Statement becomes effective, upon written or telegraphic notice by the Representatives to the Company and the Selling Stockholders setting forth the aggregate number of shares of the Option Stock as to which the Underwriters are exercising the option and the time and place at which certificates will be delivered, such time (which, unless otherwise determined by you, the Company and the Selling Stockholders, shall not be earlier than three nor later than seven full business days after the exercise of said option) being herein called the "Second Closing Date." The Closing Date and the Second Closing Date are referred to herein collectively as the "Closing Dates." The number of shares of the Option Stock to be sold by the Company and the Selling Stockholders to each Underwriter and purchased by such Underwriter from the Company and the Selling Stockholders shall be the same percentage of the total number of shares of the Option Stock to be purchased by the several Underwriters on the Second Closing Date as such Underwriter purchased of the total number of shares of the Firm Stock, as adjusted by the Representatives to avoid fractions and to reflect any adjustment required by Section 13 hereof. The Company and the Selling Stockholders will deliver certificates for the shares of the Option Stock being purchased by the several Underwriters to you on the Second Closing Date at the place and time of such Closing, or to your designee at a specified place at the same time, against payment of the purchase price at the place of such Closing, by wire transfer in immediately available funds to the accounts designated by the Company and the Selling Stockholders in writing. The certificates for the Option Stock so to be delivered will be in such denominations and registered in such names as you may specify to the Company and the Selling Stockholders at or before 3:00 P.M., Cleveland time, on the second full business day prior to the Second Closing Date. Such certificates will be made available for checking and packaging at least 24 hours prior to the Second Closing Date. The option granted hereby may be cancelled by you as the Representatives of the several Underwriters, as to the shares of the Option Stock for which the option is unexercised, at any time prior to the expiration of the 30-day period, upon notice to the Company.

5. Offering by Underwriters. Subject to the terms and conditions hereof, the several Underwriters agree that (i) they will offer the Stock to the public as set forth in the Prospectus as soon after the Registration Statement becomes effective as may be practicable, but in no event later than 5:00 p.m., Cleveland time, on the 15th business day subsequent to the date that the Registration Statement becomes effective, and (ii) they will offer and sell the Stock to the public only in those jurisdictions, and in such amounts, where due qualification and/or registration has been effected or an exemption from such qualification and/or registration is available under the applicable securities or Blue Sky laws of such jurisdiction; it being understood, however, that such agreement only covers the initial sale of the Stock by the Underwriters and not any subsequent sale of such Stock in any trading market which may develop after the public offering.

6. Covenants of the Company. The Company covenants and agrees with each of the Underwriters that:

(a) The Company will make every reasonable effort to cause the Registration Statement to become effective and will advise you when it is effective under the Act. The Company will not file any amendment to the Registration Statement, or supplement to the Prospectus, of which you have not been previously advised and furnished with a copy, or to which you have reasonably objected in writing.

(b) The Company will advise you promptly of any request of the Commission for amendment of the Registration Statement or Prospectus or for additional information and of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of the institution of any proceedings for that purpose of which it has knowledge, and the Company will make every reasonable effort to prevent the issuance of any such stop order and to obtain as soon as possible the lifting thereof, if issued.

(c) The Company will comply, to the best of its ability, with the Act so as to permit the continuance of sales of and dealings in the Stock under the Act for such period as may be required by the Act; whenever it is necessary to amend or supplement the Prospectus to make the statements therein not misleading, furnish, without charge to you as the Representatives, either amendments to the Prospectus or supplemental information, so that the statements in the Prospectus as so amended or supplemented will not be misleading; and file a post-effective amendment to the Registration Statement whenever such an amendment may be required and furnish, without charge to you, a reasonable number of copies of any such amendment and related Prospectus.

(d) Not later than the 45th day following the end of the fiscal quarter first occurring after the first anniversary of the Effective Date, the Company will make generally available to its security holders and deliver to you an earnings statement (which need not be audited) covering a period of at least 12 months beginning not earlier than the Effective Date which shall satisfy the provisions of Section 11(a) of the Act and/or Rule 158 promulgated under the Act.

(e) The Company will furnish to you copies of the Registration Statement (two of which will be signed and will include all exhibits thereto), each preliminary prospectus, the Prospectus, all amendments of and supplements to such documents, and all correspondence between the Commission and the Company or its counsel or accountants relating thereto, in each case as soon as available and in such quantities as you may reasonably request.

(f) For a period of three years from the date of the Prospectus, the Company will deliver to you (i) within 90 days after the end of each fiscal year, consolidated balance sheets, statements of income, statements of cash flow and statements of changes in stockholders' equity of the Company and its consolidated subsidiaries, if any, as at the end of and for such year and the last preceding year, all in reasonable detail and certified by independent accountants, (ii) within 45 days after the end of each of the first three quarterly periods in each fiscal year, unaudited consolidated balance sheets and statements of income, statements of cash flow and statements of changes in stockholders' equity of the Company and its consolidated subsidiaries, if any, as at the end of and for such period, all in reasonable detail, (iii) as soon as available, all such proxy statements, financial statements and reports as the Company shall send or make available to its stockholders, and (iv) copies of all annual or periodic reports as the Company or any subsidiary shall file with the Commission as required by the Act, the Exchange Act and any rules or regulations thereunder, which are available for public inspection at the Commission, or any material reports filed in connection with the Company's listing on any stock exchange.

(g) The Company will apply the net proceeds from the sale of the Stock sold by it in the manner set forth in the Prospectus, and will comply with any reporting obligations as may be required by Rule 463 under the Act.

(h) If, at the time that the Registration Statement becomes effective, any information shall have been omitted therefrom in reliance upon Rule 430A promulgated under the Act, then not later than the Commission's close of business on the second business day following the execution of this Agreement, the Company will prepare, and file or transmit for filing with the Commission in accordance with Rule 430A and Rule 424(b) promulgated under the Act, copies of an amended Prospectus or, if required by such Rule 430A, a post-effective amendment (including an amended Prospectus), containing all information so omitted.

(i) The Company will file with the NASD all documents and notices required of companies that have issued securities that are traded on Nasdaq.

(j) The Company will cooperate with you and your counsel to qualify the Stock for sale under the securities or Blue Sky laws of such jurisdictions within the United States as you reasonably designate, including furnishing such information and executing such instruments as may be required, and will continue such qualifications in effect for a period of at least three months from the date hereof; provided, however, the Company shall not be required to register or qualify as a foreign corporation or as a dealer in securities nor, except as to matters and transactions relating to the offer and sale of the Stock, consent to a service of process in any jurisdiction.

(k) For a period of 90 days from the date of the Prospectus, the Company will not publicly sell, except with your prior written consent, any shares of Common Stock or securities convertible into shares of Common Stock for cash, except pursuant to the exercise of any outstanding stock options of the Company that are described in the Prospectus.

(l) After the Closing Dates, the Company and the Subsidiaries will be in compliance with the financial record-keeping requirements and internal accounting control requirements of Section 13(b)(2) of the Exchange Act.

(m) The Company, during the period when the Prospectus is required to be delivered under the Act, will file all documents required to be filed with the Commission pursuant to Sections 13, 14 or 15 of the Exchange Act within the time periods required by the Exchange Act and the Exchange Act Regulations.

7. Covenants of the Selling Stockholders. Each Selling Stockholder covenants and agrees with each Underwriter that, for a period of 90 days from the date of the Prospectus, such Selling Stockholder will not, without the prior written consent of McDonald Investments Inc., except for any transfer by gift upon the condition that the donee shall agree in writing, with a copy to be delivered to McDonald Investments Inc., to be bound by the following restriction in the same manner as it applies to the donor, (i) directly or indirectly sell, offer to sell, contract to sell, pledge, grant any option for the sale of, transfer, distribute or otherwise dispose of by any means any shares of the Company's Common Stock or any securities that such Selling Stockholder has or will have the right to acquire through options, warrants, subscription or other rights, (ii) announce an intent to sell, an offer to sell, a contract to sell, the grant of any option for the sale of, a transfer or a distribution of any shares of the Company's Common Stock or any securities that such Selling Stockholder has or will have the right to acquire through options, warrants, subscription or other rights, or exercise any registration rights with respect to any shares of the Company's Common Stock. However, the giving of your written consent with respect to any such sale or transfer by such Selling Stockholder shall not constitute a waiver of this covenant with respect to any other request by such Selling Stockholder, it being understood that you may, in your absolute discretion, consent to certain proposed sales or transfers and refuse to consent to others during such 90-day period. Any request from such Selling Stockholder to permit a sale or transfer of Common Stock of the Company shall be in writing and addressed to you and shall set forth in reasonable detail the reasons for the proposed sale or transfer.

8. Payment of Expenses. The Company will pay or cause to be paid all costs and expenses incident to the performance of the obligations of the Company hereunder, including, but not limited to, the reasonable fees and disbursements of its counsel; the reasonable fees, costs and expenses of preparing, printing and delivering the certificates for the Stock; the reasonable fees, costs and expenses of the transfer agent and registrar for the Common Stock; the reasonable fees and disbursements of its accountants; the filing fees and reasonable expenses incurred in connection with the qualification, registration or exemption of the Stock under state securities or Blue Sky laws and the fees and disbursements of counsel for the Underwriters in connection with such qualification, registration or exemption and the preparation and printing of the preliminary and final Blue Sky Surveys; the filing fees and reasonable expenses paid and

incurred by the Underwriters, including fees and disbursements of counsel for Underwriters, in connection with the review of the terms of the underwriting arrangements by the NASD; the costs and expenses in connection with the preparation, printing and filing of the Registration Statement (including exhibits thereto) and the Prospectus and the furnishing to the Underwriters of such copies of each preliminary and final Prospectus as the Underwriters may reasonably require; and the costs and expenses in connection with the printing of this Agreement, the Agreement Among Underwriters, the Selected Dealers Agreement and other documents distributed to the Underwriters.

9. Conditions of the Obligation of the Underwriters. The obligations of the several Underwriters to purchase and pay for the Firm Stock on the Closing Date and the Option Stock on the Second Closing Date shall be subject to the condition that the representations and warranties made by the Company and the Selling Stockholders herein are true and correct as of the date hereof and as of the respective Closing Dates, to the condition that the written statements of Company officers made pursuant to the provisions hereof are true and correct, and to the performance by the Company and the Selling Stockholders of their respective obligations hereunder in all material respects and to the following additional conditions:

(a) The Registration Statement shall have become effective not later than 5:00 P.M., Cleveland time, on the date of this Agreement, or at such later time as shall have been consented to by you, and prior to each Closing Date no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been instituted or shall be pending, or to the knowledge of the Company or you, shall be contemplated by the Commission.

(b) You shall not have advised the Company that the Registration Statement or Prospectus or any amendment thereof or supplement thereto contains an untrue statement of fact which, in the reasonable opinion of Calfee, Halter & Griswold LLP, counsel for the Underwriters, is material, or omits to state a fact which, in the opinion of such counsel, is material and is required to be stated therein or is necessary to make the statements therein not misleading.

(c) You shall have received as of each Closing Date (or prior thereto as indicated) the following:

(i) An opinion of Blackwell Sanders Peper Martin LLP, dated the respective Closing Dates, to the effect that:

(aa) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of Delaware with corporate power and authority to own its properties and conduct its business as described in the Prospectus. Each of the Company's subsidiaries has been duly incorporated or duly formed, as the case may be, and is validly existing as a corporation, limited liability company or limited partnership, as the case may be, in good standing under the laws of its respective jurisdiction of incorporation, with power and authority to own and lease its properties and conduct its respective business. The Company and each of its subsidiaries are duly qualified to do business as a foreign entity

and are in good standing in all jurisdictions (i) in which the conduct of business, as presently being conducted requires such qualification (except for those jurisdictions in which the failure to so qualify will not in the aggregate have a material adverse effect on the Company and its subsidiaries, taken as a whole) and (ii) in which the Company or such subsidiary owns or leases real property.

(bb) The authorized capital stock of the Company is as set forth under "Capitalization" in the Prospectus; all issued and outstanding Common Stock of the Company have been duly authorized and validly issued, are free of preemptive rights of stockholders, rights of first refusal or similar rights and are fully paid and nonassessable. Except as described in the Prospectus, there are no outstanding options, warrants or other rights calling for the issuance of, and there are no commitments, plans or arrangements to issue any shares of capital stock of the Company or any security convertible or exchangeable or exercisable for capital stock of the Company. There are no holders of securities of the Company who, by reason of the filing of the Registration Statement have the right (and have not waived such right) to request the Company to include in the Registration Statement securities owned by them.

(cc) The shares of Common Stock of the Company to be issued and sold by the Company hereunder have been duly authorized, and, when issued, delivered and paid for pursuant to this Agreement, will be validly issued, fully paid and nonassessable. The shares of Common Stock of the Company to be sold by the Selling Stockholders hereunder have been duly authorized and validly issued, and are fully paid and nonassessable. The Company has not granted any preemptive rights of security holders of the Company with respect to the issuance and sale of the stock by the Company and the Selling Stockholders pursuant to this Agreement. The Common Stock of the Company conforms to the description thereof contained in the Prospectus and the certificates for the Common Stock of the Company (including the Stock) are in due and legal form under Delaware law.

(dd) The Company has the corporate power and authority to enter into and perform this Agreement, and to issue and deliver the Stock as provided herein. The execution, delivery and performance of this Agreement by the Company has been duly authorized by all necessary action of the Company.

(ee) All the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and the portion of such shares owned by the Company is free and clear of all liens, encumbrances, equities, security interests, or claim; and there are no outstanding options, warrants or other rights calling for the issuance of, and there are no commitments, plans or arrangements to issue, any shares of capital stock of any subsidiary or any security convertible or exchangeable or exercisable for capital stock of any subsidiary; except as disclosed in the Registration Statement and except for the shares of stock or equity interests of each subsidiary owned by the Company, neither the Company nor any subsidiary owns, directly or indirectly, any shares of capital stock of any corporation or has any equity interest in any firm, partnership, joint venture, association, limited liability company, limited partnership or other entity.

(ff) The Registration Statement has become effective under the Act and, to the best of the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the Act.

(gg) The consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not result in a breach of any of the terms and provisions of, or constitute a default under, any material indenture, mortgage, deed of trust or other agreement or instrument to which the Company or any of its subsidiaries is a party and of which such counsel has knowledge after reasonable investigation, or the Certificate of Incorporation or Bylaws of the Company, or the organizational documents of any of its subsidiaries, or, to the knowledge of such counsel, any order, rule or regulation binding upon the Company or any of its subsidiaries of any court or of any federal or state regulatory body or administrative agency or other governmental body having jurisdiction over the Company or any of its subsidiaries or the properties of any of them, except for such breaches or defaults as will not have a material adverse effect on the consummation of the transactions herein contemplated and the fulfillment of the terms hereof by the Company.

(hh) All approvals, consents and orders of all governmental bodies required in connection with the valid authorization, issuance and sale of the Stock as contemplated by this Agreement have been obtained, except such as may be required under the securities or Blue Sky laws of any jurisdiction as to which such counsel need express no opinion.

(ii) To such counsel's knowledge, neither the Company nor any of its subsidiaries is in violation of its Certificate of Incorporation or its Bylaws or other organizational documents, and no default exists by the Company or any of its subsidiaries in the due performance and observance of any term, covenant or condition of any agreement material to the Company and its subsidiaries to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound and which is filed as an exhibit to the Registration Statement or incorporated by reference therein.

(jj) The Company is not required to be registered as an "investment company" or is not a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(kk) Such counsel is of the opinion that the statements contained in the Prospectus under the caption "Description of Capital Stock," insofar as they purport to summarize the provisions of the documents referred to therein, present fair summaries of such provisions.

(ll) In the course of the preparation by the Company of the Registration Statement and the Prospectus, such counsel participated in discussions with officers, directors and employees of the Company, representatives of KPMG, LLP and PricewaterhouseCoopers LLP, the independent accountants who examined certain of the financial statements of the Company and its subsidiaries included in the Registration Statement

and the Prospectus, counsel for the Underwriters and your representatives concerning the information contained in the Registration Statement and Prospectus and the proposed responses to various items in Form S-3 under the Act. Based upon such counsel's examination of the Registration Statement and the Prospectus, such counsel's investigations made in connection with the preparation of the Registration Statement and the Prospectus and such counsel's participation in the discussions referred to above, such counsel is of the opinion that the Registration Statement and the Prospectus (in each case, except for (i) the financial statements, financial schedules and other financial and statistical information included therein and (ii) the information referred to under the caption "Experts" as having been included therein on the authority of KPMG, LLP and PricewaterhouseCoopers LLP, as experts, as to which such counsel expresses no opinion) at the time the Registration Statement became effective under the Act, and at the time the Prospectus was filed pursuant to the Act, respectively, complied as to form in all material respects with the Act and the rules and regulations thereunder.

(mm) Such counsel does not know of any litigation or any governmental proceedings or investigations, pending or threatened, before any court or before or by any public, regulatory or governmental body or board against or involving the business or property of the Company or any of its subsidiaries required to be described in the Prospectus that are not described as required, or of any contracts or documents of a character required to be described in the Registration Statement or Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

(nn) To the best of such counsel's knowledge, the Company and its subsidiaries hold and are in compliance with all necessary material authorizations, approvals, orders, licenses, certificates and permits of and from all governmental regulatory officials and bodies (collectively, the "licenses") required for the conduct of its business as described in the Prospectus, except where the failure to so hold or comply with any license would not have, individually or in the aggregate, a material adverse effect on the business, condition (financial or other) or results of operations of the Company and its subsidiaries, taken as a whole.

(oo) Such counsel has not independently verified and is not passing upon, and does not assume any responsibility for the accuracy, completeness, or fairness of the information contained in the Registration Statement and Prospectus, except and as to the extent set forth in paragraph (kk) above with respect to the description of the Common Stock contained in the Prospectus. Based upon such counsel's examinations, investigations and participation in the discussions described above, however, no facts have come to such counsel's attention that cause such counsel to believe that the Registration Statement (except for (i) the financial statements and the notes thereto and the auditors' reports thereon, financial schedules and other financial and statistical information included therein and (ii) the information referred to under the caption "Experts" as having been included therein on the authority of KPMG, LLP and PricewaterhouseCoopers LLP, as experts, as to which such counsel expresses no view), at the time it became effective and at the Closing Date or the Second Closing Date, as the case may be, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Prospectus (with the foregoing exceptions) as of the date thereof and as of the Closing Date or

the Second Closing Date, as the case may be, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In rendering such opinion, such counsel may (A) limit its opinion to the Federal laws of the United States and the laws of the State of Delaware; (B) rely as to matters involving the application of laws other than the laws of the United States and jurisdictions in which they are admitted, to the extent specified in such opinion, if at all, upon an opinion or opinions of other counsel, familiar with the applicable laws; and (C) rely as to matters of fact on certificates of officers of the Company and certificates or other written statements of officers of departments of various jurisdictions having custody of documents respecting the corporate existence or good standing of the Company and its subsidiaries. The opinion of such counsel for the Company shall state that the opinion of any such other counsel is in form satisfactory to such counsel and, in their opinion, you and they are justified in relying thereon.

(ii) Such opinion or opinions of Calfee, Halter & Griswold LLP, counsel for the Underwriters, dated the respective Closing Dates, with respect to the sufficiency of all corporate proceedings and other legal matters relating to this Agreement, the validity of the Stock, the Registration Statement, the Prospectus, and other related matters as you may reasonably request, and the Company shall have furnished to such counsel such documents as they may request for the purpose of enabling them to pass upon such matters. In connection with such opinions, such counsel may rely on representations or certificates of officers of the Company.

(iii) A certificate of the Company executed by the principal executive officer and the principal financial and accounting officer of the Company, dated each respective Closing Date, to the effect that:

(aa) The representations and warranties of the Company in Section 2 of this Agreement are true and correct as of each respective Closing Date, and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to each respective Closing Date.

(bb) No stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the respective signers of the certificate, are contemplated under the Act.

(cc) The signers of the certificate have carefully examined the Registration Statement and the Prospectus; no facts have come to their attention which would lead them to believe that either the Registration Statement at the time it became effective (or any amendment thereof or supplement thereto made prior to the Closing Date or the Second Closing Date, as the case may be, as of the date of such amendment or supplement) contained an untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading or that the

Prospectus as of the date thereof (or any amendment thereof or supplement thereto made prior to the Closing Date or the Second Closing Date, as the case may be, as of the date of such amendment or supplement) contained an untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; since the latest respective dates as of which information is given in the Registration Statement, there has been no material adverse change in the financial position, business or results of operations of the Company and its subsidiaries, taken as a whole, except as set forth in or contemplated by the Prospectus; and since the Effective Date of the Registration Statement there has occurred no event required to be set forth in an amended or supplemented Prospectus which has not been set forth.

(iv) An opinion of Gibson, Dunn & Crutcher LLP, dated the respective Closing Dates, to the effect that:

(aa) To such counsel's knowledge, each Selling Stockholder has the power and authority (or, with respect to each Selling Stockholder that is a corporation, the corporate power and authority) to enter into and deliver this Agreement and the Custody Agreement. To such counsel's knowledge, all actions (or, with respect to each Selling Stockholder that is a corporation, all corporate actions) required to be taken by each Selling Stockholder for the due and proper sale and delivery of the Stock in connection with the Agreement have been duly and validly taken, and each of this Agreement and the Custody Agreement has been duly executed and delivered by or on behalf of each Selling Stockholder.

(bb) To such counsel's knowledge, each Selling Stockholder has good and valid title to the Stock to be sold by such Selling Stockholder pursuant to this Agreement, free and clear of any pledge, lien, security interest, encumbrance, claim or equity other than pursuant to this Agreement; each Selling Stockholder has full right, power and authority to sell, transfer and deliver the Stock to be sold by such Selling Stockholder under this Agreement and the Custody Agreement, and upon delivery of the Stock to be sold by such Selling Stockholder thereunder and payment of the purchase price therefor as therein contemplated, each of the Underwriters will receive good and valid title to the Stock purchased by it from such Selling Stockholder, free and clear of any pledge, lien, security interest, encumbrance, claim or equity.

In rendering such opinion, such counsel may (A) assume the legal capacity of all natural persons; (B) limit its opinions to the Federal laws of the United States and the General Corporation Law of the State of Delaware and (C) rely as to matters of fact on certificates of the Selling Stockholders.

(v) A certificate of each Selling Stockholder, dated the respective Closing Dates, to the effect that the representations and warranties of such Selling Stockholder in Section 3 of this Agreement are true and correct as of the respective Closing Dates, and such Selling Stockholder has, in all material respects, complied with all the agreements and satisfied all the conditions on his part to be performed or satisfied at or prior to such Closing Date.

(vi) Letters from KPMG, LLP, dated the date of this Agreement and each respective Closing Date, addressed to you and in form and substance previously approved by you, with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus.

(d) Prior to each Closing Date, the Company shall have furnished to you such further certificates and documents as you may reasonably request.

(e) Prior to each Closing Date no stop orders suspending the qualification of the Stock under the securities or Blue Sky laws of the states in which the Stock is to be offered and sold shall have been issued and no proceedings for that purpose shall have been instituted or shall be pending, or to the knowledge of the Company or you, shall be contemplated by the applicable state securities administrators.

If any condition of the Underwriters' obligations specified in Section 9 to be satisfied prior to any Closing Date is not so satisfied, this Agreement may be terminated by you prior to such Closing Date, by notice in writing or by telegram confirmed in writing to the Company.

All such opinions, certificates, letters and documents furnished to you pursuant to this Section 9 will be in compliance with the provisions hereof only if they are in all material respects satisfactory to you and to Calfee, Halter & Griswold LLP, counsel for the Underwriters, as to which both you and such counsel shall act reasonably. The Company and the Selling Stockholders will furnish you with such executed and conformed copies of such opinions, certificates, letters and documents as you may request.

You, on behalf of the Underwriters, may waive in writing the compliance by the Company or any of the Selling Stockholders of any one or more of the foregoing conditions or extend the time for their performance.

10. Representations of the Underwriters. Each of the Underwriters severally represents and warrants to the Company and the Selling Stockholders that the information furnished to the Company in writing by such Underwriters or by you expressly for use in the preparation of the Registration Statement or the Prospectus does not, and any amendments thereof or supplements thereto thus furnished will not, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. Through you each Underwriter has only furnished to the Company expressly for such use and the statements relating to the terms of the offering by the several Underwriters set forth under the caption "Underwriting" in the Prospectus.

11. Termination of Agreement. (a) This Agreement shall become effective: (i) upon the execution and delivery hereof by the parties hereto; or (ii) if, at the time this Agreement is executed and delivered, it is necessary for the registration statement or a post-effective amendment thereto to be declared effective before the offering of the Stock may commence, when notification of the effectiveness of the registration statement or such post-

effective amendment has been released by the Commission. At any time before the happening of such occurrence, the Company or the Selling Stockholders may, by notice to you, terminate this Agreement; and at any time prior to such time, you, as the Representatives of the several Underwriters, may, by notice to the Company and the Selling Stockholders, terminate this Agreement.

(b) This Agreement may also be terminated by you, as the Representatives of the several Underwriters, by notice to the Company and the Selling Stockholders on or after the Effective Date of the Registration Statement and prior to each respective Closing Date, if at any time during such period any of the following has occurred: (i) except as disclosed in or contemplated by the Registration Statement, since the respective dates as of which information is given in the Registration Statement and the Prospectus, any material adverse change or any development involving a prospective material adverse change in or affecting the condition, financial or otherwise, of the Company and its subsidiaries taken as a whole or the earnings, business affairs, management or business prospects of the Company and its subsidiaries taken as a whole, whether or not arising in the ordinary course of business; (ii) any outbreak of hostilities or escalation in existing hostilities anywhere in the world or other national or international calamity or crisis or change in economic or political conditions, if the effect of such outbreak, escalation, calamity, crisis or change on the financial markets in the United States would, in your reasonable judgment, make it impracticable to offer for sale or to enforce contracts made by the Underwriters for the resale of the Stock agreed to be purchased hereunder; (iii) any general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange or Nasdaq or any general limitation on prices for such trading or any general restrictions on the distribution of securities, all to such a degree as would in your reasonable judgment materially adversely affect the market for the Stock; or (iv) a banking moratorium shall have been declared by either Federal, Ohio or New York State authorities. If you terminate this Agreement as provided in this Section 11, you shall notify the Company and the Attorneys-in-Fact promptly by telephone, promptly confirmed by facsimile.

This Agreement may also be terminated as provided in Sections 9 and 13 hereof.

If this Agreement shall be terminated by you because of any failure on the part of the Company to comply with any of the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement, the Company shall pay, in addition to the costs and expenses referred to in Section 8, all reasonable out-of-pocket expenses incurred by the Underwriters in contemplation of the performance by them of their obligations hereunder, including but not limited to the reasonable fees and disbursements of counsel for the Underwriters, the Underwriters' reasonable printing and traveling expenses and postage, telegraph and telephone charges relating directly to the offering contemplated by the Prospectus, and also including reasonable advertising expenses of the Representatives incurred after the Effective Date of the Registration Statement and so relating, it being understood that such out-of-pocket expenses shall not include any compensation, salaries or wages of the officers, partners or employees of any of the Underwriters. Only such out-of-pocket expenses as shall be accounted for by the Underwriters shall be paid to the Underwriters by the Company.

The Company and the Selling Stockholders shall not in any event be liable to the several Underwriters for damages on account of loss of anticipated profits arising out of the transactions contemplated by this Agreement.

12. Indemnification. (a) The Company will indemnify and hold harmless each Underwriter, and each person, if any, who controls each Underwriter within the meaning of the Act, against any losses, claims, damages or liabilities, joint or several, to which such Underwriter or such controlling person may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based in whole or in part on any inaccuracy in the representations and warranties of the Company contained herein or any failure of the Company to perform its obligations hereunder, or arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any related preliminary prospectus (if used prior to the Effective Date), the Prospectus or any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and, subject to the provisions of Section 12(d), will reimburse each Underwriter and each such controlling person for any legal or other expenses reasonably incurred by such Underwriter or such controlling person in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 12(a) with respect to any preliminary prospectus shall not inure to the benefit of any Underwriter or to the benefit of any person controlling such Underwriter in respect of any loss, claim, damage, liability or action asserted by a person who purchases shares of the Stock from such Underwriter, if such Underwriter failed to send or give a copy of the Prospectus (as the same may then be amended or supplemented) to such person with or prior to written confirmation of the sale to such person; and provided, further, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any untrue statement or omission or alleged omission made in the Registration Statement, any preliminary prospectus, the Prospectus or any amendment thereof or supplement thereto in reliance upon or in conformity with written information furnished to the Company by an Underwriter specifically for use in the preparation thereof, as referred to in the last sentence of Section 10 hereof. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

(b) Each Selling Stockholder will indemnify and hold harmless each Underwriter, and each person, if any, who controls each Underwriter within the meaning of the Act, against any losses, claims, damages or liabilities, joint or several, to which such Underwriter or such controlling person may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) (i) arise out of or are based in whole or in part on any inaccuracy in the representations and warranties of such Selling Stockholder contained herein or any failure of such Selling Stockholder to perform its obligations hereunder, or (ii) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any related preliminary prospectus (if used prior to the Effective Date), the Prospectus or any amendment thereof or supplement thereto including, without limitation, information set for in questionnaires returned to the Company or its counsel, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the

statements therein not misleading, but only insofar as any such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement or omission or alleged omission of a material fact contained in and made in reliance upon and in conformity with written information furnished to the Company by such Selling Stockholder expressly for use in the Registration Statement (or any amendment thereto) or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto), including, without limitation, information set forth in questionnaires returned to the Company or its counsel, and, subject to the provisions of Section 12(d), will reimburse each Underwriter and each such controlling person for any legal or other expenses reasonably incurred by such Underwriter or such controlling person in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 12(b) with respect to any preliminary prospectus shall not inure to the benefit of any Underwriter or to the benefit of any person controlling such Underwriter in respect of any loss, claim, damage, liability or action asserted by a person who purchases shares of the Stock from such Underwriter, if such Underwriter failed to send or give a copy of the Prospectus (as the same may then be amended or supplemented) to such person with or prior to written confirmation of the sale to such person; and provided further, that such Selling Stockholder will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any untrue statement or omission or alleged omission made in the Registration Statement, any preliminary prospectus, the Prospectus or any amendment thereof or supplement thereto in reliance upon or in conformity with written information furnished to the Company by an Underwriter specifically for use in the preparation thereof, as referred to in the last sentence of Section 10 hereof. This indemnity agreement will be in addition to any liability which such Selling Stockholder may otherwise have. Notwithstanding anything in this Agreement to the contrary, the indemnity agreement contained in this subsection (b) shall not require any Selling Stockholder to reimburse the Underwriters for any amount in excess of the gross sale price of the Stock sold by such Selling Stockholder pursuant to this Agreement.

(c) Each Underwriter will indemnify and hold harmless the Company, each person, if any, who controls the Company within the meaning of the Act, each of its directors, each of its officers who have signed the Registration Statement, and each Selling Stockholder against any losses, claims, damages or liabilities to which the Company, or any such director, officer or Selling Stockholder may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any preliminary prospectus, the Prospectus, or any amendment thereof or supplement thereto, or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any preliminary prospectus, the Prospectus or any amendment thereof or supplement thereto in reliance upon or in conformity with written information furnished to the Company by such Underwriter through you, as the Representatives of the Underwriters, specifically for use in the preparation thereof, as referred to in the last sentence of Section 10 of this Agreement; and will reimburse the Company and each such director, officer or Selling

Stockholder for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action. This indemnity agreement will be in addition to any liability which the Underwriters may otherwise have.

(d) Promptly after receipt by an indemnified party under this Section of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under this Section, notify each party against whom indemnification is to be sought in writing of the commencement thereof; but the omission so to notify an indemnifying party will not relieve it from any liability which they may have to any indemnified party otherwise than under this Section. In case any such action is brought against any indemnified party, and it notifies the Company of the commencement thereof, the Company will be entitled to participate in, and to the extent that it may wish, to assume the defense thereof, with counsel approved by such indemnified party (which approval shall not be unreasonably withheld), and after notice from the Company to such indemnified party of its election so to assume the defense thereof, the Company will not be liable to such indemnified party under this Section for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof except as provided below and except for the reasonable costs of investigation subsequently incurred by such indemnified party at the request of the indemnifying party in connection with the defense thereof. The indemnified party shall have the right to employ its counsel in any such action, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the employment of counsel by such indemnified party has been authorized in writing by the indemnifying parties, (ii) the named parties to any such action include both the indemnifying party and the indemnified party, and the indemnified party shall have reasonably concluded based on the advice of counsel that there is an actual or potential conflict of interest between the indemnifying parties and the indemnified party in the conduct of the defense of such action or that there may be defenses available to the indemnified party which are different from or additional to those available to the indemnifying parties (in which case the indemnifying parties shall not have the right to direct the defense of such action on behalf of the indemnified party) or (iii) the indemnifying parties shall not have employed counsel to assume the defense of such action within a reasonable time after notice of the commencement thereof, in each of which cases the fees and expenses of counsel shall be at the expense of the indemnifying parties. In no event shall the indemnifying party or parties be liable for the fees and expenses of more than one counsel for all indemnified parties in connection with any one or separate but similar or related actions in the same jurisdiction arising out of the same allegations or circumstances. Anything in this Section to the contrary notwithstanding, an indemnifying party shall not be liable for any settlement of any claim or action effected without its written consent.

(e) In order to provide for contribution in circumstances in which the indemnification provided for in this Section is for any reason held to be unavailable from the Company, the Selling Stockholders or the Underwriters or is insufficient to hold harmless a party indemnified hereunder, the Company, the Selling Stockholders and the Underwriters shall contribute to the aggregate losses, claims, damages, liabilities and expenses of the nature contemplated by such indemnification provisions (including any investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claims asserted, but after deducting in the case of losses, claims, damages,

liabilities and expenses suffered by the Company and the Selling Stockholders any contribution received by the Company or the Selling Stockholders from persons, other than the Underwriters, who may also be liable for contribution, including persons who control the Company within the meaning of the Act, officers of the Company who signed the Registration Statement and directors of the Company) to which the Company, the Selling Stockholders and one or more of the Underwriters may be subject, in such proportions as is appropriate to reflect the relative benefits received by the Company, the Selling Stockholders and the Underwriters from the offering of the Stock or, if such allocation is not permitted by applicable law or indemnification is not available as a result of the indemnifying party not having received notice as provided in this Section, in such proportion as is appropriate to reflect not only the relative benefits referred to above but also the relative fault of the Company, the Selling Stockholders and the Underwriters in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company, the Selling Stockholders and the Underwriters shall be deemed to be in the same proportion as (x) the total proceeds from the offering (net of underwriting discounts and commissions but before deducting expenses) received by the Company, (y) the total proceeds from the offering received by the Selling Stockholders and (z) the underwriting discounts and commissions received by the Underwriters, respectively, in each case as set forth in the table on the cover page of the Prospectus. The relative fault of the Company, the Selling Stockholders and of the Underwriters shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omissions or alleged omission to state a material fact relates to information supplied by the Company, the Selling Stockholders or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 12(e) were determined by pro rata allocation even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above. The Company and each Selling Stockholder shall be severally, and not jointly, liable for the amounts to be contributed by each of them pursuant to the provisions of this Section 12(e). Notwithstanding the provisions of this Section 12(e), (i) in no case shall any Underwriter (except as may be provided in the Agreement Among Underwriters) be liable or responsible for any amount in excess of the underwriting discounts and commissions applicable to the Stock purchased by such Underwriter hereunder, (ii) in no case shall any Selling Stockholder be liable or responsible for any amount in excess of the gross sales price of the Stock sold by such Selling Stockholder hereunder and (iii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person, if any, who was not guilty of such fraudulent misrepresentation. For purposes of this Section 12(e), each person, if any, who controls an Underwriter within the meaning of Section 15 of the Act shall have the same rights to contribution as such Underwriter, and each person, if any, who controls the Company within the meaning of Section 15 of the Act, each officer of the Company who shall have signed the Registration Statement and each director of the Company shall have the same rights to contribution as the Company, subject in each case to clauses (i) and (ii) of this Section 12(e). Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties under this Section 12(e), notify

such party or parties from whom contribution may be sought, but the omission to so notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any obligation it or they may have under this Section 12(e) or otherwise. No party shall be liable for contribution for any settlement of any action or claim effected without its written consent.

13. Default of the Underwriters. If any Underwriter or Underwriters default in their obligations to purchase the Stock hereunder and arrangements satisfactory to you and the Company, evidenced by a writing or writings signed by you and the Company, for the purchase of such Stock by other persons are not made within 36 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Underwriter and the Company (except that the Company shall be liable for the expenses to be paid by it pursuant to the provisions of Section 8), provided, however, that if the number of shares of the Stock which all such defaulting Underwriters have agreed but failed to purchase shall not exceed 10% of the number of shares of the Firm Stock or the Option Stock, as the case may be, agreed to be purchased pursuant to this Agreement (other than the shares agreed to be taken up hereunder which the defaulting Underwriters failed to purchase) by all non-defaulting Underwriters, the non-defaulting Underwriters shall be obligated proportionately to take up and pay for the shares of the Firm Stock or the Option Stock which such defaulting Underwriters failed to purchase.

If any such default occurs, either you or the Company shall have the right to postpone the Closing Date for not more than seven business days in order that the necessary changes in the Registration Statement, Prospectus and any other documents, as well as any other arrangement, may be effected. As used in this Agreement, the term "Underwriters" includes any person substituted for an Underwriter under this Section. Nothing herein will relieve a defaulting Underwriter from its liability to the other several Underwriters, the Company and the Selling Stockholders for its default hereunder.

14. Representations and Indemnities to Survive Delivery. The respective indemnities, agreements, representations and warranties of the Company and the Selling Stockholders and the several Underwriters, set forth in or made pursuant to this Agreement, will remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter, the Company or any of its officers or directors or any controlling person and the Selling Stockholders, and will survive delivery of and payment for the Stock and, in the case of the agreements contained in Sections 8, 11 and 12 hereof, will survive any termination of this Agreement. The Company, each Selling Stockholder and each Underwriter agree promptly to notify the others of the commencement of any litigation or proceeding against it and, in the case of the Company, against any of the Company's officers and directors, in connection with the sale and delivery of the Stock, or in connection with the Registration Statement or Prospectus.

15. Notices. All communications hereunder will be in writing and, if sent to the Underwriters, will be mailed, delivered or telegraphed and confirmed to you at McDonald Investments Inc., McDonald Investment Center, 800 Superior Avenue, Cleveland, Ohio 44114, Attention: Jonathan Crane, with a copy to Calfee, Halter & Griswold LLP, 1400 McDonald Investment Center, 800 Superior Avenue, Cleveland, Ohio 44114, Attention: John J. Jenkins, or if sent to the Company, will be mailed, delivered or telegraphed and confirmed to the Company at 2000 Waters Edge Drive, Building C, Suite 12, Johnson City, Tennessee 37604, Attention:

Dave Dyckman, Chief Financial Officer and Vice President of Business Development, with a copy to Blackwell Sanders Peper Martin, LLP, Two Pershing Square, 2300 Main Street, Suite 1000, Kansas City, Missouri 64108, Attention: James M. Ash.

16. Successors, Governing Law. This Agreement will inure solely to the benefit of and be binding upon the parties hereto and the officers and directors and controlling persons referred to in Section 12 hereof and their respective successors, assigns, heirs, executors and administrators, and no other persons will have any right or obligation hereunder. This Agreement will be governed by and construed in accordance with the laws of the State of Ohio, without giving effect to the principles of conflicts of laws thereof.

17. Execution in Counterparts. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

18. Authority of the Representatives. You represent and warrant that you have been authorized by the several Underwriters to enter into this Agreement on their behalf and to act for them in the manner hereinbefore provided.

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to us the enclosed copies hereof, whereupon it will become a binding agreement by and among the Company, the Selling Stockholders and the several Underwriters in accordance with its terms.

Very truly yours,

NN, INC.

By:_____

Its:_____

_____,
Attorney-in-Fact for the Selling Stockholders

_____

The foregoing Agreement is hereby confirmed and accepted by us in Cleveland, Ohio, acting on our own behalf and as the Representatives of the several Underwriters named on Schedule B annexed hereto, as of the date first above written.

McDONALD INVESTMENTS INC.
LEGG MASON WOOD WALKER, INCORPORATED
As Representatives of the Several Underwriters

BY: McDONALD INVESTMENTS INC.

By:_____
Managing Director

SCHEDULE A

SELLING SHAREHOLDERS

Richard D. Ennen
Michael D. Huff
Charles L. Edminsten
Leonard Bowman
Janet M. Huff
Monica C. Ennen
Deborah E. Bagierek

SCHEDULE B

Underwriters	Number of Shares to be Purchased
McDonald Investments Inc.	
Legg Mason Wood Walker, Incorporated.....	
Total.....	6,500,000

Exhibit 10.1

NN BALL & ROLLER, INC.

STOCK INCENTIVE PLAN

1. PURPOSE

The NN Ball & Roller, Inc. Stock Incentive Plan (the "Plan") is designed to enable officers and key employees of NN Ball & Roller, Inc. (the "Company") to acquire or increase a proprietary interest in the Company, and thus to share in the future success of the Company's business. Accordingly, the Plan is intended as a means of attracting and retaining officers and key employees of outstanding ability and of increasing the identity of interests between them and the Company's shareholders, by providing an incentive to perform in a superior manner and rewarding such performance. Because the individuals eligible to receive Awards under the Plan will be those who are in positions to make important and direct contributions to the success of the Company, the directors believe that the grant of Awards will advance the interests of the Company and the shareholders.

2. DEFINITIONS

In this Plan document, unless the context clearly indicates otherwise, words in the masculine gender shall be deemed to refer to females as well as to males, any term used in the singular also shall refer to the plural, and the following capitalized terms shall have the following meanings:

(a) "Agreement" means the written agreement to be entered into by the Company and the Grantee, as provided in Section 7 hereof.

(b) "Award" means an Option, Restricted Shares, a Right or any award described in Section 13 hereof.

(c) "Beneficiary" means the person or persons designated in writing by the Grantee as his beneficiary with respect to an Award in the event of the Grantee's death; or, in the absence of an effective designation or if the designated person or persons predecease the Grantee, the Grantee's Beneficiary shall be the person or persons who acquire by bequest or inheritance the Grantee's rights in respect of an Award. In order to be effective, a Grantee's designation of a Beneficiary must be on file with the Committee before the Grantee's death. Any such designation may be revoked by the Grantee and a new designation substituted therefor at any time before the Grantee's death.

(d) "Board of Directors" or "Board" means the board of directors of the Company.

(e) A "Change in Control" shall be deemed to occur when and if any of the following events occurs:

(i) the Company acquires knowledge that any "person" or "group" within the meaning of Section 13(d) and 14(d)(2) of the 1934 Act in a transaction or series of transactions has become the "beneficial owner," as defined in Rule 13d-3 under the 1934 Act, directly or indirectly, of a majority of the then outstanding voting securities of the Company (not including voting securities held by officers or directors of the Company within the meaning of Section 16 of the 1934 Act), otherwise than through a transaction or series of transactions arranged by, or consummated with the prior approval of, the Board, except in a transaction provided for in clause (ii) hereof; or

(ii) the consummation of a merger or consolidation of the Company with, or a sale of all or substantially all of the assets of the Company to, another corporation unaffiliated with the Company that has been approved by the holders of a majority of the outstanding voting securities of the Company (not including any voting securities that are held by directors or officers of the Company within the meaning of Section 16 of the 1934 Act) and after which merger, consolidation or sale the shareholders of the Company immediately prior thereto do not beneficially own at least a majority of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation surviving such merger or consolidation or to which all or substantially all such assets are transferred.

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

(g) "Committee" means a committee, appointed or approved by the Board pursuant to Section 5(a) below, consisting of (i) prior to the consummation of the initial public offering, some or all of the directors, and (ii) after the consummation of the initial public offering not less than two directors each of whom is a "disinterested person" within the meaning of Rule 16b-3 under the 1934 Act (or any successor rule of similar import) or such greater number of directors as may be required to satisfy the requirements of Rule 16b-3 as in effect from time to time. To the extent that it is determined desirable to exempt any compensation earned under the Plan from the limitation on

deductions imposed by Section 162(m) of the Code and the rules and regulations thereunder, membership in the Committee may be limited as necessary to exempt such compensation from such limitation.

(h) "Company" means NN Ball & Roller, Inc.

(i) "Disability" or "Disabled" means having a total and permanent disability as defined in Section 22(e)(3) of the Code.

(j) "Fair Market Value" means, when used in connection with the Shares on a certain date, (1) the last sale price if Shares are listed on a national securities exchange, (2) if the Shares are not listed on a national security exchange, the last sale price (or if last sale prices are not disseminated, the mean of the closing bid and asked prices) as reported by a nationally recognized quotation reporting service then reporting such information or (3) if Shares are not so listed or such prices are not so disseminated any other appropriate method that the Committee deems fair and equitable.

(k) "Grantee" means a person to whom an Award has been granted under the Plan.

(l) "Incentive Stock Option" means an Option that complies with the terms and conditions set forth in Section 422(b) of the Code and is designated by the Committee as an Incentive Stock Option.

(m) "Limited Stock Appreciation Right" means a right that provides for a payment in accordance with Section 11 hereof.

(n) "1934 Act" means the Securities Exchange Act of 1934, as amended from time to time.

(o) "Nonqualified Stock Option" means an Option granted under the Plan other than an Incentive Stock Option.

(p) "Option" means an option to purchase a Share or Shares under the Plan. Unless the context clearly indicates otherwise, the term "Option" shall include both Incentive Stock Options and Nonqualified Stock Options.

(q) "Parent" means any parent corporation of the Company within the meaning of Section 424(e) of the Code (or a successor provision of similar import).

(r) "Plan" means the NN Ball & Roller, Inc. Stock Incentive Plan, as set forth herein and as amended from time to time.

(s) "Restricted Shares" means Shares granted pursuant to Section 12 hereof subject to such restrictions and other terms and conditions as the Committee shall determine in accordance with the Plan.

(t) "Retirement" means termination of employment after the Grantee's 60th birthday and after the Grantee has completed five years of service (within the meaning of the NN Ball and Roller, Inc. Employees' Profit Sharing Plan) with the Company.

(u) "Right" means a Stock Appreciation Right or a Limited Stock Appreciation Right. Unless the context clearly indicates otherwise, the term "Right" shall include both Stock Appreciation Rights and Limited Stock Appreciation Rights.

(v) "Shares" means shares of the common stock, par value $0.01 per share, of the Company.

(w) "Stock Appreciation Right" means a right that provides for a payment in accordance with Section 10 hereof.

(x) "Subsidiary" means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code (or a successor provision of similar import).

(y) "Term" means the period during which a particular Option or Right may be exercised.

3. ADOPTION AND DURATION OF THE PLAN

(a) The Plan is effective as of March 2, 1994, and shall terminate ten years after such effective date, unless it is sooner terminated in accordance with Section 23 hereof. Any Award outstanding at the time that the Plan is terminated shall not cease to be or cease to become exercisable pursuant to its terms because of the termination of the Plan.

(b) The Plan shall be approved either (1) by the affirmative vote of the holders of a majority of the outstanding Shares present in person or represented by proxy and entitled to vote at a meeting of the stockholders of the Company duly called for such purpose, or (2) by the written consent of the holders of a majority of the outstanding Shares entitled to vote (or any larger percentage of the Shares entitled to vote as required by the Company's Certificate of Incorporation or By-laws). If stockholder approval is not obtained, all Awards granted under the Plan shall be of no effect. No Award may be exercised,

and no restriction on Restricted Shares shall expire, lapse or be removed, prior to stockholder approval of the Plan.

4. NUMBER AND SOURCE OF SHARES SUBJECT TO THE PLAN

(a) The Company may grant Awards under the Plan with respect to not more than 500,000 Shares (subject, however, to adjustment as provided in Section 22 hereof), which Shares may be provided from any or a combination of the Company's treasury, the issuance of authorized but unissued Shares, and/or the purchase of outstanding Shares in the open market or in private transactions.

(b) If, and to the extent that, all or any part of an Award previously granted is surrendered, lapses, expires, is forfeited or is terminated (other than by reason of exercise in the case of an Option), in whole or in part, in such manner that all or some of the Shares that are the subject of the Award are not issued to the Grantee (and cash or any other form of consideration is not paid in lieu thereof pursuant to any tandem arrangement or otherwise), then such Shares subject to the Award shall again become available for the granting of Awards under the Plan within the limitation stated in subsection (a). Notwithstanding the foregoing, (i) if, while any Award is outstanding, the Grantee thereof receives any benefits of ownership of the Shares (such as the right to vote or receive dividends on Restricted Shares) or (ii) if any Shares previously issued under the Plan are surrendered, or any Shares issuable under the Plan are withheld, in payment of the exercise price of an Option or to satisfy tax

withholding obligations associated with any Award, then in each such case such Shares shall not again be available for Awards under the Plan.

5. ADMINISTRATION OF THE PLAN

(a) The Plan shall be administered by the Committee. The members of the Committee shall be appointed by the Board from time to time and shall serve at the pleasure of the Board.

(b) The Committee shall adopt such rules of procedure as it may deem appropriate for the proper administration of the Plan and as are in accordance with the Certificate of Incorporation and Bylaws of the Company. All actions of the Committee under the Plan shall be effective if taken either (1) by a majority vote of the members then in office at a meeting duly called and held or (2) by execution of a written instrument signed by all of the members then in office.

(c) The powers of the Committee shall include plenary authority to interpret the Plan. Subject to the provisions of the Plan, the Committee shall have the authority, in its sole discretion, from time to time: (1) to select the officers and key employees to whom Awards shall be granted; (2) to determine the date on which each Award shall be granted; (3) to prescribe the number of Shares subject to each Award; (4) to determine the type of each Award; (5) to determine the term of each Award; (6) to determine the periods during which Awards may be exercised and the restrictions and limitations upon exercise of Awards or the receipt of Shares, other property or cash thereunder; (7) to

prescribe any performance criteria pursuant to which Awards may be granted or may become exercisable or payable; (8) to prescribe any limitations, restrictions or conditions on any Award; (9) to prescribe the provisions of each Agreement, which shall not be inconsistent with the terms of the Plan; (10) to adopt, amend and rescind rules and regulations relating to the Plan; and (11) to make all other determinations and take all other actions that are necessary or advisable for the implementation and administration of the Plan.

6. INDIVIDUALS ELIGIBLE TO RECEIVE AWARDS

(a) Awards may be granted under the Plan to officers and key employees of the Company or any Subsidiary, including officers or key employees who also serve as members of the Board. All determinations by the Committee as to the individuals to whom Awards shall be granted hereunder shall be conclusive.

(b) Directors who are not regular salaried employees of the Company or any Subsidiary shall not be eligible to receive Awards.

(c) A Grantee may receive more than one Award. A Grantee may not receive Awards with respect to more than 300,000 Shares (subject, however, to adjustment as provided in Section 22) in any three-year period. For purposes of the application of this limitation, if an Award is cancelled, the Shares subject to the cancelled Award shall continue to be counted against the maximum number of Shares for which Awards may be granted to the Grantee. If, after the grant of an Award, the Option price or purchase price

of the Award is reduced, the transaction shall be treated as a cancellation of the Award and a grant of a new Award, and both the Shares subject to the Award that is deemed to be cancelled and the Shares subject to the Award that is deemed to be granted shall reduce the maximum number of Shares for which Awards may be granted to the Grantee.

7. AGREEMENT

(a) Each Award shall be evidenced by an Agreement setting forth the number of Shares subject to the Award or to which such Award corresponds, and the terms, conditions and restrictions applicable thereto.

(b) Appropriate officers of the Company are hereby authorized to execute and deliver Agreements in the name of the Company as directed from time to time by the Committee.

8. INCENTIVE STOCK OPTIONS

(a) The Committee may authorize the grant of Incentive Stock Options to officers and key employees, subject to the terms and conditions set forth in the Plan. The Agreement relating to an Incentive Stock Option shall state that the Option evidenced by the Agreement is intended to be an "incentive stock option" within the meaning of Section 422(b) of the Code.

(b) The Term of each Incentive Stock Option shall end (unless the Option shall have terminated earlier under another provision of the Plan) on a date fixed by the Committee and set forth in the applicable Agreement. In no event

shall the Term of the Option extend beyond ten years from the date of grant of the Option. In the case of any Grantee who, on the date the Option is granted, owns (within the meaning of Section 424(d) of the Code) more than 10 percent of the total combined voting power of all classes of stock of the Company, a Parent (if any), or a Subsidiary (if any), the Term of the Option shall not extend beyond five years from the date of grant.

(c) To the extent that the aggregate Fair Market Value of the stock with respect to which Incentive Stock Options (determined without regard to this subsection (c)) are exercisable by any Grantee for the first time during any calendar year (under all stock option plans of the Company, its Parent (if any) and its Subsidiaries (if any)) exceeds $100,000, such Options shall not be Incentive Stock Options. For the purposes of this subsection (c), the Fair Market Value of stock shall be determined as of the time the Option with respect to such stock is granted. This subsection (c) shall be applied by taking Options into account in the order in which they were granted.

(d) The Option price per Share established by the Committee for an Incentive Stock Option shall not be less than the Fair Market Value of a Share on the date the Option is granted, except that in the case of an Incentive Stock Option granted to a Grantee who, on the date the Option is granted, owns (within the meaning of Section 424(d) of the Code) more than 10 percent of the total combined voting power of all classes of stock of the Company, a Parent (if any) or a Subsidiary (if any), the Option price for each Share shall not be less than 110 percent of the Fair Market Value of a Share on the date

the Option is granted. In no event may an Incentive Stock Option be granted if the Option price per Share is less than the par value of a Share.

(e) Any Grantee who disposes of Shares purchased upon the exercise of an Incentive Stock Option either (1) within two years after the date on which the Option was granted, or (2) within one year after the issuance or transfer of such Shares to the Grantee, shall promptly notify the Company of the date of such disposition and of the amount realized upon such disposition.

9. NONQUALIFIED STOCK OPTIONS

(a) The Committee may authorize the grant of Nonqualified Stock Options subject to the terms and conditions set forth in the Plan. Unless an Option is designated by the Committee as an Incentive Stock Option, it is intended that the Option will not be an "incentive stock option" within the meaning of Section 422(b) of the Code and, instead, will be a Nonqualified Stock Option. The Agreement relating to a Nonqualified Stock Option shall state that the Option evidenced by the Agreement shall not be treated as an Incentive Stock Option.

(b) The Term of each Nonqualified Stock Option shall end (unless the Option shall have terminated earlier under another provision of the Plan) on a date fixed by the Committee and set forth in the applicable Agreement. In no event shall the Term of the Nonqualified Stock Option extend beyond ten years from the date of grant of the Option.

(c) The Option price to be paid by the Grantee for each Share purchased upon the exercise of a Nonqualified Stock Option shall not be less than the Fair Market Value of a Share on the date the Option is granted. In no event may a Nonqualified Stock Option be granted if the Option price per Share is less than the par value of a Share.

10. STOCK APPRECIATION RIGHTS

(a) The Committee shall have authority, in its sole discretion, to provide for the grant of Stock Appreciation Rights either (i) in tandem with all or a portion of an Option granted under the Plan or (ii) independent of any Option granted under the Plan. A tandem Right shall be exercisable only at such times, and to such extent, as the related Option is exercisable. Subject to shareholder approval of the Plan as required by Section 3(b) above, an independent Right shall be exercisable at such time and to such extent as the Committee shall determine.

(b) Any Stock Appreciation Right shall permit the Grantee to receive, upon exercise of the Right, an amount (to be paid in cash, in Shares or in both cash and Shares, as determined by the Committee in its sole discretion at any time prior to or after exercise) equal in value to the difference between (1) the Fair Market Value on the date of exercise of the Shares with respect to which the Right is exercised and (2) either (i) the Option price of the related Option in the case of a Right that is related to an Option or (ii) the Fair Market Value of

a Share on the date the Right was granted in the case of a Right that is not related to any Option.

(c) With respect to Rights granted under the Plan, the Committee may establish such waiting periods, exercise dates and other limitations as it shall deem appropriate in its sole discretion, provided that (1) no Right that is granted in tandem with an Option may be exercised after the expiration of the Term of such Option and (2) the exercise of a Right (whether or not in tandem with an Option) for cash by a director or officer (within the meaning of Rule 16b-3 under the 1934 Act) of the Company is subject to the following conditions: (A) the Company shall have been subject to the reporting requirements of Section 13(a) of the 1934 Act for at least one year prior to the exercise and shall have filed all reports required to be filed under Section 13(a) during such period, (B) the Company shall have regularly released for publication quarterly and annual summary statements of sales and earnings, (C) the Committee, which shall have sole discretion to approve or disapprove the election of the Grantee to receive cash as whole or partial settlement of the Right, approves the Grantee's election to receive cash after the election is made, (D) the exercise occurs during one of the window periods described in clause (e)(3) of Rule 16b-3 and (E) the Right is not exercised prior to the expiration of a six-month period after the date of the grant or, if later, stockholder approval of the Plan as provided in Section 3(b). In addition, the Committee may impose a prohibition on the exercise of Rights for such

period or periods as it, in its sole discretion, deems to be in the best interest of the Company.

(d) The right of a Grantee to exercise an Option shall be canceled if and to the extent that the Shares subject to the Option are used to calculate the amount to be received upon the exercise of a tandem Right, and the right of a Grantee to exercise a tandem Right shall be canceled if and to the extent that the Shares subject to the Right are purchased upon the exercise of the related Option or are used to calculate the amount to be received upon the exercise of another Right that is related to the Right in question.

(e) A tandem Right may be granted coincident with or after the grant of any related Option; provided that the Committee shall consult with counsel before granting a tandem Right after the grant of a related Incentive Stock Option.

11. LIMITED STOCK APPRECIATION RIGHTS

(a) The Committee shall have authority, in its sole discretion, to provide for the grant of Limited Stock Appreciation Rights relating to all or a portion of any Option, whether or not a Stock Appreciation Right has been granted in connection with such Option, except that no Limited Stock Appreciation Right shall be granted in response to a Change in Control.

(b) A Limited Stock Appreciation Right shall be exercised automatically upon the occurrence of a Change in Control. However, no Limited Stock Appreciation Right shall be exercisable after the expiration of the Term of the tandem

Option and the exercise of a Limited Stock Appreciation Right by a director or officer (within the meaning of Rule 16b-3 under the 1934 Act) of the Company is subject to the following conditions: (1) the Company shall have been subject to the reporting requirements of Section 13(a) of the 1934 Act for at least one year prior to the exercise and shall have filed all reports required to be filed under Section 13(a) during such period, (2) the Company shall have regularly released for publication quarterly and annual summary statements of sales and earnings, and (3) six months shall have expired since the date of the grant of the Limited Stock Appreciation Right or, if later, stockholder approval of the Plan as provided in Section 3(b).

(c) The amount to be received by the Grantee upon the exercise of a Limited Stock Appreciation Right shall be paid in cash, and shall be equal in amount to the number of Shares with respect to which the Right is exercised multiplied by the excess of:

(1) the higher of (i) the highest Fair Market Value of a Share during the period commencing on the ninetieth (90th) day preceding the exercise of the Right and ending on the date of exercise and (ii) either (A) if an event described in paragraph (i) of the definition of "Change in Control," above, has occurred, the highest price per Share paid for any Share as shown on a Schedule 13D (or any amendment thereto) filed pursuant to Section 13(d) of the 1934 Act by any person or group (as defined in that definition) whose acquisition caused the Change in Control to occur, or (B) if an event described in paragraph (ii) of the definition of "Change in Control," above,

has occurred, the cash value per Share of the consideration paid or to be paid pursuant to the reorganization agreement (as defined in that definition) if such price is determinable as of the date of exercise of the Limited Stock Appreciation Rights, over

(2) the Option price of the related Option.

Any securities or property that are part or all of the consideration paid for Shares pursuant to the reorganization agreement shall be valued at the higher of (i) the valuation placed on such securities or property by the corporation issuing securities or property in the merger or consolidation or to whom the Company is selling or otherwise disposing of all or substantially all of the assets of the Company and (ii) the valuation placed on such securities or property by the Committee.

(d) In the case of a Limited Stock Appreciation Right that is related to an Incentive Stock Option, the amount payable under subsection (c) may not exceed the difference between the Fair Market Value, as of the exercise date, of the Shares with respect to which the Right is exercised and the Option price of the related Incentive Stock Option.

(e) The grant and exercise of Limited Stock Appreciation Rights shall be subject to the terms and conditions set forth in Sections 10(d) through 10(e).

12. RESTRICTED SHARES

(a) The Committee may authorize the grant of Restricted Shares subject to the terms and conditions set forth in the Plan. Subject to the provisions of this

Section 12, the Committee shall determine at the time of grant the size and the terms and conditions of each grant of Restricted Shares, including the duration of the restrictions that shall be imposed on the Restricted Shares, the dates on which, or circumstances (such as the satisfaction of specified performance criteria) in which, the restrictions shall expire, lapse or be removed or the Restricted Shares shall be forfeited, and the purchase price, if any, to be paid to the Company by the Grantee (and the terms of payment thereof) for the Restricted Shares. To the extent required by law, the purchase price of a Restricted Share shall not be less than the par value of a Share on the date of grant.

(b) A Grantee of Restricted Shares shall have beneficial ownership of the Restricted Shares, including the right to receive dividends on, and the right to vote, the Restricted Shares. A certificate or certificates representing the number of Restricted Shares acquired shall be registered in the name of the Grantee. The Committee, in its sole discretion, shall determine when the certificate or certificates shall be delivered to the Grantee (or, in the event of the Grantee's death, to his Beneficiary), may provide for the holding of such certificate or certificates in custody by a bank or other institution or by the Company itself pending their delivery to the Grantee or Beneficiary, and may provide for any appropriate legend to be borne by the certificate or certificates referring to the terms, conditions and restrictions applicable to the Restricted Shares.

(c) While subject to the restrictions imposed by the Committee in accordance with this Section 12, Restricted Shares shall not be sold, assigned, conveyed, transferred, pledged, hypothecated, or otherwise disposed of, and any attempt thereto shall be ineffective. If the Grantee's continuous employment with the Company or any Subsidiary shall terminate for any reason, except as provided by the Committee pursuant to subsection (d) below, all of the rights of the Grantee to such Restricted Shares shall immediately terminate. Upon such termination, the Grantee shall redeliver or cause to be redelivered to the Company any certificate(s) for the Shares previously delivered to the Grantee, accompanied by such endorsement(s) and/or instrument(s) of transfer as may be required by the Company. Upon the return of any certificate(s) for such Restricted Shares, the Company shall pay to the Grantee an amount in cash equal to the lesser of the aggregate purchase price, if any, paid by the Grantee for the Restricted Shares or the current fair market value of the Restricted Shares.

(d) The restrictions imposed on Restricted Shares shall lapse on such date or dates and in such circumstances as the Committee shall determine at the time of the grant. The Committee shall provide for the acceleration of the lapse of restrictions in whole or in part upon the death or Disability of the Grantee or upon the occurrence of a Change in Control, which provisions shall be set forth in the Agreement. Notwithstanding the foregoing, in no event shall Restricted Shares granted to any director or officer (within the meaning of Section 16 of the 1934 Act) of the Company be transferable prior to the

expiration of a period of six months from the date on which the Restricted Shares were granted (or, if later, within six months following the date of stockholder approval of the Plan as provided in Section 3(b)).

(e) If, after Restricted Shares are transferred to a Grantee, the Grantee properly and timely elects, pursuant to Section 83(b) of the Code, to include in gross income for federal income tax purposes the amount determined under Section 83(b) of the Code, the Grantee shall furnish to the Company a copy of his completed and signed election form, and shall pay (or make arrangements satisfactory to the Company to pay) to the Company any federal, state or local taxes required to be withheld with respect to the Shares. If the Grantee fails to make such payments, the Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Grantee any federal, state or local taxes of any kind required by law to be withheld with respect to the Shares.

13. OTHER STOCK-BASED AWARDS

The Committee may, from time to time, grant Awards (other than the Awards described in Sections 8 through 12 above) under the Plan that consist of, are denominated in or payable in, are valued in whole or in part by reference to, or otherwise are based on or related to, Shares, provided that such grants comply with applicable law. The Committee may subject such Awards to such vesting or earnout provisions, restrictions on transfer, and/or other restrictions on incidents of ownership as the Committee may determine, provided that such restrictions are not inconsistent

with the terms of the Plan. The Committee may grant Awards under this Section 13 that require no payment of consideration by the Grantee (other than services previously rendered or, as may be permitted by applicable law, services to be rendered), either on the date of grant or the date any restriction(s) thereon are removed. Awards granted under this Section 13 may include, by way of example, phantom Shares, performance units, performance bonus awards, and other Awards that are payable in cash, or that are payable in cash or Shares or other property (at the election of the Committee or, if the Committee so provides, at the election of the Grantee), provided that such Awards are denominated in Shares, valued in whole or in part by reference to Shares, or otherwise based on or related to Shares.

14. EXERCISABILITY OF OPTIONS AND RIGHTS

(a) The Committee shall have authority to grant (1) Options and Rights that are exercisable in full at any time during their Term and (2) Options and Rights that become exercisable in installments during their Term. In exercising an Option or Right, the Grantee may purchase less than all of the Shares available under the Option or Right. Unless the Committee provides otherwise at the time of grant, no Option or Right granted to a director or officer (within the meaning of Section 16 of the 1934 Act) of the Company shall be exercisable within six months after the date of the grant of such Option or Right (or, if later, within six months following stockholder approval of the Plan as provided in Section 3(b)).

(b) Any Option or Right shall be exercisable in full, notwithstanding the applicability of any limitation on the exercise of such Option or Right (other than the six-month waiting period described in the final sentence of subsection (a) above if the Option or Right is subject to such a waiting period and the requirement that the shareholders approve the Plan) beginning on the date on which a Change in Control has occurred.

15. EXERCISE OF OPTION OR RIGHT

(a) Options or Rights shall be exercised by delivering or mailing to the Committee: (1) in the form and in the manner prescribed by the Committee, a notice specifying the number of Shares to be purchased or the number of Shares with respect to which a Right shall be exercised, and (2) if an Option is exercised, payment in full of the Option price for the Shares so purchased by a method described in Section 18 hereof.

(b) Subject to Section 17(a) hereof, upon receipt of the notice of exercise and payment of the Option price, the Company shall promptly deliver to the Grantee (or Beneficiary) a certificate or certificates for the Shares to which he is entitled, without charge to him for issue or transfer tax.

(c) Upon the purchase of Shares under an Option or Right, the stock certificate or certificates may, at the request of the purchaser or recipient, be issued in his name and the name of another person as joint tenants with right of survivorship.

16. EXERCISE OF OPTION OR RIGHT AFTER TERMINATION OF EMPLOYMENT

(a) If Grantee's employment with the Company and its Subsidiaries (if any) terminates for any reason other than Retirement, Disability or death, any Option or Right then held by the Grantee, to the extent exercisable on such date of termination, shall continue to be exercisable at any time within the three-month period following such termination of employment, but not after such period.

(b) If the Grantee's employment with the Company and its Subsidiaries (if any) terminates because of Retirement, any Option or Right then held by the Grantee, to the extent exercisable on such date of termination, shall be exercisable at any time within the 12-month period following such Retirement, but not after such period; provided that an Incentive Stock Option exercised more than three months following Retirement shall be treated as a Nonqualified Stock Option.

(c) If the Grantee's employment with the Company and its Subsidiaries (if any) terminates because of the Grantee's Disability, any Option or Right then held by the Grantee shall be exercisable at any time within the 12-month period following such termination of employment, but not after such period.

(d) If a Grantee's employment with the Company and its Subsidiaries (if any) terminates because of the Grantee's death, or if the Grantee dies after termination of employment while an Option or Right is exercisable pursuant to subsection (c), above, any Option or Right held by the Grantee on the date of his death shall be exercisable at any time within the 24-month period fol-

lowing the Grantee's death, but not after such period; provided that an Incentive Stock Option exercised more than 12 months after the Grantee's termination of employment because of Disability shall be treated as a Nonqualified Stock Option. Any Option or Right held by the Grantee on the date of his death may be exercised only by the Grantee's Beneficiary; provided, however, that if the Grantee's Beneficiary dies while the Option is exercisable pursuant to this subsection (d), the executor or administrator of the Beneficiary's estate may exercise the Option within the period specified in the preceding sentence hereof. If the Grantee and the Grantee's Beneficiary die in circumstances in which there is not sufficient evidence that the two have died otherwise than simultaneously, the Beneficiary shall be deemed to have predeceased the Grantee.

(e) Notwithstanding any provision of an Option or Right that provides for the exercise of the Option or Right in installments, except for the six-month waiting period described in the final sentence of Section 14(a) (if the Option or Right is subject to such waiting period) and the requirement that the shareholders approve the Plan, the Option or Right shall become immediately exercisable in full upon the Disability or death of the Grantee; and any Option or Right that would have become immediately exercisable in full upon the Grantee's Disability or death but for the application of such six-month waiting period shall become immediately exercisable in full upon the expiration of such six-month waiting period.

(f) Notwithstanding any other provision of this Section 16, in no event shall an Option or Right be exercisable after the expiration date specified in the Agreement.

17. CONDITIONS ON AWARDS

(a) The grant or exercise of an Award and the distribution of Shares or cash under the Plan shall be subject to the condition that if at any time the Company shall determine (in accordance with the provisions of the following sentence) that it is necessary as a condition of, or in connection with, such grant, exercise or distribution (1) to satisfy withholding tax or other withholding liabilities, (2) to effect the listing, registration or qualification on any securities exchange, on any quotation system, or under any federal, state or local law, of any Shares otherwise deliverable in connection with such grant, exercise or distribution or (3) to obtain the consent or approval of any regulatory body, then in any such event such grant, exercise or distribution shall not be effective unless such withholding, listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company in its reasonable and good faith judgment. In seeking to effect or obtain any such withholding, listing, registration, qualification, consent or approval, the Company shall act with all reasonable diligence. Any such postponement or limitation affecting the right to exercise an Award or the grant or distribution of an Award, Shares or cash shall not extend the time within which the Award may be granted or exer-

cised or the Shares or cash distributed, unless the Company and the Grantee choose to amend the terms of the Award to provide for such an extension; and neither the Company, nor any of its directors or officers shall have any obligation or liability to the Grantee or to a Beneficiary by reason of any such postponement or limitation.

(b) All Awards granted under the Plan shall be nontransferable other than by will or by the laws of descent and distribution, and an Award may be exercised during the lifetime of the Grantee only by him.

18. PAYMENT FOR AWARD

Any exercise or purchase price of an Award may be payable, at the discretion of the Committee, by any one or a combination of the following methods: (1) by money order, cashier's check or certified check; (2) by having the Company withhold Shares otherwise deliverable to the Grantee or by the tender of other Shares to the Company; or (3) unless the Committee expressly provides otherwise (at the time of grant in the case of Incentive Stock Option or at any time prior to exercise or purchase in the case of any other Award) by cash payment made by the Grantee's broker pursuant to the Grantee's instructions (and, if so instructed by the Grantee, cash payment by the Grantee's broker of the amount of any taxes to be withheld in connection with the exercise), accompanied by the Grantee's irrevocable instructions to the Company to deliver the Shares issuable upon exercise of the Award promptly to the broker for the Grantee's account; provided that, in the case of any director or officer (within the meaning of Section 16 of the 1934 Act) of the Company, such

exercise would not subject the Grantee to short-swing profit recovery provision of Section 16(b) of the 1934 Act. Shares tendered in satisfaction of the exercise or purchase price shall be valued at their Fair Market Value on the date of tender. The Committee shall determine acceptable methods for tendering Shares to exercise an Award under the Plan, and may impose such limitations and prohibitions on the use of Shares to exercise Awards as it deems appropriate. The date of exercise of an Award shall be deemed to be the date on which the notice of exercise and payment of the Option price are received by the Committee or, if such notice of exercise and payment are mailed in the United States and the United States Postal Service has stamped its postmark thereon, then on the date of such postmark.

19. TAX WITHHOLDING

(a) The Company shall have the right to collect an amount sufficient to satisfy any federal, state and/or local withholding tax requirements that might apply with respect to any Award (including, without limitation, the exercise of an Option or Right, the disposition of Shares, or the grant or distribution of Shares or cash) in the manner specified in subsection (b) or (c) below. Alternatively, a Grantee may elect to satisfy any such withholding tax requirements in the manner specified in subsection (d) or (e) below to the extent permitted therein.

(b) The Company shall have the right to require Grantees to remit to the Company in cash an amount sufficient to satisfy any such withholding tax requirements.

(c) The Company and any Subsidiary also shall, to the extent permitted by law, have the right to deduct from any payment of any kind (whether or not related to the Plan) otherwise due to a Grantee any such taxes required to be withheld.

(d) If the Committee in its sole discretion approves, a Grantee may irrevocably elect to have any withholding tax obligation satisfied by (i) having the Company withhold Shares otherwise deliverable to the Grantee with respect to the Award, or (ii) delivering other Shares to the Company; provided that, to the extent necessary for a director or an officer (within the meaning of Section 16 of the 1934 Act) of the Company to obtain exemption from the short-swing profit recovery provisions of Section 16(b) of the 1934 Act, any such election either (i) shall be made by an irrevocable election made at least six months before the date on which the amount of the tax to be withheld is determined or (ii) is subject to the following conditions: (A) the Company shall have been subject to the reporting requirements of Section 13(a) of the 1934 Act for at least one year prior to the election and shall have filed all reports required to be filed under Section 13(a) during such period, (B) the Company shall have regularly released for publication quarterly and annual summary statements of sales and earning, (C) the Committee, which shall have sole discretion to approve or disapprove such election, approves the election after the election is made, (D) the election occurs during (or in advance to take effect during) one of the window periods described in clause (c)(3) of Rule 16b-3 and (E) the election does not occur prior to the expiration

of a six-month period after the date of the grant of the Award or, if later, stockholder approval of the Plan as provided in Section 3(b).

(e) If permitted by the Committee, a Grantee may elect to have any withholding tax obligation satisfied in the manner described in Section 18(3), to the extent permitted therein.

20. FRACTIONAL SHARES

No fractional Shares shall be issued pursuant to the Plan or any Award. The Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of fractional Shares, or whether fractional Shares or any rights thereto shall be cancelled, terminated or otherwise eliminated.

21. SHAREHOLDER RIGHTS

(a) No Award shall confer upon a Grantee any rights of a shareholder unless and until Shares are actually issued to him.

(b) Subject to any required action by the Company's shareholders, if the Company shall be a party to any merger, consolidation or reorganization in which Shares are changed or exchanged, a Grantee holding an outstanding Award shall be entitled to receive, upon the exercise of such Award, the same consideration that a holder of the same number of Shares that are subject to the Award is entitled to receive pursuant to such merger, consolidation or reorganization.

22. ADJUSTMENT FOR CHANGES IN CAPITALIZATION

In addition to the provisions of Section 21(b) above, in the event of (i) any change in the Shares through merger, consolidation, reorganization, recapitalization, or otherwise, (ii) any dividend on the Shares that is payable in such Shares, or (iii) a stock split or a combination of Shares, then, in any such case, the aggregate number and type of Shares available for Awards, the number and type of Shares subject to outstanding Awards, the purchase or exercise price per Share of each outstanding Award and the number of Shares with respect to which Awards may be granted to a Grantee within any three-year period, shall be adjusted by the Committee as it deems equitable in its sole and absolute discretion to prevent substantial dilution or enlargement of the rights of the Grantees, subject to any required action by the shareholders of the Company; and provided that with respect to Incentive Stock Options, no such adjustment shall be required to the extent that such adjustment would cause such Options to violate Section 422(b) of the Code.

23. TERMINATION, SUSPENSION OR MODIFICATION OF PLAN

The Board of Directors may at any time terminate, suspend or modify the Plan, except that the Board shall not, without the approval of the holders of a majority of the Company's outstanding Shares present in person or represented by proxy and entitled to vote at a meeting of the stockholders of the Company duly called for such purpose or by the written consent of the holders of a majority of the outstanding Shares entitled to vote (or any larger percentage of the Shares entitled to vote as required by the Company's Certificate of Incorporation or By-laws), (a) change the

class of persons eligible for Awards; (b) change the exercise or purchase price of Awards (other than through adjustment for changes in capitalization as provided in Section 22 hereof); (c) increase the maximum duration of the Plan; (d) materially increase the benefits accruing to participants under the Plan; or (e) materially increase the number of securities that may be issued under the Plan. No termination, suspension, or modification of the Plan shall adversely affect any right acquired by any Grantee or by any Beneficiary, under the terms of any Award granted before the date of such termination, suspension or modification, unless such Grantee or Beneficiary shall consent; but it shall be conclusively presumed that any adjustment for changes in capitalization in accordance with Section 22 hereof does not adversely affect any such right.

24. APPLICATION OF PROCEEDS

The proceeds received by the Company from the sale of Shares (including Restricted Shares) under the Plan shall be used for general corporate purposes.

25. UNFUNDED PLAN

The Plan shall be unfunded. Neither the Company nor any Subsidiary shall be required to segregate any assets that may be represented by any Awards, and neither the Company nor any Subsidiary nor the Board shall be deemed to be a trustee of any amounts to be paid under any Award. Any liability of the Company or any Subsidiary to pay any Grantee or Beneficiary with respect to an Award shall be based solely upon any contractual obligations created pursuant to the provisions of the Plan

and the applicable Agreement; no such obligation shall be deemed to be secured by any pledge of, or encumbrance on, any property of the Company or a Subsidiary.

26. GENERAL PROVISIONS

The grant of an Award at any time shall not give the Grantee any right to similar grants at any other time or any right to be retained in the employ of the Company or its Subsidiaries.

27. GOVERNING LAW

The Plan shall be governed and its provision construed, enforced and administered in accordance with the laws of Delaware (excluding the conflict of law provisions thereof), except to the extent that such laws may be superseded by any federal law.

NN, INC.

INCENTIVE STOCK OPTION AGREEMENT

pursuant to the

STOCK INCENTIVE PLAN

THIS AGREEMENT, dated as of _____ by and between NN, Inc., a Delaware corporation (the "Company"), and _____ of 2000 Waters Edge Drive, Building C, Suite 12, Johnson City, TN 37604 (the "Grantee").

WITNESSETH THAT:

WHEREAS, the Grantee is employed by the Company and serves as the _____ thereof;

WHEREAS, the Company desires to reward the Grantee's superior performance and to provide the Grantee with inducements to continue in the employ of the Company and to continue to perform in a superior manner;

WHEREAS, the Company has adopted the NN, Inc. Stock Incentive Plan (the "Plan"), authorizing the grant of Awards by the Company to officers and key employees;

WHEREAS, the Committee referred to in the Plan (the "Committee"), pursuant to authority vested in it by the Company's Board of Directors, has approved the granting to the Grantee of an Incentive Stock Option (the "Option") to purchase shares of the Company's common stock, par value $.01 per share ("Shares"), upon the terms and subject to the conditions set forth hereinafter and in the Plan; and

WHEREAS, the Company desires to grant the Option to the Grantee and to memorialize the terms and conditions thereof;

NOW, THEREFORE, in consideration of the above-mentioned premises and the covenants and agreements contained herein, the Company and the Grantee, intending to be legally bound, hereby agree as follows:

SECTION 1: Incentive Stock Option

1.1 Pursuant to the Plan and this Incentive Stock Option Agreement (the "Agreement"), the Company hereby grants to the Grantee, effective as of the date of this Agreement, an Option to purchase an aggregate of _____ Shares at the Option price per Share described in Section 1.2 hereof and pursuant to the terms and conditions set forth in the Plan and this Agreement. Any capitalized terms used herein and not defined herein have the respective meanings ascribed to them in the Plan.

1.2 The Option exercise price per share with respect to the Shares covered by this Agreement shall be equal to _____ ($_____), such amount equaling one hundred percent of the Fair Market Value of each Share on the date of grant of the Option. Upon exercise of the option, in whole or in part, this Option price shall be payable to the Company in accordance with Section 2.1 hereof.

1.3 The date of grant of the Option is _____.

1.4 Subject to the provisions of Section 1.7 hereof, the Option is intended to be an Incentive Stock Option within the meaning of section 422 of the Code.

1.5 Subject to Sections 1.6 and 3 hereof, the Option shall be exercisable from and after each initial exercisability date set forth below with respect to the indicated number of Shares:

Initial Exercisability Date	Number of Shares for Which the Option Becomes First Exercisable on Such Date

The Grantee at any time may purchase less than the full number of Shares for which the option is then exercisable. Shares not purchased in earlier periods shall accumulate and be available for purchase in later periods within the Term of the Option.

1.6 Notwithstanding the application of any limitation on the exercise of the Option, the Option shall be exercisable in full immediately following the date on which a Change in Control has occurred if the Grantee's employment with the Company and its Subsidiaries has not terminated prior to the date on which the Change in Control occurred; provided, however, that the Option shall not be exercisable at any time during the six-month period following the date of this Agreement; and further provided, that nothing in this Section 1.6 shall extend the Term of the Option or have any effect other than to accelerate the date on which the Option becomes exercisable in full.

1.7 To the extent that the aggregate Fair Market Value of the stock with respect to which Incentive Stock Options (determined without regard to this Section 1.7) are exercisable by the Grantee for the first time during any calendar year (under all stock option plans of the Company, its Parent and its Subsidiaries) exceeds $100,000, such Options are not Incentive Stock Options. For the purposes of this Section 1.7, the Fair Market Value of stock shall be determined as of the time the option with respect to such stock is granted. This Section 1.7 shall be applied by taking options into account in the order in which they were granted. To

the extent that the Option is to become exercisable for the first time during any calendar year with respect to a number of Shares that exceeds the foregoing limitation, the Option shall be considered to consist of (i) an Incentive Stock Option to acquire the maximum number of Shares permitted under this Section 1.7 and (ii) a Nonqualified Stock Option to acquire the excess Shares on the same terms described in this Agreement.

1.8 The Term of the Option shall continue until the tenth anniversary of the grant of the Option. The Option shall terminate (if not sooner terminated in accordance with the provisions of the Plan or the other provisions hereof) and shall no longer be exercisable after such tenth anniversary.

SECTION 2: Exercise and Withholding

2.1 The Grantee may exercise the Option in respect of Shares on and after the appropriate dates set forth in Section 1.5 above (and before a date or event of termination or cancellation) in whole at any time, or in part from time to time. The Grantee shall give the Company written notice to exercise the option in whole or in a specified part. Such notice shall specify the number of Shares to be purchased and shall be accompanied by full payment for the Shares then being purchased, which payment may be made in any of the following ways: (a) delivering a money order, cashier's check or certified check payable to the order of the Company; (b) delivering Shares to the Company; (c) subject to limitations imposed by the Plan and the Committee, a cash payment by Grantee's broker pursuant to the Grantee's instruction; or (d) combination thereof. The notice also shall be accompanied by such agreement, statement, or other evidence as the Committee may require in order to satisfy itself that the issuance of the Shares being purchased pursuant to such exercise and any subsequent resale thereof will be in compliance with applicable laws and regulations relating to the issuance and sale of securities, including the provisions of the Securities Act of 1933 and regulations promulgated thereunder.

Any Shares surrendered as payment in exercise of the Option shall be valued at their Fair Market Value on the date of exercise. The exercise shall be deemed to occur (a) on the date that the notice of exercise and, if applicable, the money order, cashier's check, certified check, cash and/or Shares are received at the office of the Chief Financial Officer of the Company, or at such other location as may be established in accordance with Section 4.5 hereof or (b) if such notice of exercise and payment are mailed in the United States and the United States Postal Service has stamped its postmark thereon, then on the date of such postmark.

2.2 In each case where the Grantee shall exercise the option, in whole or in part, the Company shall notify the Grantee of the amount of income or employment tax, if any, that must be withheld under federal and, where applicable, state and local law by reason of such exercise. It shall be a condition to any delivery of Shares hereunder that provision satisfactory to the Company shall have been made for payment of any taxes required to be paid or withheld pursuant to any applicable law or regulations. The Grantee may irrevocably elect to have any withholding tax obligation satisfied (a) by a money order, cashier's check or certified check payable to the order of the Company; (b) by having the Company withhold Shares otherwise deliverable to the Grantee with respect to the exercise of the Option; (c) by delivering Shares to the Company; (d) subject to limitations imposed by the Plan and the Committee, by a cash payment by the Grantee's broker pursuant to the Grantee's instruction; or (e) by a combination thereof; provided that the Committee may disapprove, or impose conditions upon, any such election.

2.3 As soon as practicable after each exercise of the Option and compliance by the Grantee with all applicable conditions, including any payments that may be required by the Company pursuant to Sections 2.1 and 2.2 hereof, the Company shall mail or deliver or cause

to be mailed or delivered to the Grantee a stock certificate or certificates registered in the name of the Grantee for the number of Shares that the Grantee shall be entitled to receive upon such exercise under the provisions of this Agreement.

2.4 If the Grantee exercises all or a portion of this Option and the Grantee sells, transfers, assigns or otherwise disposes of Shares acquired by the exercise of this Option within two (2) years after the date the Option was granted or within one (1) year after the date of such exercise, the Grantee shall promptly notify the Company of the date of such disposition and of the amount realized upon such disposition and shall provide (in a manner satisfactory to the Company) for payment to the Company of the amounts, if any, necessary to satisfy any applicable federal, state and local tax withholding requirements imposed by reason of such sale, transfer, assignment or other disposition. To the extent the Grantee does not otherwise satisfy any withholding obligation with respect to the disposition, the Company and any Subsidiary shall, to the extent permitted by law, have the right to deduct from any payment of any kind (whether or not related to the Plan) otherwise due to the Grantee any such taxes required to be withheld.

SECTION 3: Termination of Employment

3.1 If the Grantee's employment with the Company terminates for any reason other than Retirement, Disability or death, the Option shall continue to be exercisable at any time within the three-month period following such termination of employment, but not after such period. The Option shall not become exercisable with respect to any Shares for which it was not exercisable on the date of such termination of employment. For purposes of this Section 3, references to employment with the Company shall be deemed to include employment with any Subsidiary.

3.2 If the Grantee's employment with the Company terminates because of Retirement, the Option shall continue to be exercisable at any time within the 12-month period following such Retirement, but not after such period (unless otherwise provided in Section 3.4 below); provided that the option will be treated as a Nonqualified Stock Option if it is exercised more than three months following Retirement. The Option shall not become exercisable with respect to any Shares for which it was not exercisable on the date of Retirement.

3.3 If the Grantee's employment with the Company terminates because of the Grantee's Disability, the Option shall (a) become immediately exercisable in full as of the date of such termination, and (b) be exercisable at any time within the 12month period following such termination of employment, but not after such period (unless otherwise provided in Section 3.4 below); provided, however, that the Option shall not be exercisable at any time during the six-month period following the date of this Agreement.

3.4 If Grantee's employment with the Company terminates because of the Grantee's death, the Option shall become immediately exercisable in full as of the date of termination of employment; provided, however, that the option shall not be exercisable at any time during the six-month period following the date of this Agreement. If the Grantee's employment with the Company terminates because of the Grantee's death, or if the Grantee dies within 12 months after termination of employment while the Option is exercisable pursuant to Section 3.3, above, the Option shall be exercisable at any time within the 24-month period following the Grantee's death, but not after such period; provided, however, that the Option shall be treated as a Nonqualified Stock Option if the Option is exercised more than 12 months after the Grantee's termination of employment because of Disability. If the Grantee's employment with the Company terminates due to Retirement and the Grantee subsequently dies within 12

months after termination of employment while the option is exercisable pursuant to Section 3.2, above, the Option, to the extent it is exercisable on the date of the Grantee's Retirement, shall be exercisable at any time within the 24-month period following the Grantee's death, but not after such period; provided that the Option will be treated as a Nonqualified Stock Option if it is exercised more than three months following the date of the Grantee's Retirement.

3.5 After the Grantee's death, the Option may be exercised only by the Grantee's Beneficiary; provided, however, that if the Grantee's Beneficiary dies within 24 months after the Grantee's death, the executor or administrator of the Beneficiary's estate may exercise the Option within such 24-month period. If the Grantee has effectively designated a Beneficiary in writing pursuant to the Plan and the Grantee and such designated Beneficiary die in circumstances in which there is not sufficient evidence that the two have died otherwise than simultaneously, the designated Beneficiary shall be deemed to have predeceased the Grantee.

3.6 Any exercise by a Beneficiary of Options issued and delivered hereunder shall be subject to all of the terms and conditions contained in Section 2 of this Agreement.

3.7 Notwithstanding any other provision of this Section 3, in no event shall the option be exercisable after the expiration date specified in Section 1.8 of this Agreement.

SECTION 4: Miscellaneous

4.1 The Option granted hereunder shall not be transferable (other than to a Beneficiary upon the death of the Grantee) and is exercisable during the Grantee's lifetime only by the Grantee.

4.2 The Grantee shall be entitled to the privilege of stock ownership with respect to Shares subject to this Option only with respect to such Shares as are issued or delivered to the Grantee hereunder.

4.3 In the event of a stock dividend, stock split, combination of Shares, recapitalization or other similar capital change, the number and kind of Shares subject to the Option, the Option price and the other relevant provisions of this Agreement shall be appropriately adjusted as provided in Section 22 of the Plan.

4.4 Nothing contained in this Agreement shall be deemed by implication or otherwise to impose any limitation on any right of the Company or any Subsidiary to terminate the Grantee's employment at any time.

4.5 Any notice to be given hereunder by the Grantee shall be either hand-delivered to the office of the Chief Accounting Officer of the Company or sent by mail addressed to the Company to the attention of the Chief Accounting Officer, 2000 Waters Edge Drive, Johnson City, TN 37604. Any notice by the Company to the Grantee shall be either sent by mail addressed to the Grantee at the address shown on page 1 hereof or hand-delivered personally to the Grantee. Either party may, by written notice given to the other in accordance with the provisions of this Section, change the address to which subsequent notices shall be sent.

4.6 The Option is granted pursuant to the Plan. The grant of the Option is subject to all the terms and provisions of the Plan, which are hereby incorporated into this Agreement by reference and are made a part of this Agreement. For the convenience of the Grantee, certain but not all of the provisions of the Plan also are summarized or elaborated upon in this Agreement. Each and every provision of this Agreement shall be administered, interpreted, and construed so that the Option shall conform to the provisions of the Plan. Any provisions of this Agreement that cannot be so administered, interpreted, or construed shall be disregarded.

4.7 The Grantee hereby acknowledges receipt of a copy of the Plan and further agrees to be bound by all of the terms and provisions thereof and by all actions, pursuant to the Plan, of the Committee thereunder and of the Company's Board of Directors. Whenever the word "Grantee" is used herein in a context where the provision should logically be construed to apply to the Grantee's Beneficiary, the word "Grantee" shall be deemed to include such Beneficiary.

4.8 The Option shall not be exercisable in whole or in part and no certificates representing Shares subject to the Option shall be delivered if, at any time, the Company determines, in its discretion, that it is necessary as a condition of, or in connection with, such exercise (or the delivery of Shares thereunder):

(a) to satisfy withholding tax or other withholding liabilities;

(b) to effect the listing, registration or qualification on any securities exchange, or any quotation system, or under any federal, state or local law, of any Shares otherwise deliverable in connection with such exercise; or

(c) to obtain the consent or approval of any regulatory body;

unless such withholding, listing, registration, qualification, compliance, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company in its reasonable and good faith judgment.

The Company shall act with all reasonable diligence to obtain any such approval or consent and to effect compliance with any such applicable law, regulation, order, withholding, or listing, registration or qualification requirement, and the Grantee or other person entitled to exercise the Option shall take any action reasonably requested by the Company in such connection.

4.9 This Agreement shall be governed by, and its provisions construed in accordance with, the laws of Delaware (irrespective of the conflict of laws provisions thereof), except to the extent that such laws may be superseded by any federal law.

4.10 Any amendment of this Agreement must be in writing and duly signed by the Company and the Grantee. This Agreement may not be modified orally.

IN WITNESS WHEREOF, NN, Inc. has caused this Agreement to be executed in its corporate name, and the Grantee has executed the same in evidence of the Grantee's acceptance hereof, under the terms and conditions herein set forth, as of the day and year first above written.

NN, Inc.

By_____
Chief Accounting Officer:

GRANTEE

_____

Exhibit 10.4

NON-COMPETITION AND CONFIDENTIALITY AGREEMENT

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

WITNESSETH

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

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

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

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

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

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

2. Covenant Not to Compete.

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

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

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

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

3. Confidential Information. (a) During the Term and at all times thereafter, Employee shall keep secret and retain in strictest confidence, and shall not, without the prior written consent of the Company, furnish, make available or disclose to any third party or use for the benefit of himself or any third party, any "Confidential Information." As used in this Agreement, Confidential Information shall mean any information held in confidence by the Company and not freely available to the public which gives the Company an advantage over competitors in the Business, including, without

limitation, sales or earnings figures, personnel matters, supplier and customer data and information relating to the Company's manufacturing processes, equipment and customer servicing methods; provided, however, that Confidential Information shall not include any information which otherwise is in the public domain or becomes known in the ball and roller industry through no wrongful act on the part of Employee. Employee acknowledges that the Confidential Information is vital, sensitive, confidential and proprietary to the Company.

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

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

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

6. Condition of Employment. The Company shall have no obligation to retain the Employee in its employ as a result of this Agreement, there shall be no inference as to the length of employment implied hereby, and the Company reserves the

same rights to terminate the employment of the Employee as existed prior to the date hereof.

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

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

By:_____
Employee

ACKNOWLEDGED

NN BALL & ROLLER, INC.

By:_____

Exhibit 10.5

STOCKHOLDERS AGREEMENT

This Stockholders Agreement (this "Agreement"), dated as of February 22, 1994, is made by those persons whose names and addresses appear on the schedule attached hereto as Appendix A, each of whom is a stockholder or prospective stockholder of NN Ball & Roller, Inc., a Delaware corporation (the "Company"), and Richard D. Ennen, Monica C. Ennen, John C. Ennen, Melissa Ennen, Deborah Ennen Bagierek and Elizabeth Ennen.

WITNESSETH

WHEREAS, the Company has an authorized capitalization of 20,000,000 shares of common stock, par value $.01 per share (the "Common Stock"), and 5,000,000 shares of preferred stock, par value $.01 per share (the "Preferred Stock");

WHEREAS, as of the date hereof, 4,432,300 shares of Common Stock, and no shares of Preferred Stock, are issued and outstanding;

WHEREAS, as of the date hereof, the members of the Ennen Family (as such term is hereinafter defined) in the aggregate own, beneficially and of record, 2,286,000 shares (approximately 52%) of the outstanding Common Stock;

WHEREAS, as of the date hereof, the Minority Stockholders (as such term is hereinafter defined) in the aggregate own, beneficially and of record, the remaining 2,146,300 shares (approximately 48%) of the outstanding Common Stock;

WHEREAS, the Company currently plans to effect a public offering of its Common Stock and, in connection with the offering, expects to grant an option to James J. Mitchell, the Company's President and Chief Operating Officer, to purchase approximately 226,060 shares of Common Stock;

WHEREAS, the Minority Stockholders desire, and deem it to be in their best interests, that the Company effect the public offering of its Common Stock; and

WHEREAS, the Ennen Family is unwilling to permit the public offering or the issuance of the option to Mr. Mitchell unless the Minority Stockholders enter into the contractual arrangements set forth herein regarding the election and composition of the Company's board of directors;

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in order to induce the Ennen Family to permit a public

offering of the Common Stock, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I

PRELIMINARY MATTERS

1.01 Certain Definitions. As used herein, the following terms shall be defined as follows:

(a) An "Affiliate" of any party shall mean any individual, partnership, corporation, group, foundation or trust that directly or indirectly Controls, or is Controlled by, or is under common Control with, such party, and in the case of a party that is a natural person it also shall mean (i) any trust or foundation established or created by such party; (ii) any individual related by blood or marriage to such party; (iii) a guardian, conservator, or attorney-in-fact acting for a disabled party; and (iv) in the case of a deceased party, such party's spouse, descendant(s), estate, executor, administrator, personal representative, or other fiduciary (i.e., trustee, guardian, conservator or custodian).

(b) "Capital Stock" shall mean the Common Stock and the Preferred Stock and any other class of capital stock hereafter authorized by the Corporation's Certificate of Incorporation and any amendments thereto.

(c) The term "Control", whether used as a noun or verb, means the possession, directly or indirectly, of the power to direct, or cause the direction of, the management and policies of a person, whether through the ownership of voting securities or otherwise.

(d) "Ennen Family" (i) shall mean Richard D. Ennen, Monica C. Ennen, John C. Ennen, Melissa Ennen, Deborah Ennen Bagierek, Elizabeth Ennen and any Affiliate of any such person, whether now or hereafter existing, and (ii) shall be represented for purposes of this Agreement by the Ennen Family Coordinator designed pursuant to paragraph (f) of this Section 1.01.

(e) "Ennen Family Capital Stock" shall mean the shares of Capital Stock the Ennen Family shall directly or indirectly beneficially own from time to time.

(f) "Ennen Family Coordinator" shall mean Richard D. Ennen, provided that the Ennen Family Coordinator is subject to change as set forth in Section 1.02 hereof.

(g) "Minority Stockholders" shall mean those persons whose names and addresses appear on Appendix A

(including James J. Mitchell) and shall include any transferee of a Minority Stockholder that is bound by the terms and provisions of this Agreement pursuant to Section 2.01 hereof.

1.02 Ennen Family Coordinator. The Ennen Family Coordinator shall at all times be a natural person who is a member of the Ennen Family. Neither a guardian, conservator, or attorney-in-fact acting for a disabled member of the Ennen Family, nor an estate, executor, administrator, personal representative or other fiduciary of a deceased member of the Ennen Family shall at any time serve as the Ennen Family Coordinator. The Ennen Family Coordinator shall (a) serve as the only person to receive any notice to be given under this Agreement to the Ennen Family; and (b) be the only person to notify the Minority Stockholders of the exercise of any rights and selections of the Ennen Family under this Agreement. The Minority Stockholders may completely rely on any written notification or statement by the Ennen Family Coordinator, and no recourse or liability shall arise from such reliance. The Ennen Family Coordinator may be changed by written notice to the Minority Stockholders from the Ennen Family Coordinator then serving. In the case of the death or disability of an Ennen Family Coordinator, the oldest surviving lineal descendant of Richard D. Ennen and Monica C. Ennen shall automatically succeed as Ennen Family Coordinator.

1.03 Current Ownership of Common Stock. Each Minority Stockholder represents and warrants, as of the date hereof, that he owns of record and beneficially the number of shares of Common Stock set forth opposite his name on Appendix A, free and clear of any liens, claims, options, charges, encumbrances or rights of others.

ARTICLE II

RESTRICTIONS ON MINORITY STOCKHOLDER TRANSFER

2.01 Transfer Void. Each Minority Stockholder agrees that he will not hereafter sell, give, transfer, or assign any Common Stock now owned or hereafter acquired by him to any Affiliate without first obtaining the Affiliate's written consent, in form and substance reasonably satisfactory to the Ennen Family Coordinator, to be bound by the terms and provisions of this Agreement. Upon any such transfer, said Affiliate shall be deemed for all purposes to be a party hereto, and shall be subject to all the obligations created hereby with respect to the Minority Stockholders. Any sale, gift, transfer or assignment of any Common Stock in violation of the this Section 2.01 shall be void ab initio.

2.02 Certain Acknowledgements. The parties hereto acknowledge and agree that, subject to the limitations set

forth in Section 2.01 hereof, nothing in this Agreement shall be construed to limit the rights of any Minority Stockholder or the Ennen Family to sell or otherwise transfer shares of Common Stock. If any Minority Stockholder sells or otherwise transfers shares of Common Stock to a non-Affiliate during the term of this Agreement or disposes of shares of Common Stock in a "brokers' transaction" or a transaction with a "market maker" within the meaning of Rule 144(f) promulgated under the Securities Act or 1933, as amended, without regard to the identity of the ultimate purchaser thereof, such shares shall no longer be subject to the restrictions set forth in this Agreement.

ARTICLE III

ELECTION OF DIRECTOR

3.01 Nomination of Director. Each Minority Stockholder hereby agrees that if Richard D. Ennen shall at any time no longer serve on the board of directors of the Company, the Minority Stockholder shall vote all of the shares of Common Stock which he may own from time to time to cause the election to the Company's board of directors of one individual designated by the Ennen Family Coordinator in writing. The Ennen Family Coordinator shall designate for such purpose such person as has been nominated by the members of the Ennen Family holding a majority of the voting power of the Ennen Family Capital Stock. The director so designated by the Ennen Family Coordinator is hereinafter referred to as the "Ennen Family Director."

3.02 Removal. In the event that the Ennen Family Coordinator gives notice in writing to the Minority Stockholders that the members of the Ennen Family desire to remove, whether for cause or without cause, the Ennen Family Director, then each Minority Stockholder agrees to vote the shares of the Common Stock which he then owns for the removal of such director. Each Minority Stockholder further agrees that he shall not vote to remove Richard D. Ennen or any other Ennen Family Director unless the Ennen Family Coordinator has given notice in writing to the Minority Stockholder that the members of the Ennen Family desire such removal. The Ennen Family Coordinator shall give notices contemplated by this Section 3.02 upon, and only upon, the direction by Ennen Family Members holding a majority of the voting power of the Ennen Family Capital Stock.

3.03 Vacancies. In the event that the seat on the board of directors to be occupied by the Ennen Family Director is vacant for any reason, each Minority Stockholder agrees to vote all of the shares of Common Stock which he then owns to cause the vacancy to be filled by an individual designated by

the Ennen Family Coordinator in writing. The Ennen Family Coordinator shall designated for such purpose such person as has been nominated by the members of the Ennen Family holding a majority of the voting power of the Ennen Family Capital Stock.

ARTICLE IV

MISCELLANEOUS

4.01 Term. This Agreement and the rights granted to the Ennen Family hereunder shall terminate on the earlier to occur of (a) July 31, 1994, if the Company shall not have consummated a public offering of its Common Stock prior to such date, (b) the first date upon which the Ennen Family, in the aggregate, shall own less than 10% of the outstanding shares of Common Stock, and (c) the tenth anniversary of the date hereof.

4.02 Governing Law. This Agreement shall be subject to and governed by the laws of the State of Delaware, irrespective of the conflicts of laws rules thereof.

4.03 Notices. Notices and other communications hereunder shall be sufficient if contained in a writing delivered in person or sent by cable, telegram or facsimile or by overnight courier addressed to the particular party to whom the notice is to be sent as set forth herein. Notices to the Ennen Family shall be given to the Ennen Family Coordinator at the address set forth below and notices to the Minority Stockholders shall be sent to each Minority Stockholder at his address set forth on Appendix A, provided that any party hereto shall have the right to designate a different address to the other parties in writing. All such notices and other communications shall be deemed given (i) in the case of personal delivery, on the date of such delivery, or (ii) in the case of transmission by cable, telegram or facsimile or by overnight courier, on the first day following the date of dispatch.

If to the Ennen Family Coordinator:

Richard D. Ennen
9 Dinghy Lane
Hilton Head, South Carolina 29928
Facsimile: 803-842-3843

4.04 Severability. In the event any provision hereof is held void or unenforceable by any court, then such provision shall be severable and shall not affect the remaining provisions hereof.

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

4.06 Entire Agreement; Benefit. This Agreement is the entire agreement among the parties, and, when executed by the parties hereto, supersedes all prior agreements and communications, either verbal or in writing, between the parties hereto concerning the respective subject matters contained herein. The provisions of this Agreement shall inure to the benefit of the members of the Ennen Family which currently own or may hereafter acquire any shares of Capital Stock.

4.07 Amendment. Any amendment to this Agreement must be in writing and duly signed by (a) members of the Ennen Family holding a majority of the voting power of the Ennen Family Capital Stock and (b) Minority Stockholders holding a majority of the voting power of the Capital Stock then held by all of the Minority Stockholders, except that no such amendment shall eliminate the rights or increase the obligations of any party hereto without the consent of such party.

4.08 Waiver. Any failure by a party hereto to comply with any obligation, agreement or condition herein may be expressly waived in writing by each of the other parties hereto, but such waiver or failure to insist upon strict compliance with such obligation, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

4.09 Consent to Specific Performance. The parties hereto acknowledge and agree that a breach of any of the covenants or agreements set forth herein would result in irreparable injury to the other parties hereto and that the other parties would not have an adequate remedy at law for such breach, and therefore, each party hereto agrees that the other parties hereto will be entitled to enforce their rights by injunction proceedings restraining such party from breaches or threatened breaches hereof. Neither the institution of an injunction proceeding nor the granting of any injunctive relief therein shall in any way limit the right of the parties hereto to other relief available at law or in equity.

4.10 Variations in Pronouns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the antecedent person or persons or entity or entities may require.

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

MINORITY STOCKHOLDERS

/s/ Robert P. Farnor

ROBERT P. FARNOR

/s/ Michael D. Huff

MICHAEL D. HUFF

/s/ Leonard Bowman

LEONARD BOWMAN

/s/ Dennis B. Richards

DENNIS B. RICHARDS

/s/ Charles Edmisten

CHARLES EDMISTEN

/s/ Robert J. Vance

ROBERT J. VANCE

/s/ James J. Mitchell

JAMES J. MITCHELL

/s/ Frank T. Gentry III

FRANK T. GENTRY III

/s/ Larry L. Landers

LARRY L. LANDERS

/s/ Gerald Foster

GERALD FOSTER

/s/ Ricky L. Hyder

RICKY L. HYDER

/s/ Frank Rice, Jr.

FRANK RICE, JR.

ENNEN FAMILY

/s/ Richard D. Ennen

RICHARD D. ENNEN

/s/ Monica C. Ennen

MONICA C. ENNEN

/s/ John C. Ennen

JOHN C. ENNEN

/s/ Melissa Ennen

MELISSA ENNEN

/s/ Deborah Ennen Bagierek

DEBORAH ENNEN BAGIEREK

/s/ Elizabeth Ennen

ELIZABETH ENNEN

APPENDIX A

Unless otherwise indicated, the address of each person is NN Ball & Roller, Inc., 800 Tennessee Road, Erwin, Tennessee 37650.

Name	Number of Shares Owned
Robert P. Farnor 415 Love Street Erwin, TN 37650	685,800
Michael D. Huff	381,000
Leonard Bowman	304,800
Dennis B. Richards	304,800
Charles Edmisten	203,200
Robert J. Vance P.O. Box 498 Erwin, TN 37650	101,600
James J. Mitchell	0*
Frank T. Gentry III	50,800
Larry L. Landers	50,800
Gerald Foster	25,400
Ricky L. Hyder	25,400
Frank Rice, Jr.	12,700

* Upon the consummation of an initial public offering of the Company's Common Stock, the Company will grant options to Mr. Mitchell to purchase 226,060 shares of Common Stock. Options to purchase 90,424 of such shares will be exercisable as of the date of grant.

Exhibit 10.6

INDEMNIFICATION AGREEMENT

This Agreement is between NN, Inc. and _____. In this Agreement, "NN," "we" or "us" refers to NN, Inc. and "you" refers to _____. The glossary attached as Exhibit "A" defines certain other capitalized terms used in this Agreement.

1. Date.

This Agreement is effective as of _____.

2. Purpose of the Agreement.

We desire to attract and retain your services as a NN director or officer. We recognize, however, that you might be concerned because directors and officers are sometimes named as parties in expensive litigation. To help alleviate that concern and to induce you to serve, we agree to indemnify you for certain expenses potentially resulting from such litigation. We also agree to use reasonable efforts to maintain directors' and officers' insurance for your benefit.

3. Agreement to Serve.

You agree to serve or to continue to serve as NN's _____ until you are no longer duly appointed, elected or qualified or until you resign.

4. Directors' and Officers' Insurance.

We agree to use reasonable efforts to maintain one or more enforceable policies of directors' and officers' insurance for your benefit. The insurance will provide coverage in amounts which our Board of Directors determines to be reasonable. Our obligation to maintain insurance ends when you are no longer serving NN in your present capacity and there is no reasonable possibility that someone will sue you based on your prior service to NN in that capacity. Our obligation to maintain insurance will also cease if such insurance is not reasonably available or if our Board of Directors determines that the cost of providing the insurance exceeds its benefits.

5. Agreement to Indemnify.

Subject to the limitations set forth in Section 7 of this Agreement, we agree to indemnify you for your expenses resulting from a threatened, pending or completed Proceeding, including any Proceeding by or in the right of NN, if you meet the following requirements:

- You are (or at the time in question were) serving as our Agent, or as the Agent of another entity at our request;

- You acted in good faith and in a manner you reasonably believed to be in (or not opposed to) our best interests;

- You had no reason to believe your conduct was unlawful (if the Proceeding against you is criminal); and

- Delaware law does not prohibit us from indemnifying you.

6. Advancement of Expenses.

Subject to the limitations set forth in Section 7 of the Agreement and subject to the following conditions, we will advance all costs and expenses you reasonably incur in connection with the investigation, defense, settlement or appeal of any Proceeding upon receipt from you of:

- Your written affirmation of your good faith belief that you have met the standard of conduct necessary for indemnification set forth in Section 5 of this Agreement; and

- Your undertaking (or an undertaking on your behalf) to repay all amounts so advanced if a court having final jurisdiction determines that you are not entitled to indemnification for such expenses under this Agreement or otherwise.

7. Limitation of Indemnity.

Notwithstanding anything to the contrary contained in Section 5, Section 6 or any other section of this Agreement, we will not indemnify you or advance expenses in connection with a Proceeding which you initiated unless our Board of Directors authorized the Proceeding (or any part thereof). We also will not indemnify you:

- to the extent that payment is made to you or on your behalf under a valid and collectible insurance policy;

- to the extent that you receive payment other than under this Agreement;

- with respect to directors' acts or omissions for which our Certificate of Incorporation may not limit liability under Delaware law; or

- if a court having final jurisdiction determines in a final decision that such indemnification is not lawful.

8. Notification of Right to Indemnification.

You agree to notify us promptly after your receipt of notice that a Proceeding has been brought (or is threatened to be brought) against you. If your failure to notify us promptly prejudices us in our defense of a Proceeding, we will be relieved of liability under this Agreement to the extent of the prejudice.

9. Notice to Insurer.

If we have directors' and officers' liability insurance in effect at the time we receive notice of a Proceeding from you, we will give prompt notice to the insurer in accordance with the

requirements of the insurance policy. We will take all necessary or desirable action to cause the insurer to pay all amounts owed under the terms of the policy.

10. Determination of Right to Indemnification.

Subject to the limitations set forth in Section 7 of this Agreement, we agree to indemnify you if you meet the requirements for indemnification set forth in Section 5 of this Agreement. We will determine whether you meet those requirements using one of the following three methods:

- by a majority vote of directors who are not parties to the Proceeding, (the "Disinterested Directors") regardless of whether there are enough such directors to constitute a quorum);

- by written opinion of Independent Legal Counsel; in the event there are no Disinterested Directors or if the Disinterested Directors so choose; or

- by vote of our stockholders.

If Independent Legal Counsel determines your entitlement to indemnification under this Section 10, we will pay all reasonable fees and expenses incurred by such counsel in connection with such determination.

The persons determining your entitlement to indemnification will presume that you are entitled to indemnification. The termination of any Proceeding by judgment, order, settlement or conviction, or upon a plea of nolo contendere or the equivalent, will not create a presumption that you did not act in good faith and in a manner you believed to be in (or not opposed to) our best interests. Such a termination also will not create a presumption that you had reasonable cause to believe that your conduct was unlawful.

Following our determination of your entitlement to indemnification, our Secretary or another corporate officer will notify you in writing of such determination. If we determine that you are not entitled to indemnification, you may pursue the remedies provided by Section 14 of this Agreement.

11. Payment of Indemnification.

If we determine that you are entitled to indemnification, we will pay all costs and expenses you reasonably incurred in connection with the Proceeding in question. In addition, we will pay all expenses you reasonably incurred in cooperating with the persons responsible for determining your right to indemnification, regardless of whether we determine that you are entitled to indemnification.

Our obligations to make payments under this Agreement are not subject to diminution by set off, counterclaim, abatement or otherwise. However, you will not be released from any liability or obligation that you may owe us, whether under this Agreement or otherwise.

12. Assumption of Defense.

If we are required to pay the costs of any Proceeding brought against you, we shall have the right to assume the defense of such Proceeding, with counsel approved by you, upon delivery to you of written notice of our election to assume the defense. Notwithstanding the foregoing, however, we shall not have the right to assume your defense in any Proceeding brought by or in the right of NN or as to which you have reasonably concluded that there is a conflict of interest between you and us in the conduct of the defense.

After we have delivered notice to you that we intend to assume the defense of a Proceeding, you will have the right to employ separate counsel at your expense. We will not be liable to you under this Agreement for any fees of counsel you subsequently incur with respect to the Proceeding, unless:

- We previously have authorized you to employ separate counsel at our expense;
- You reasonably have concluded that there is a conflict of interest between you and us in the conduct of your defense; or
- We have failed to employ counsel to assume your defense in such Proceeding.

13. Cooperation and Settlement of Claim.

You agree to give us such information and cooperation as we may reasonably request in defense of any claim or threat of a claim.

You agree that we are not obligated to indemnify you under this Agreement for any amounts you pay to settle any action or claim without our prior written consent. We agree not to settle any action or claim in any manner that will impose any penalty or limitation on you without your prior written consent.

Each party to this Agreement agrees not to unreasonably withhold consent to any proposed settlement. If either party refuses to agree to a proposed settlement acceptable to the other party, NN will retain Independent Legal Counsel reasonably acceptable to you for the purpose of determining whether the proposed settlement is reasonable under the circumstances. NN will pay all reasonable fees and expenses incurred by Independent Legal Counsel in connection with such determination. If Independent Legal Counsel determines that the proposed settlement is reasonable under all the circumstances, the party advocating the settlement may consummate the settlement without the consent of the other party.

14. Your Remedies.

If we fail to honor our obligations under Section 6 of this Agreement, or if we determine that you are not entitled to indemnification under this Agreement, you may seek (a) an adjudication in an appropriate court in the State of Delaware or in any other court of competent jurisdiction, or (b) an award in arbitration to be conducted by a single arbitrator under the rules of the American Arbitration Association, for the purpose of enforcing your rights under this Agreement. However, you may not seek such an adjudication or arbitration later than 180 days

following the earlier of (x) the date of notice of a determination that you are not entitled to indemnification, or (y) the date 60 days after we receive your request for indemnification.

Any judicial proceeding or arbitration commenced under this Section 14 shall be conducted de novo and without presumption that you are not entitled to indemnification.

If the court or arbitrator determines that you are entitled to indemnification, we shall be bound by such determination, unless:

. You have misstated a material fact or omitted a material fact necessary to make your statements in connection with the request for indemnification not misleading; or

. Applicable law prohibits us from indemnifying you.

In addition, we will pay your reasonable expenses incurred in successfully establishing your right to indemnification or advancement of expenses in any action (or settlement thereof) under this Section 14.

We shall be precluded from asserting in any judicial proceeding or arbitration commenced under this Section 14 that the procedures and presumptions set forth in this Agreement are not enforceable. We agree to stipulate in any such court or before any such arbitrator that we are bound by all of the provisions of this Agreement.

15. Notice.

All notices, requests, demands and other communications relating to this Agreement shall be in writing and shall be deemed to be duly given if (a) delivered by hand and receipted for by the party to whom the notice or communication was directed, or (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it was so mailed:

if to you, to:

_____
_____
_____

or to such other address as you furnish us, and

if to NN, to:

NN, Inc.
2000 Water's Edge Drive
Building C, Suite 12
Johnson City, TN 37604
Attention: Secretary/Assistant Secretary

With a copy to:

Blackwell Sanders Peper Martin LLP
2300 Main Street, Suite 1000
Kansas City, MO 64108
Attention: James M. Ash

or to such other address as we furnish you.

16. Severability.

If a court of competent jurisdiction determines that any portion of the Agreement is unenforceable, we will nevertheless indemnify you to the full extent permitted by the enforceable portions of the Agreement. The invalidity or unenforceability of any provision(s) of this Agreement will not affect the enforceability of the Agreement's other provisions.

17. Modification and Waiver.

Any supplement, modification or amendment to this Agreement will be binding only if both parties have executed it.

If either party waives any of the provisions of this Agreement, such waiver will be effective only as to the particular provision and matter expressly waived.

18. Continuation of Indemnity.

Our obligations under this Agreement shall continue during the period in which (a) you are (or have consented to be) an Agent of NN, or (b) are serving as an Agent of another corporation, partnership, joint venture, trust or other enterprise at our request. Our obligations shall also continue for as long as you are subject to any possible claim or threatened, pending or competed Proceeding by reason of your service in such capacity.

19. Binding Effect.

This Agreement binds us and our successors and assigns. This Agreement inures to the benefit of you and your heirs, assigns and personal representatives.

20. Non-Exclusivity.

The indemnification to which you are entitled under this Agreement is not exclusive of any other indemnification to which you are or may be entitled.

21. Subrogation Rights.

If we pay any amounts under this Agreement, we will be subrogated to the extent of such payment to your rights of recovery against any person or organization. You agree to execute all papers required and to do everything that may be reasonably necessary to secure such rights for us.

22. Agreement to Supersede.

This Agreement supersedes any other prior written indemnification agreement between you and us.

23. Governing Law.

This Agreement shall be construed, enforced and governed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in that state.

24. Counterparts.

The parties may execute any number of counterparts of this Agreement, each of which will be an original.

25. Headings.

The headings of the paragraphs in this Agreement are for convenience only. They do not constitute part of the Agreement and do not affect the construction of it.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK;
SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, The parties have executed this Agreement as of the day and year first above written.

NN, INC.

_____

By: _____

Title:_____

[INDIVIDUAL]

_____

Exhibit "A"

Glossary

"Agent"

"Agent" means:

. any person who is or was a director, officer, employee, agent or fiduciary of NN or a subsidiary of NN; or

. any person who is or was serving as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise or entity (including service with respect to an employee benefit plan), if such service is or was at the request of, or for the convenience of, or to represent the interests of, NN or a subsidiary of NN.

"Expenses"

"Expenses" are all direct and indirect costs of any type or nature which you actually and reasonably incur in connection with the investigation, defense or appeal of a Proceeding or establishing or enforcing a right to indemnification under the Agreement, Delaware corporation law or otherwise. "Expenses" include, without limitation, all attorneys' fees and related disbursements, other out-of-pocket costs and reasonable compensation for time spent by you for which you are not otherwise compensated by us or any third party. "Expenses" also include all judgments, fines, and Employee Retirement Income Security Act excise taxes or penalties.

"Independent Legal Counsel"

"Independent Legal Counsel" means a law firm, a member of a law firm, or an independent practitioner that is experienced in matters of corporation law and does not have a conflict of interest (under applicable standards of professional conduct) in representing either NN or you in an action to determine your rights under this Agreement.

"Proceeding"

"Proceeding" means any threatened, pending or completed action, suit or other proceeding, whether civil, criminal, administrative, investigative or of another type to which you are a party or are threatened to be made a party, or are otherwise involved, including involvement as a witness.

Exhibit 10.7

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CREDIT AGREEMENT

Dated as of July 20, 2001

Among

NN, INC.,
as the Borrower,

All of its present and future Subsidiaries
that become parties hereto, as Guarantors,

the Lenders identified herein,

BANK ONE, KENTUCKY, NA,
as Co-Agent,

and

AMSOUTH BANK,
as Administrative Agent

$25,000,000 Revolving Credit Facility
$35,000,000 Term Loan Facility

==========

CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this "Agreement"), dated as of July 20, 2001, is made and entered into on the terms and conditions hereinafter set forth, by and among NN, INC., a Delaware corporation (the "Borrower"), all subsidiaries of the Borrower now or hereafter becoming parties to this Agreement (collectively, the "Guarantors" and, individually, a "Guarantor"), those several lenders who are or become parties to this Agreement (collectively, the "Lenders" and, individually, a "Lender"), AMSOUTH BANK, an Alabama state bank having an office and place of business in Nashville, Tennessee ("AmSouth"), as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and BANK ONE, KENTUCKY, NA, as co-agent for the Lenders (in such capacity, the "Co-Agent").

THE PARTIES HERETO AGREE AS FOLLOWS:

ARTICLE 1.

DEFINITIONS, ACCOUNTING TERMS AND PRINCIPLES OF CONSTRUCTION

1.1. Defined Terms. In addition to terms defined elsewhere herein, the following terms, as used in this Agreement, shall have the respective meanings set forth below (terms defined in the singular to have the same meaning when used in the plural, and vice versa, unless otherwise expressly indicated):

"Administrative Agent" shall mean AmSouth or such successor Administrative Agent as may be appointed by the Lenders pursuant to Section 12.10 hereof.

"Affiliate" shall mean, as to any Person, any other Person directly or indirectly controlling (including all directors, officers and employees of such Person), directly or indirectly controlled by or under direct or indirect common control with such Person.

"Applicable Bankruptcy Law" shall mean, with respect to any Guarantor, Title 11 of the United States Code, and any other laws governing bankruptcy, suspension of payments, reorganization, arrangement, adjustment of debts, relief of debtors, dissolution or insolvency and any other similar laws applicable to such Guarantor.

"Applicable Base Rate Margin" shall mean the margin to be added to the Base Rate for purposes of determining the interest rate(s) applicable to Base Rate Loans from time to time, which shall be determined as provided in Section 2.10.

"Applicable Commitment Fee Percentage" shall mean the percentage to be used to calculate Commitment Fees from time to time, which shall be determined as provided in Section 2.10.

"Applicable LIBOR Margin" shall mean the margin to be added to LIBOR for purposes of determining the interest rate(s) applicable to LIBOR Loans from time to time, which shall be determined as provided in Section 2.10.

"Asset Acquisition" shall mean (a) any Investment by the Borrower or any of its Subsidiaries in any other Person pursuant to which such Person shall become a Subsidiary of the Borrower or any of its

Subsidiaries or shall be merged with the Borrower or any of its Subsidiaries or (b) any acquisition by the Borrower or any of its Subsidiaries of the assets of any Person that constitute substantially all of an operating unit or business of such Person.

"Assignment and Acceptance" shall mean an assignment and acceptance, substantially in the form of Exhibit 13.2, between a transferor Lender and a proposed transferee, regarding the sale, assignment, transfer or other disposition (other than the sale of a participation) of all or any amount of the Commitments, Revolving Loans and Term Loans of such Lender.

"Base LIBOR" shall mean the rate per annum for offered Dollar deposits in the interbank Eurodollar market appearing on page 3750 of the TELERATE rate reporting system at approximately 11:00 a.m., Central time, on the Interest Rate Determination Date immediately prior to the beginning of the Interest Period for the corresponding LIBOR Loan, for the number of months comprised therein and in an amount equal to the amount of such LIBOR Loan to be outstanding during such Interest Period. Without limiting the provisions of Section 2.11.3, in the event that prior to the Term Loan Maturity Date TELERATE quotes for Base LIBOR are discontinued or become unascertainable, the Administrative Agent may (1) determine Base LIBOR with reference to the rate per annum for offered Dollar deposits in the interbank Eurodollar market appearing on the Reuters Screen LIBO Page at approximately 11:00 a.m., Central time, on the Interest Rate Determination Date immediately prior to the beginning of the Interest Period for the corresponding LIBOR Loan, for the number of months comprised therein and in an amount equal to the amount of such LIBOR Loan to be outstanding during such Interest Period (and if more than one such rate appears, the Administrative Agent may use the arithmetic mean of such rates), or (2) designate any other comparable resource for use in determining Base LIBOR for purposes hereof.

"Base Rate" shall mean, for any period, the greater of (i) the fluctuating rate of interest per annum from time to time established by AmSouth as its "prime rate", regardless of whether published or publicly announced, or (ii) a fluctuating rate of interest per annum equal to one-half of one percentage point (0.5%) in excess of the Federal Funds Rate in effect from time to time. Each change in the Base Rate shall be effective as of the opening of business on the day such change occurs. The parties hereto acknowledge that the rate established by AmSouth as its "prime rate" is an index or base rate and is not necessarily the lowest rate charged to its customers or other banks. In the event that AmSouth discontinues or abandons the practice of establishing a prime rate, or should the same become unascertainable, the Administrative Agent shall designate a comparable reference rate for use in determining the Base Rate for purposes hereof.

"Base Rate Loans" shall mean Revolving Loans and Term Loans bearing interest at rates determined by reference to the Base Rate.

"Borrowing" shall mean (1) a borrowing consisting of Revolving Loans made to the Borrower on the same day by the Lenders ratably according to their respective Commitments pursuant to the provisions of Section 2.2.1, (2) a borrowing consisting of Term Loans made to the Borrower on the same day by the Lenders ratably according to their respective Commitments pursuant to the provisions of Section 2.2.2, and (3) a borrowing consisting of a Swing Line Loan made to the Borrower by the Swing Line Lender pursuant to the provisions of Section 2.2.7.

"Business Day" shall mean any day on which AmSouth's Tennessee offices are open to conduct AmSouth's general banking business and on which the Federal Reserve System is open to conduct the business conducted by it.

"Capital Expenditures" shall mean, as to any Person for any period, the aggregate capital expenditures recorded by such Person and its Subsidiaries on a consolidated basis in conformity with GAAP, including charges in respect of Capitalized Lease Obligations exclusive of imputed interest on such Capitalized Lease Obligations; provided, however, that for purposes of determining Capital Expenditures for the Borrower

and its Subsidiaries on a consolidated basis, there shall be excluded therefrom any Capital Expenditures attributable solely to the making of Permitted Acquisitions.

"Capitalization" shall mean, for the Borrower and its Subsidiaries on a consolidated basis, the sum of Consolidated Funded Indebtedness plus shareholders' equity.

"Capitalized Lease" shall mean, as to any Person, any lease of property by such Person as lessee that would be capitalized on a balance sheet of such Person prepared in conformity with GAAP.

"Capitalized Lease Obligations" shall mean, as to any Person, the capitalized amount of the obligations of such Person and its Subsidiaries under all Capitalized Leases.

"Cash Equivalents" shall mean, at any time,

(a) certificates of deposit or time deposits having a maturity not exceeding ninety (90) days, and demand deposits, that are fully insured by the Federal Deposit Insurance Corporation and that are maintained with commercial banks organized and existing under, or chartered or otherwise qualified to do business under, the laws of the United States of America or any State thereof or the District of Columbia;

(b) Government Obligations having a maturity not exceeding ninety (90) days;

(c) commercial paper rated at least A-1 by S&P or P-1 by Moody's, having a maturity not exceeding ninety (90) days;

(d) certificates of deposit or time deposits maintained with (i) the Lenders or (ii) other commercial banks having capital and undivided surplus of at least $500 million and issuing commercial paper rated as described in the preceding clause (c) and organized and existing under, or chartered or otherwise qualified to do business under, the laws of the United States of America or any State thereof or the District of Columbia, having a maturity not exceeding ninety (90) days;

(e) repurchase agreements or investment contracts having a maturity not exceeding ninety (90) days with a financial institution insured by the Federal Deposit Insurance Corporation, or any broker or dealer (as defined in the Securities Exchange Act of 1934) that is a dealer in government bonds and that is recognized by trades with and reports to, a Federal Reserve Bank as a primary dealer in government securities; provided that in any case (i) collateral is pledged for the repurchase agreement or investment contract, which collateral consists of (A) Government Obligations or evidences of ownership of proportionate interests in future interest and principal payments on Government Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on such obligations, and which underlying obligations are held in a segregated account and not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated or (B) evidences of indebtedness issued by any of the following: Bank of Cooperatives, Export-Import Bank of the United States, Farmers Home Administration, Federal Financing Bank, Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (including participation certificates), Federal Housing Administration, Federal Farm Credit Banks, Federal National Mortgage Association, Government National Mortgage Association, Inter-American Development Bank, International Bank for Reconstruction and Development, Small Business Administration or any other agency or instrumentality of the United States of America created by an act of Congress that is substantially similar to the foregoing in its legal relationship to the United States of America, (ii) the current market value of the collateral securing the repurchase agreement or investment contract is at least equal to the amount of the

repurchase agreement or investment contract and (iii) the current market value of the collateral is determined not less frequently than monthly;

(f) investments in money market funds substantially all of whose assets consist of securities of the types described in the foregoing clauses (b) through (e);

(g) investments in obligations the return with respect to which is excludable from gross income under Section 103 of the Code, having a maturity of not more than six (6) months or providing the holder the right to put such obligations for purchase at par upon not more than twenty-eight (28) days' notice, and which are rated at least A-1 by S&P or P-1 by Moody's;

(h) investments in tax free money market funds all of whose assets consist of securities of the types described in the foregoing clause (g); and

(i) investments, redeemable upon not more than seven (7) days' notice, in money market preferred municipal bond funds that are rated at least AAA by S&P or Aaa by Moody's.

"Code" shall mean the Internal Revenue Code of 1986.

"Collateral" shall mean all property and interests in property, presently owned or hereafter acquired or presently existing or hereafter created by the Borrower or the Guarantors, including any and all proceeds thereof, in which a security interest has been granted in favor of the Administrative Agent for the ratable benefit of the Lenders, whether under this Agreement or any other Loan Document.

"Commission" shall mean the Securities and Exchange Commission or any successor entity.

"Commitment Fees" shall have the meaning given such term in Section 2.8.3.

"Commitments" shall mean the Revolving Credit Commitments and the Term Loan Commitments, which collectively are in the aggregate amount set forth in Section 2.1 and in the case of each Lender are in the initial amount set forth with such Lender's signature on this Agreement or the Assignment and Acceptance pursuant to which such Lender became a party hereto.

"Commonly Controlled Entity" shall mean a Person that is under common control with the Borrower within the meaning of subsection 414(b), (c), (m), (n) or (o) of the Code.

"Consolidated Funded Indebtedness" shall mean, for the Borrower and its Subsidiaries on a consolidated basis, all Indebtedness that constitutes (a) indebtedness for borrowed money or for notes, debentures or other debt securities, (b) notes payable and drafts accepted representing extensions of credit regardless of whether the same represent obligations for borrowed money, (c) reimbursement obligations in respect of letters of credit issued for the account of Borrower or a Subsidiary thereof (including any such obligations in respect of any drafts drawn thereunder), (d) liabilities for all or any part of the deferred purchase price of property or services, (e) liabilities secured by any Lien on any property or asset owned or held by the Borrower or any of its Subsidiaries regardless of whether the Indebtedness secured thereby shall have been assumed by or is a primary obligation of the Borrower or such Subsidiary, (f) Capitalized Lease Obligations, and (g) without duplication, all Contingent Obligations the primary obligation of which is Indebtedness of the type described in clauses (a) through (f) above; provided, however, that Consolidated Funded Indebtedness shall not include any unsecured current liabilities incurred in the ordinary course of business and not represented by any note, bond, debenture or other instrument.

"Consolidated Net Income" shall mean, for the Borrower and its Subsidiaries on a consolidated basis for any period, the net income (or loss) after taxes of the Borrower and its Subsidiaries on a

consolidated basis for such period taken as a single accounting period, determined in conformity with GAAP, subject to customary exclusions with respect to extraordinary and nonrecurring items.

"Consolidated Net Worth" shall mean, for the Borrower and its Subsidiaries on a consolidated basis, shareholders' equity determined in conformity with GAAP.

"Contingent Obligations" shall mean, as to any Person, any contingent obligation calculated in conformity with GAAP, and in any event shall include (without duplication) all indebtedness, obligations or other liabilities of such Person guaranteeing or in effect guaranteeing the payment or performance of any indebtedness, obligation or other liability, whether or not contingent (collectively, the "primary obligations"), of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including any indebtedness, obligation or other liability of such Person, (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (d) otherwise to assure or hold harmless the owner of such primary obligation against loss with respect thereto.

"Contractual Obligations" shall mean, as to any Person, any and all indebtedness, obligations or other liabilities of such Person, now existing or hereafter arising, whether due or not due, absolute or contingent, liquidated or unliquidated, direct or indirect, express or implied, individually or jointly with others, pursuant to the provisions of any document, instrument or agreement to which such Person is a party or by which such Person or any of its property is or may be bound or affected or pursuant to the provisions of any security issued by such Person.

"Credit Fees" shall mean the credit fees payable as provided in Section 2.8.

"Current Maturities of Long-Term Debt" shall mean, as of any date of determination, that portion of Consolidated Funded Indebtedness that is due and payable within the twelve (12) month period immediately following the date of determination, calculated in conformity with GAAP.

"Default" shall mean any of the events specified in Section 11.1, regardless of whether any requirement for the giving of notice (and if applicable, an opportunity to cure), the lapse of time or both has been satisfied.

"Default Rate" shall mean the rate(s) per annum otherwise applicable to Loans from time to time plus two percentage points (2.00%); provided, however, that in no event shall any Default Rate exceed the Highest Lawful Rate.

"Dollars" and "$" shall mean lawful money of the United States of America.

"EBITDA" shall mean, for the Borrower and its Subsidiaries on a consolidated basis for any period, after giving Pro Forma Effect to any Asset Acquisition made during such period, the sum of Consolidated Net Income, plus Interest Expense, plus any provision for taxes based on income or profits that was deducted in computing Consolidated Net Income, plus depreciation, plus amortization of intangible assets and other non-cash charges (including the minority interests in the Euroball consolidated subsidiaries).

"Environmental Laws" shall mean all federal, state, regional, county or local laws, statutes, rules, regulations or ordinances, now or hereafter in effect, relating to the generation, recycling, use, reuse, sale, storage, handling, transport, treatment or disposal of Hazardous Materials, including the Comprehensive Environmental Response Compensation Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. ss.9601 et seq., the Resource Conservation and Recovery Act of 1976,

as amended by the Solid and Hazardous Waste Amendments of 1984, 42 U.S.C. (S)6901 et seq., the Toxic Substances Control Act, 15 U.S.C. (S)2601 et seq., the Hazardous Materials Transportation Act, 49 U.S.C. (S)1801, et seq., the Clean Air Act, 42 U.S.C. (S)7401 et seq., the Clean Water Act of 1977, 33 U.S.C. (S)1251 et seq., the Tennessee Hazardous Waste Management Act of 1977, Tenn. Code Ann. (S)68-212-101 et seq., the Tennessee Hazardous Waste Management Act of 1983, Tenn. Code Ann. (S)68-212-201 et seq., and any rules, regulations and guidance documents promulgated or published thereunder, and any state, regional, county or local statute, law, rule, regulation or ordinance now or hereafter in effect that relates to public health or safety, to the discharge, emission or disposal of Hazardous Materials in or to air, water, land or groundwater, to the withdrawal or use of groundwater, to the use, handling or disposal of asbestos, polychlorinated biphenyls, petroleum, petroleum derivatives or by-products, other hydrocarbons or urea formaldehyde, to the treatment, storage, disposal or management of Hazardous Materials, to exposure to Hazardous Materials or to the transportation, storage, disposal, management or release of gaseous or liquid substances, and any regulation, order, injunction, judgment, declaration, notice or demand issued thereunder.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974.

"Euroball" shall mean NN Euroball, ApS, a limited liability company organized under the laws of Denmark.

"Event of Default" shall mean any of the events specified in Section 11.1, provided that any requirement for the giving of notice (and if applicable, an opportunity to cure), the lapse of time or both has been satisfied.

"Existing Liens" shall mean those certain Liens in existence on the date hereof that are described on Schedules 7.17A and 7.17 B.

"Facilities" shall mean the Revolving Credit Facility, the Term Loan Facility and the Swing Line Facility.

"Federal Funds Rate" shall mean, for any period, a fluctuating interest rate per annum equal, for each day during such period, to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for each day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York.

"Financing Statement" shall mean any Uniform Commercial Code financing statement, on Form UCC-1 or otherwise, executed pursuant to the provisions of this Agreement or any other Loan Document.

"Fiscal Quarter" shall mean each of the accounting periods of approximately three (3) months ending on March 31, June 30, September 30 and December 31, respectively, of each year.

"Fiscal Year" shall mean the twelve (12) month period ending on December 31 of each year.

"Fixed Charge Coverage Ratio" shall mean, for the Borrower and its Subsidiaries on a consolidated basis, calculated as of any date of determination for the most recent twelve (12) month period after giving Pro Forma Effect to any Asset Acquisition made during such period, the ratio of (a) the sum of EBITDA plus Rent Expense to (b) the sum of Interest Expense plus Current Maturities of Long-Term Debt plus Rent Expense.

"Funded Indebtedness to Capitalization Ratio" shall mean, for the Borrower and its Subsidiaries on a consolidated basis, as of any date of determination, the ratio of Consolidated Funded Indebtedness to Capitalization.

"Funded Indebtedness to EBITDA Ratio" shall mean, for the Borrower and its Subsidiaries on a consolidated basis, calculated as of any date of determination for the most recent twelve (12) month period after giving Pro Forma Effect to any Asset Acquisition made during such period, the ratio of Consolidated Funded Indebtedness to EBITDA.

"Funding Date" shall mean each of the respective dates on which the funding of a Borrowing made under this Agreement occurs.

"GAAP" shall mean generally accepted accounting principles in the United States of America in effect from time to time.

"Government Obligations" shall mean direct obligations of the United States of America or obligations for the full and prompt payment of which the full faith and credit of the United States of America are pledged.

"Governmental Authority" shall mean any nation, province, state or other political subdivision thereof and any government or any natural person or entity exercising executive, legislative, regulatory or administrative functions of or pertaining to government.

"Guaranteed Obligations" shall mean all the Obligations of the Borrower guaranteed by the Guarantors pursuant to Article 5.

"Guarantor" shall mean each Subsidiary of the Borrower that has become a party to this Agreement as a Guarantor by executing this Agreement or a Supplement to Credit Agreement in the form of Exhibit 1.1A, and has delivered to the Administrative Agent, for the ratable benefit of the Lenders and has all promissory notes and other instruments evidencing intercompany Indebtedness owed to such Subsidiary by any other Subsidiary of the Borrower, endorsed to the order of the Administrative Agent.

"Guaranty" shall mean the guaranty of the Obligations of the Borrower set forth in Article 5.

"Hazardous Material" shall mean gasoline, motor oil, fuel oil, waste oil, other petroleum or petroleum-based products, asbestos, polychlorinated biphenyls, medical and infectious wastes and any chemical, material or substance to which exposure is prohibited, limited or regulated by any federal, state, county, local or regional authority or which, even if not so regulated, is known to pose a hazard to health and safety, including but not limited to substances and materials defined or designated as "hazardous substances", "hazardous wastes", "pollutants", "contaminants", "hazardous materials" or "toxic substances" under any Environmental Law.

"Highest Lawful Rate" shall mean, with respect to each Lender, the maximum nonusurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged or received on debts outstanding hereunder or under the Notes, as the case may be, under the laws applicable to such Lender that are presently in effect or, to the extent allowed by law, under such applicable laws that may hereafter be in effect and that allow a higher maximum nonusurious interest rate than applicable laws now allow.

"Indebtedness" shall mean, as to any Person, all items that in conformity with GAAP would be shown on the balance sheet of such Person as a liability and in any event shall include (without duplication) (a) indebtedness for borrowed money or for notes, debentures or other debt securities, (b) notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money, (c) reimbursement obligations in respect of letters of credit issued for the account of such Person (including any such obligations in respect of any drafts drawn thereunder), (d) liabilities for all or any part of the deferred purchase price of property or services, (e) liabilities secured by any Lien on any property or asset owned or

held by such Person regardless of whether the indebtedness secured thereby shall have been assumed by or is a primary liability of such Person, (f) Capitalized Lease Obligations, and (g) Contingent Obligations.

"Interest Expense" shall mean, as to any Person for any period, the aggregate interest expense and amortization of deferred loan costs of such Person and its Subsidiaries on a consolidated basis for such period (calculated without regard to any limitations on the payment thereof), imputed interest on Capitalized Lease Obligations, commissions, discounts and other fees and charges owed with respect to letters of credit and unused commitments and net costs under interest rate protection agreements, all as determined in conformity with GAAP.

"Interest Payment Date" shall mean, (a) with respect to any Base Rate Loan or Swing Line Loan, the first day of each month, commencing on the first day of the first month after the applicable Funding Date, and (b) with respect to any LIBOR Loan, the last day of the Interest Period applicable to such Loan.

"Interest Period" shall mean any interest period applicable to a LIBOR Loan as determined pursuant to Section 2.11.1.

"Interest Rate Contracts" shall mean any interest rate swap agreements, interest rate cap agreements, interest rate collar agreements, interest rate insurance and other agreements or arrangements designed to provide protection against fluctuations in interest rates, in each case between the Borrower and any Lender, and in an aggregate notional amount at any time not to exceed an amount equal to Consolidated Funded Indebtedness at such time.

"Interest Rate Determination Date" shall mean each date for calculating LIBOR for purposes of determining the interest rate in respect of an Interest Period, which in each case shall be the second (2d) Business Day prior to the first (1st) day of the corresponding Interest Period.

"Investment" shall mean the making of any loan, advance, extension of credit or capital contribution to, or the acquisition of any stock, bonds, notes, debentures or other obligations or securities of, or the acquisition of any other interest in or the making of any other investment in, any Person.

"Last Four Fiscal Quarters" shall mean, as of any date of determination, the Fiscal Quarter ending on such date or otherwise then most recently ended plus the immediately preceding three Fiscal Quarters.

"Lending Office" shall mean with respect to any Lender or the Administrative Agent, the office of each such Lender at the address specified on the signature pages hereto or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office as any such Lender from time to time may specify to the Borrower and the Administrative Agent.

"LIBOR" shall mean the rate per annum (rounded upwards, if necessary, to the nearest whole one-eighth of 1%) equal to the product of Base LIBOR times Statutory Reserves.

"LIBOR Loans" shall mean Revolving Loans and Term Loans bearing interest at rates determined by reference to LIBOR.

"Lien" shall mean, as to any asset, (a) any lien, charge, claim, mortgage, security interest, pledge, hypothecation or other encumbrance of any kind with respect to such asset, (b) any interest of a vendor or lessor under any conditional sale agreement, Capitalized Lease or other title retention agreement relating to such asset, (c) any reservation, exception, encroachment, easement, right-of-way, covenant, condition, restriction, lease or other title exception affecting such asset, or (d) any assignment, deposit, preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any financing lease having substantially the same

economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction).

"Loan Documents" shall mean this Agreement, the Notes, the Interest Rate Contracts and all other documents, instruments and agreements now or hereafter executed or delivered pursuant hereto or in connection herewith.

"Loans" shall mean Revolving Loans, Term Loans and Swing Line Loans.

"Material Adverse Effect" and "Material Adverse Change" shall mean a material adverse effect on, or a material adverse change in, (a) the properties, business, prospects, operations, management or financial condition of the Borrower and the Guarantors, taken as a whole, or (b) the ability of the Borrower, any Guarantor or any of their respective Subsidiaries to perform any of their respective obligations under this Agreement, the Notes or the other Loan Documents to which it is a party.

"Material Contract" shall mean each contract to which the Borrower or any of its Subsidiaries is a party or a guarantor (or by which it is bound) that requires payments (either to or for the benefit of, or by or on behalf of, the Borrower or any of its Subsidiaries) in excess of $10,000,000 in any twelve-month period (a) the cancellation, non-performance or non-renewal of which by any party thereto would have a Material Adverse Effect, or (b) pursuant to which the Borrower or any of its Subsidiaries may incur Indebtedness for borrowed money or Capitalized Lease Obligations.

"Maximum Guaranty Liability" shall mean the maximum liability hereunder of the respective Guarantors permitted by Applicable Bankruptcy Law as provided in Section 5.2.

"Moody's" shall mean Moody's Investors Service, Inc. and its successors.

"Multi-Employer Plan" shall mean any multiple employer plan, as defined in Section 4001(a)(3) of ERISA, that is maintained by the Borrower, any Guarantor, any of their respective Subsidiaries or a Commonly Controlled Entity.

"NN, Inc. Stock Incentive Plan" shall mean the NN, Inc. Stock Incentive Plan as amended, restated or modified from time to time.

"Non-Guarantor Subsidiaries" shall mean the Subsidiaries of the Borrower and the Guarantors listed on Schedule 7.1 and designated as such thereon.

"Notes" shall mean the Revolving Notes, the Term Notes and the Swing Line Note.

"Notice of Borrowing" shall mean a notice substantially in the form of Exhibit 2.2.5 with respect to a proposed Borrowing of Revolving Loans.

"Notice of Conversion/Continuation" shall mean a notice substantially in the form of Exhibit 2.4.2 annexed hereto with respect to a proposed conversion or continuation, pursuant to Section 2.4, of (a) Revolving Loans or Term Loans bearing interest at a rate determined by reference to one basis, to (b) Revolving Loans or Term Loans bearing interest at a rate determined by reference to an alternative basis.

"Obligations" shall mean, as to any Person, all Indebtedness, obligations and other liabilities of such Person of any kind and description owing to the Administrative Agent or the Lenders pursuant to the provisions of this Agreement, the Notes and the other Loan Documents, howsoever evidenced or acquired, whether now existing or hereafter arising, due or not due, absolute or contingent, liquidated or unliquidated, direct or indirect, express or implied, whether owed individually or jointly with others.

"Operating Lease" shall mean, as to any Person, any lease of property (whether real, personal or mixed) by such Person as lessee that is not a Capitalized Lease.

"PBGC" shall mean the Pension Benefit Guaranty Corporation established pursuant to subtitle A of Title IV of ERISA.

"Percentage" shall mean, as to each Lender, the percentage set forth with such Lender's signature on this Agreement or the Assignment and Acceptance pursuant to which such Lender became a party hereto.

"Permitted Acquisition" shall mean any Asset Acquisition by the Borrower or any Guarantor with respect to which (a) the Borrower and the Guarantors shall have complied with the provisions of Section 8.2.4, (b) the Borrower or such Guarantor is the surviving entity in the transaction, (c) all assets acquired in the transaction are held or acquired by the Borrower or such Guarantor, (d) at the time of such Asset Acquisition and after giving Pro Forma Effect thereto and to any other Asset Acquisition made during the then most recent twelve (12) month period, no Default shall have occurred or be continuing or would result therefrom, and (e) if either (i) the aggregate consideration paid or to be paid in connection with such Asset Acquisition, inclusive of all Indebtedness incurred or assumed, is equal to or greater than $5,000,000, or (ii) the aggregate consideration paid or to be in connection with such Asset Acquisition, inclusive of all Indebtedness incurred or assumed, together the aggregate consideration paid in connection with all Asset Acquisitions occurring during the term of the Facilities for which consent was not required, is equal to or greater than $15,000,000, the Requisite Lenders shall have consented in writing to such Asset Acquisition, which consent shall not be unreasonably withheld.

"Permitted Liens" shall mean Liens permitted pursuant to the provisions of Section 9.2.

"Person" shall mean an individual, corporation, partnership, limited partnership, limited liability company, limited liability limited partnership, trust, business trust, association, joint stock company, joint venture, pool, syndicate, sole proprietorship, unincorporated organization, Governmental Authority or other form of entity not specifically listed herein.

"Plan" shall mean an employee pension benefit plan covered by Title IV of ERISA that is maintained by the Borrower, any Guarantor, any of their respective Subsidiaries or a Commonly Controlled Entity, and shall include any Single Employer Plan or any Multi-Employer Plan.

"Pledge Agreement" shall mean the Pledge and Security Agreement, substantially in the form of Exhibit 4.1, executed by the Borrower and the Guarantors in favor of the Administrative Agent and the Lenders.

"Pledged Notes" shall have the meaning given such term in the Pledge Agreement.

"Pricing Tier Determination Date" shall mean the fifth (5th) Business Day following each date on which the Borrower has delivered to the Administrative Agent financial statements, financial reports, certificates and other financial information complying with the requirements of Section 8.1.1 or 8.1.2 and containing information sufficient to enable a calculation of the Funded Indebtedness to EBITDA Ratio for the purpose of determining the Applicable Base Rate Margin, the Applicable LIBOR Margin and the Applicable Commitment Fee Percentage pursuant to Section 2.10.

"Principal Obligor" shall mean, with respect to a specific indebtedness or obligation, the Person creating, incurring, assuming or suffering to exist such indebtedness or obligation without becoming liable for same as a surety or guarantor.

"Pro Forma Effect" shall mean, in making any calculation hereunder to which such term is applicable, including any calculation necessary to determine whether the Borrower is in compliance with Section 10.1.2 or 10.1.3 or whether a Default would result from any Asset Acquisition, (a) any Asset Acquisition made during the most recent twelve (12) month period (the "Reference Period") ending on and including the date of determination (the "Calculation Date") shall be assumed to have occurred on the first day of the Reference Period, (b) Consolidated Funded Indebtedness, and the application of proceeds therefrom, incurred or to be incurred in connection with any Asset Acquisition made or to be made during the Reference Period shall be assumed to have arisen or occurred on the first day of the Reference Period, (c) there shall be excluded any Interest Expense in respect of Consolidated Funded Indebtedness outstanding during the Reference Period that was or is to be refinanced with proceeds of Indebtedness incurred or to be incurred in connection with any Asset Acquisition made or to be made during the Reference Period, (d) Interest Expense in respect of Consolidated Funded Indebtedness bearing a floating rate of interest and assumed to have been incurred on the first day of the Reference Period shall be calculated on the basis of the average rate in effect under this Agreement for Base Rate Loans throughout the period such Consolidated Funded Indebtedness is assumed to be outstanding, and (e) Rent Expense shall include actual Rent Expense incurred by any Person, operating unit or business acquired during the Reference Period, plus Rent Expense projected for the twelve (12) month period following the date of actual incurrence thereof in respect of any Operating Lease entered into or to be entered into in connection with any Asset Acquisition made during the Reference Period, which projected Rent Expense shall be deemed to have been incurred on the first day of the Reference Period.

"Projections" means the financial projections provided by Borrower to Administrative Agent, as the same may have been modified or supplemented in a writing delivered to the Administrative Agent that is expressly identified as a modification of or supplement to such financial projections.

"Purchase Money Debt" shall mean (a) Indebtedness of the Borrower or any of its Subsidiaries that, within thirty (30) days of the purchase of equipment in which neither the Borrower nor any of its Subsidiaries at any time prior to such purchase had any interest, is incurred to finance part or all of (but not more than) the purchase price of such equipment, and that bears interest at a rate per annum that is commercially reasonable at the time, and (b) Indebtedness that constitutes a renewal, extension, refunding or refinancing of, but not an increase in the principal amount of, Purchase Money Debt that is such by virtue of clause (a), is binding only upon the obligor or obligors under the Purchase Money Debt being renewed, extended or refunded and bears interest at a rate per annum that is commercially reasonable at the time.

"Rent Expense" shall mean, as to any Person for any period, the aggregate rent and lease expenses recorded by such Person and its Subsidiaries on a consolidated basis in conformity with GAAP pursuant to any Operating Lease.

"Reportable Event" shall mean any of the events set forth under Section 4043(b) of ERISA or the PBGC regulations thereunder.

"Requirement of Law" shall mean, as to any Person (a) the partnership agreement, charter, certificate of incorporation, articles of incorporation, bylaws, operating agreement or other organizational or governing documents of such Person, (b) any federal, state or local law, treaty, ordinance, rule or regulation, and (c) any order, decree or determination of a court, arbitrator or other Governmental Authority; in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Requisite Lenders" shall mean, as of any date of determination, Lenders having at least sixty-six and two-thirds percent (66 2/3%) of the Commitments.

"Responsible Officer" shall mean, as to any Person, either (a) its president or chief executive officer, or (b) with respect to financial matters, its president, chief executive officer, chief financial officer,

chief accounting officer or any vice president designated in writing by the chief executive officer to the Administrative Agent.

"Restricted Payments" shall mean, as to any Person for any period:

(a) dividends, other distributions and other payments or deliveries of property on account of the capital stock of or other ownership interests in, or any warrants, options or other rights in respect of any capital stock of or other ownership interests in, such Person or its Subsidiaries, now or hereafter outstanding, that are recorded by such Person and its Subsidiaries on a consolidated basis (excluding any such dividends, distributions and other payments made solely to such Person or a wholly-owned Subsidiary of such Person by a Subsidiary of such Person),

(j) amounts paid to purchase, redeem, retire or otherwise acquire for value any of the capital stock of or other ownership interests in, or any warrants, options or other rights in respect of the capital stock of or other ownership interests in, such Person or its Subsidiaries, now or hereafter outstanding (excluding any such amounts paid solely to such Person or a wholly-owned Subsidiary of such Person by a Subsidiary of such Person),

(k) any assets segregated or set apart by such Person or any of its Subsidiaries (including any money or property deposited with a trustee or other paying agent) for a sinking or analogous fund for the purchase, redemption or retirement or other acquisition of any capital stock of or other ownership interests in, or any warrants, options or other rights in respect of any capital stock of or other ownership interests in, such Person or its Subsidiaries, now or hereafter outstanding (excluding any assets so segregated or set apart with respect to any stock, warrants, options or other rights held by a wholly-owned Subsidiary of such Person),

(l) payments made or required to be made by such Person with respect to any stock appreciation rights plan, equity incentive or achievement plan or any similar plan and any assets segregated or set apart for such purposes (including any money or property deposited with a trustee or other paying agent), and

(m) any payment, purchase, redemption or acquisition of Subordinated Indebtedness and any assets segregated or set apart for such purposes (including any money or property deposited with a trustee or other paying agent), excluding, however, regularly scheduled payments of interest made according to the stated terms of such Subordinated Indebtedness;

all as determined in conformity with GAAP.

"Revolving Commitment Period" shall mean that period commencing on the date hereof and continuing to, but not including, the Revolving Commitment Period Expiration Date.

"Revolving Commitment Period Expiration Date" shall mean July 25, 2003.

"Revolving Credit Commitments" shall mean, at any time, the commitment of all the Lenders, collectively, to make Revolving Loans to the Borrower during the Revolving Commitment Period pursuant to the provisions of Section 2.2, and the "Revolving Credit Commitment" of any Lender at any time shall mean an amount equal to such Lender's Percentage multiplied by the then effective aggregate Revolving Credit Commitments. The Revolving Credit Commitments are in the aggregate amount set forth in Section 2.1.

"Revolving Credit Facility" shall mean the revolving credit facility provided by the Lenders pursuant to the Revolving Credit Commitments as more particularly set forth in Section 2.2.1.

"Revolving Loans" shall mean the revolving loans made by the Lenders to the Borrower pursuant to the provisions of Section 2.2.1.

"Revolving Notes" shall mean the promissory notes, substantially in the form of Exhibit 2.5A, executed by the Borrower in favor of the Lenders, evidencing the indebtedness of the Borrower to the Lenders in connection with the Revolving Loans.

"S&P" shall mean Standard & Poor's Corporation and its successors.

"Security Documents" shall mean the Pledge Agreement and all documents, instruments and agreements now or hereafter executed or delivered pursuant thereto or in connection therewith.

"Single Employer Plan" shall mean any Plan that is not a Multi-Employer Plan.

"Solvent" shall mean, with respect to any Person on any particular date, that on such date (a) the fair value of the assets of such Person (both at fair valuation and at present fair saleable value) is, on the date of determination, greater than the total amount of liabilities, including contingent and unliquidated liabilities, of such Person, (b) such Person is able to pay all liabilities of such Person as they mature, and (c) such Person does not have unreasonably small capital with which to carry on its business, after giving due consideration to the nature of the business in which such Person is engaged. In computing the amount of contingent or unliquidated liabilities at any time, such liabilities will be computed at the amount that, in light of all the facts and circumstances existing at such time, represents the amount that can be reasonably expected to become an actual or matured liability.

"Statutory Reserves" shall mean a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves), expressed as a decimal, established by the Federal Reserve Board and/or any other banking authority to which any Lender or any member bank of the Federal Reserve System is subject with respect to LIBOR, for Eurocurrency Liabilities (as defined in Regulation D of the Federal Reserve Board). Such reserve percentages shall include those imposed under such Regulation D. LIBOR Loans shall be deemed to constitute Eurocurrency Liabilities and as such shall be deemed to be subject to such reserve requirements without benefit of or credit for proration, exceptions or offsets that may be available from time to time to the Lenders under such Regulation D. Statutory Reserves shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subordinated Indebtedness" shall mean Indebtedness of the Borrower and its Subsidiaries that is subordinated in right of payment to the Obligations on terms no less favorable to the Lenders than those set forth on Exhibit 1.1B attached hereto.

"Subsidiary" shall mean, as to any Person (a) a corporation, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock having such power only by reason of the occurrence of a contingency) to elect a majority of the board of directors or other managers thereof are at the time owned, or the management of which is otherwise controlled, directly or indirectly, through one or more intermediaries, or both, by such Person, or (b) a partnership in which such Person is a general partner or the management of which is otherwise controlled, directly or indirectly, through one or more intermediaries or both, by such Person.

"Swing Line Commitment" shall mean the commitment of the Swing Line Lender to make Swing Line Loans pursuant to Section 2.2.7.

"Swing Line Facility" shall mean the swing line credit facility provided by the Swing Line Lender pursuant to the Swing Line Commitment as more particularly set forth in Section 2.2.7.

"Swing Line Lender" shall mean AmSouth and any other financial institution that, subject to approval by the Administrative Agent and the Borrower, agrees to become a party to this Agreement and to make Swing Line Loans pursuant to Section 2.2.7. As used herein and in the other Loan Documents, "Lender" shall include the Swing Line Lender except to the extent that the context requires otherwise.

"Swing Line Loans" shall mean the loans made by the Swing Line Lender pursuant to Section 2.2.7.

"Swing Line Note" shall mean the promissory note, in substantially the form of Exhibit 2.5C, executed by the Borrower in favor of the Swing Line Lender, evidencing the indebtedness of the Borrower to the Swing Line Lender in connection with the Swing Line Loans.

"Term Loan Commitments" shall mean, at any time, the commitment of all the Lenders, collectively, to make Term Loans to the Borrower on the date hereof pursuant to the provisions of Section 2.2.2, and the "Term Loan Commitment" of any Lender at any time shall mean an amount equal to such Lender's Percentage multiplied by the then effective aggregate Term Loan Commitments. The Term Loan Commitments are in the aggregate amount set forth in Section 2.1.

"Term Loan Facility" shall mean the term loan facility provided by the Lenders pursuant to the Term Loan Commitments as more particularly set forth in Section 2.2.2.

"Term Loan Maturity Date" shall mean July 1, 2006.

"Term Loan Notes" shall mean the promissory notes, substantially in the form of Exhibit 2.5B, executed by the Borrower in favor of the Lenders, evidencing the indebtedness of the Borrower to the Lenders in connection with the Term Loans.

"Term Loans" shall mean the term loans made by the Lenders to the Borrower pursuant to Section 2.2.2.

"UCC" shall mean the Uniform Commercial Code as in effect in the State of Tennessee or any other applicable jurisdiction, as the context may require.

1.2. Accounting and Commercial Terms. As used in this Agreement, all accounting terms used but not otherwise defined herein shall have the respective meanings assigned to them in conformity with GAAP. All terms used but not otherwise defined herein that are defined or used in Article 9 of the UCC shall have the respective meanings assigned to them in such Article.

1.3. General Construction. As used in this Agreement, the masculine, feminine and neuter genders and the plural and singular numbers shall be deemed to include the others in all cases in which they would so apply. "Includes" and "including" are not limiting, and shall be deemed to be followed by "without limitation" regardless of whether such words or words of like import in fact follow same. The word "or" is not intended and shall not be construed to be exclusive.

1.4. Defined Terms; Headings. The use of defined terms in the Loan Documents is for convenience of reference and shall not be deemed to be limiting or to have any other substantive effect with respect to the persons or things to which reference is made through the use of such defined terms. Article and section headings and captions in the Loan Documents are included in such Loan Documents for convenience of reference and shall not constitute a part of the applicable Loan Documents for any other purpose.

1.5. References to this Agreement and Parts Thereof. As used in this Agreement, unless otherwise specified the words "hereof," "herein" and "hereunder" and words of similar import shall refer to this

Agreement, including all schedules and exhibits hereto, as a whole, and not to any particular provision of this Agreement, and the words "Article", "Section", "Schedule" and "Exhibit" refer to articles, sections, schedules and exhibits of or to this Agreement.

1.6. Documentary References. Any reference herein to any instrument, document or agreement, by whatever terminology used, shall be deemed to include any and all amendments, modifications, supplements, extensions, renewals, substitutions and/or replacements thereof as the context may require.

1.7. Legal References. Any reference herein to any law shall be a reference to such law as in effect from time to time and shall include any rules and regulations promulgated or published thereunder and published interpretations thereof.

ARTICLE 2.

LOANS

2.1. Commitments.

2.1.1. Amounts of Commitments.

(a) The aggregate amount of the Commitments shall be $60,000,000.

(b) The aggregate amount of the Revolving Credit Commitments shall be $25,000,000.

(c) The aggregate amount of the Term Loan Commitments shall be $35,000,000.

2.1.2. Voluntary Reductions of Revolving Credit Commitments. The Borrower shall have the right, at any time and from time to time, to terminate in whole or permanently reduce in part, without premium or penalty, the Revolving Credit Commitments in an amount up to the amount by which the Revolving Credit Commitments exceed the aggregate amount of the then outstanding Revolving Loans. The Borrower shall give not less than ten (10) Business Days' prior written notice to the Administrative Agent designating the date (which shall be a Business Day) of such termination or reduction and the amount of any reduction. Promptly after receipt of a notice of such termination or reduction, the Administrative Agent shall notify each Lender of the proposed termination or reduction. Such termination or reduction of the Revolving Credit Commitments shall be effective on the date specified in the Borrower's notice and shall reduce the Revolving Credit Commitment of each Lender in proportion to its Percentage of the Revolving Credit Commitments. Any such reduction of the Revolving Credit Commitments shall be in a minimum amount of $1,000,000 and in integral multiples of $500,000.

2.2. Loans.

2.2.1. Commitment to Make Revolving Loans. Subject to all of the terms and conditions of this Agreement (including the conditions set forth in Sections 6.1 and 6.2) and in reliance upon the representations and warranties of the Borrower herein set forth, each Lender hereby severally agrees to make Revolving Loans to the Borrower from time to time during the Revolving Commitment Period, for the purposes identified in Section 2.7; provided, however, that in no event shall (a) the aggregate principal amount of Revolving Loans made by any Lender outstanding at any time exceed such Lender's Revolving Credit Commitment, or (b) the aggregate principal amount of Revolving Loans outstanding at any time exceed the Revolving Credit Commitments. Each Lender's Revolving Credit Commitment shall expire on the Revolving Commitment Period Expiration Date, and all Revolving Loans shall be paid in full no later than the Revolving Commitment Period Expiration Date.

2.2.2. Commitment to Make Term Loans. Subject to all of the terms and conditions of this Agreement (including the conditions set forth in Sections 6.1 and 6.2) in reliance upon the representations and warranties of the Borrower herein set forth, each Lender hereby severally agrees to make Term Loans to the Borrower on the date hereof and for the purposes identified in Section 2.7; provided, however, in no event shall (a) the aggregate principal amount of the Term Loans made by any Lender outstanding at any time exceed such Lender's Term Loan Commitment, or (b) the aggregate principal amount of the Term Loans outstanding at any time exceed the Term Loan Commitments. All Term Loans shall be paid in full no later than the Term Loan Maturity Date.

2.2.3. Lenders' Obligations Several; Proportionate Loans. The obligations of the Lenders to make Revolving Loans under Section 2.2.1 and Term Loans under Section 2.2.2 shall be several and not joint and, subject to Section 2.11.4, all Revolving Loans and Term Loans under this Agreement shall be made by the Lenders simultaneously and proportionately to their respective Percentages of the Commitments. It is understood and agreed that the failure of any Lender to make its Revolving Loan as part of any Borrowing under Section 2.2.1 or its Term Loan as part of any Borrowing under Section 2.2.2 shall not relieve any other Lender of its obligation to make its Revolving Loan as provided in Section 2.2.1 or its Term Loan under Section 2.2.2. Neither the Administrative Agent nor any Lender shall be responsible for the failure of any other Lender to make a Revolving Loan or Term Loan as provided herein nor shall the Commitment of any Lender be increased as a result of the default by any other Lender in such other Lender's obligation to make Revolving Loans or Term Loans hereunder.

2.2.4. Revolving Credit; Minimum Borrowings. Amounts borrowed by the Borrower under the Revolving Credit Commitments may be prepaid and reborrowed from time to time to during the Revolving Commitment Period. The aggregate amount of Revolving Loans made on any Funding Date shall be in integral multiples of $100,000.

2.2.5. Notice of Borrowing.

(a) Delivery of Notice. Whenever the Borrower desires to borrow under Section 2.2.1, it shall deliver to the Administrative Agent a Notice of Borrowing no later than 11:00 a.m. (Central time) at least one (1) Business Day in advance of the proposed Funding Date (in the case of Base Rate Loans) or three (3) Business Days in advance of the proposed Funding Date (in the case of LIBOR Loans). The Notice of Borrowing shall specify (i) the proposed Funding Date (which shall be a Business Day), (ii) the amount of the proposed Borrowing, (iii) whether the proposed Borrowing shall be in the form of Base Rate Loans or LIBOR Loans, and (iv) in the case of LIBOR Loans, the requested Interest Period. In lieu of delivering a Notice of Borrowing, the Borrower may give the Administrative Agent telephonic notice by the required time of notice of any proposed Borrowing under this Section 2.2.5; provided, however, that such notice shall be promptly confirmed in writing by delivery of a Notice of Borrowing to the Administrative Agent on or prior to the Funding Date of the requested Revolving Loans. The execution and delivery of each Notice of Borrowing shall be deemed a representation and warranty by the Borrower that the requested Revolving Loans may be made in accordance with, and will not violate the requirements of, this Agreement, including those set forth in Section 2.2.1.

(b) No Liability for Telephonic Notices. Neither the Administrative Agent nor any Lender shall incur any liability to the Borrower in acting upon any telephonic notice given pursuant to this Section 2.2.5 that the Administrative Agent believes in good faith to have been given by a duly authorized officer or other person authorized to borrow on behalf of the Borrower or for otherwise acting in good faith under this Section 2.2.5 and, upon the funding of Revolving Loans by the Lenders in accordance with this Agreement pursuant to any telephonic notice, the Borrower shall have effected a Borrowing of Revolving Loans hereunder.

(c) Notice Irrevocable. A Notice of Borrowing for LIBOR Loans (or a telephonic notice in lieu thereof) shall be irrevocable on and after the related Interest Rate Determination Date, and the Borrower shall be bound to make a Borrowing in accordance therewith.

2.2.6. Disbursement of Funds. Promptly after receipt of a Notice of Borrowing (or telephonic notice in lieu thereof), the Administrative Agent shall notify each Lender of the proposed Borrowing in writing, or by telephone promptly confirmed in writing. Each Lender shall make the amount of its Revolving Loan available to the Administrative Agent, in immediately available funds, at the Lending Office of the Administrative Agent, not later than 11:00 a.m. (Central time) on the Funding Date. The Administrative Agent shall make the proceeds of such Revolving Loans available to the Borrower on such Funding Date by causing an amount of immediately available funds equal to the proceeds of all such Revolving Loans received by the Administrative Agent to be credited to the account of the Borrower at such office of the Administrative Agent.

2.2.7. Swing Line Loans.

(a) Commitment to Make Swing Line Loans. Subject to all of the terms and conditions of this Agreement (including the conditions set forth in Sections 6.1 and 6.2 and the limitations set forth in Section 2.2.1), and in reliance upon the representations and warranties of the Borrower herein set forth and the agreements of the other Lenders set forth in subsections (c) and (d) of this Section 2.2.7, the Swing Line Lender hereby agrees to make Swing Line Loans to the Borrower from time to time during the Revolving Commitment Period, in an aggregate principal amount not to exceed $2,500,000 outstanding at any time, for the purposes identified in Section 2.7. Amounts borrowed by the Borrower under the Swing Line Commitment may be prepaid and reborrowed from time to time during the Revolving Commitment Period. The Swing Line Lender's commitment to make Swing Line Loans as provided in this subsection 2.2.7(a) shall expire on the Revolving Commitment Period Expiration Date, and all Swing Line Loans shall be paid in full no later than the Revolving Commitment Period Expiration Date.

(d) Funding Procedures for Swing Line Loans. Except to the extent that funding of Swing Line Loans is being administered through an automated cash management system mutually approved in writing by the Borrower and the Swing Line Lender, the Borrower shall give to the Swing Line Lender written notice (or oral notice to be confirmed promptly in writing) of a proposed Swing Line Loan Borrowing, specifying the amount of the requested Swing Line Loan, not later than 11:00 a.m., Central time, on the Business Day of the proposed Borrowing. Each request for a Swing Line Loan shall be deemed a representation and warranty by the Borrower that the requested Swing Line Loan may be made in accordance with, and will not violate the requirements of, this Agreement, including those set forth in subsection 2.2.7(a). Not later than 2:00 p.m., Central time, on the Business Day of the proposed Swing Line Loan Borrowing, the Swing Line Lender shall make the proceeds of the requested Swing Line Loan available to the Borrower at the office of the Swing Line Lender by crediting an account of the Borrower maintained at such office.

(e) Repayment of Swing Line Loans With Revolving Loans. Regardless of whether the conditions set forth in Sections 6.1 and 6.2 have been or are capable of being satisfied, on any Business Day the Swing Line Lender may, in its sole discretion, give notice to the Lenders that some part or all of the outstanding Swing Line Loans are to be repaid on the next succeeding Business Day with a Borrowing of Revolving Loans constituting Base Rate Loans made pursuant to Section 2.2.1 in the same manner and with the same force and effect as if the Borrower had submitted a Notice of Borrowing therefor pursuant to Section 2.2.5. Subject to and in accordance with Sections 2.2.1 and 2.2.3, each Lender shall make the amount of its Revolving Loan available to the Administrative Agent, in immediately available funds, at the Lending Office of the Administrative Agent, not later than 11:00 a.m. (Central time) on the applicable Funding Date. The Administrative Agent shall make the proceeds of such Revolving Loans available to the Swing Line Lender on such Funding Date by

causing an amount of immediately available funds equal to the proceeds of all such Revolving Loans received by the Administrative Agent to be credited to an account of the Swing Line Lender at such office of the Administrative Agent, or shall make such proceeds available to the Swing Line Lender in such other manner as shall be satisfactory to the Administrative Agent and the Swing Line Lender.

(f) Participations in Swing Line Loans. If for any reason a requested Borrowing of Revolving Loans pursuant to subsection 2.2.7(c) is not or cannot be effected, the Lenders will immediately purchase from the Swing Line Lender, as of the date such proposed Borrowing otherwise would have occurred but adjusted for any payments received in respect of such Swing Line Loan(s) by or for the account of the Borrower on or after such date but prior to such purchase, such participations in the outstanding Swing Line Loans as shall be necessary to cause the Lenders to share in such Swing Line Loan(s) proportionately in accordance with their respective Percentages of the Revolving Credit Commitments. Whenever, at any time after any Lender has purchased a participating interest in a Swing Line Loan, the Swing Line Lender receives any payment on account thereof, the Swing Line Lender will distribute to such Lender its proportionate share of such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded); provided, however, that in the event any such payment received by the Swing Line Lender is subsequently set aside or is required to be refunded, returned or repaid, such Lender will repay to the Swing Line Lender its proportionate share thereof.

(g) Failure to Pay by Lenders. If any Lender shall fail to perform its obligation to make a Revolving Loan pursuant to subsection 2.2.7(c) or to purchase a participation in Swing Line Loans pursuant to subsection 2.2.7(d), the amount in default shall bear interest for each day from the day such amount is payable until fully paid at a rate per annum equal to the Federal Funds Rate or any other rate customarily used by banks for the correction of errors among banks, but in no event to exceed the Highest Lawful Rate, and such obligation may be satisfied by application by the Administrative Agent (for the account of the Swing Line Lender) of any payment that such Lender otherwise is entitled to receive under this Agreement. Pending repayment, each such advance shall be secured by such Lender's participation interest, if any, in the Swing Line Loans and any security therefor, and the Swing Line Lender shall be subrogated to such Lender's rights hereunder in respect thereof.

(h) Lenders' Obligations Absolute. The obligation of each Lender to make Revolving Loans pursuant to subsection 2.2.7(c) and to purchase participations in Swing Line Loans pursuant to subsection 2.2.7(d) shall be unconditional and irrevocable, shall not be subject to any qualification or exception whatsoever, shall be made in accordance with the terms and conditions of this Agreement under all circumstances and shall be binding in accordance with the terms and conditions of this Agreement under all circumstances, including the following circumstances:

(1) any lack of validity or enforceability of this Agreement, any of the other Loan Documents or any other instrument, document or agreement relating to the transactions that are the subject thereof;

(2) the existence of any claim, set-off, defense or other right that the Borrower, any Guarantor or any Lender may have at any time against the Administrative Agent, the Swing Line Lender, any other Lender or any other Person, whether in connection with this Agreement, the transactions contemplated herein or any related transactions;

(3) the surrender or impairment of any security for the performance or observance of any of the terms of this Agreement;

(4) the occurrence or continuance of any Default;

(5) any adverse change in the condition (financial or other) of the Borrower or any Guarantor; or

(6) any other reason.

2.3. Interest.

2.3.1. Interest Rate on Loans. Subject to Section 2.3.3, the unpaid principal balances of the Loans shall bear interest from their respective Funding Dates through maturity (whether by acceleration or otherwise) (including post-petition interest in any case or proceeding under applicable bankruptcy laws) at a rate determined by reference to the Base Rate or LIBOR. The applicable basis for determining the rate of interest for Revolving Loans and Term Loans shall be selected by the Borrower at the time a Notice of Borrowing is given pursuant to Section 2.2.5 or at the time a Notice of Conversion/Continuation is given pursuant to Section 2.4.2. If on any day any Revolving Loan or Term Loan is outstanding with respect to which notice has not been delivered to the Administrative Agent in accordance with the terms of this Agreement specifying the basis for determining the rate of interest, then for that day such Revolving Loan or Term Loan shall bear interest determined by reference to the Base Rate. The Loans shall bear interest as follows:

(a) if a Swing Line Loan or a Base Rate Loan, then at a fluctuating rate per annum equal to the sum of the Base Rate, as it varies from time to time, plus the Applicable Base Rate Margin; or

(b) if a LIBOR Loan, then at a rate per annum equal to the sum of LIBOR plus the Applicable LIBOR Margin.

2.3.2. Default Rate. Upon the occurrence and during the continuance of an Event of Default, the unpaid principal balances of the Loans and, to the extent permitted by applicable law, any unpaid interest accrued in respect of the Loans shall bear interest at the Default Rate; provided, however, that in the case of LIBOR Loans, upon the expiration of the Interest Period in effect at the time any such increase in interest rate is effective, such LIBOR Loans shall thereupon become Base Rate Loans and thereafter bear interest at the corresponding Default Rate. Interest accruing pursuant to this Section 2.3.2 shall be payable upon demand.

2.3.3. Conclusive Determination. Each determination by the Administrative Agent of an interest rate under this Agreement shall be conclusive and binding for all purposes, absent manifest error.

2.3.4. Maximum Number of Interest Periods. No more than four (4) Interest Periods may be in effect in respect of outstanding LIBOR Loans at any time.

2.4. Conversion or Continuation.

2.4.1. Option to Convert or Continue. Subject to the provisions of Section 2.11, the Borrower shall have the option (a) at any time to convert all or any part of any outstanding Base Rate Loans in an aggregate minimum amount of $500,000 and integral multiples of $100,000 in excess of that amount from Base Rate Loans to LIBOR Loans, and (b) upon the expiration of any Interest Period applicable to a specific Borrowing of LIBOR Loans, to continue all or any portion of such Loans in an aggregate minimum amount of $500,000 and integral multiples of $100,000 in excess of that amount as LIBOR Loans, and the succeeding Interest Period of such continued LIBOR Loans shall commence on the expiration date of the Interest Period previously applicable thereto.

2.4.2 Notice of Conversion/Continuation. The Borrower shall deliver a Notice of Conversion/Continuation to the Administrative Agent no later than 11:00 a.m. (Central time) at least three (3) Business Days in advance of the proposed conversion/continuation date. A Notice of Conversion/Continuation

shall specify (a) the proposed conversion/continuation date (which shall be a Business Day), (b) the aggregate amount of Loans to be converted/continued, (c) the nature of the proposed conversion/continuation, and (d) the requested Interest Period. In lieu of delivering a Notice of Conversion/Continuation, the Borrower may give the Administrative Agent telephonic notice by the required time of any proposed conversion/continuation under this Section 2.4; provided, however, that such notice shall be promptly confirmed in writing by a Notice of Conversion/Continuation delivered to the Administrative Agent on or before the proposed conversion/continuation date. The execution and delivery of each Notice of Conversion/Continuation shall be deemed a representation and warranty by the Borrower that the requested conversion/continuation may be made in accordance with, and will not violate the requirements of, this Agreement, including those set forth in Sections 2.4.1 and 2.11.1.

2.4.3. Notice to the Lenders. Promptly after receipt of a Notice of Conversion/Continuation (or telephonic notice in lieu thereof), the Administrative Agent shall notify each Lender of the proposed conversion or continuation. Neither the Administrative Agent nor the Lender shall incur any liability to the Borrower in acting upon any telephonic notice referred to above that the Administrative Agent believes in good faith to have been given by a duly authorized officer or other person authorized to act on behalf of the Borrower or for otherwise acting in good faith under this Section 2.4 and, upon conversion/continuation by the Administrative Agent in accordance with this Agreement pursuant to any telephonic notice, the Borrower shall have effected a conversion/continuation of Loans hereunder.

2.4.4. Notice Irrevocable. A Notice of Conversion/Continuation shall be irrevocable on and after the related Interest Rate Determination Date, and the Borrower shall be bound to convert or continue such Loan in accordance therewith.

2.4.5. Automatic Conversion. In the event any LIBOR Loan is unpaid upon the expiration of the Interest Period applicable thereto and a Notice of Conversion/Continuation has not been given in the manner provided in Section 2.4.2, such LIBOR Loan shall, effective as of the last day of such Interest Period, become a Base Rate Loan.

2.5. Notes; Records of Payments. Each Revolving Loan made by a Lender to the Borrower pursuant to this Agreement shall be evidenced by a Revolving Note payable to the order of such Lender in an amount equal to such Lender's Percentage of the aggregate amount of the Revolving Credit Commitments, each Term Loan made by a Lender to the Borrower pursuant to this Agreement shall be evidenced by a Term Note payable to the order of such Lender in an amount equal to such Lender's Percentage of the aggregate amount of the Term Loan Commitments, and the Swing Line Loans made by the Swing Line Lender to the Borrower pursuant to this Agreement shall be evidenced by the Swing Line Note. Each Lender (including the Swing Line Lender) hereby is authorized to record and endorse the date and principal amount of each Loan made by it, and the amount of all payments and prepayments of principal and interest made to such Lender with respect to such Loans, on a schedule annexed to and constituting a part of the corresponding Note(s) of such Lender, which recordation and endorsement shall constitute prima facie evidence of such Loans made by such Lender to the Borrower and payments made by the Borrower to such Lender, absent manifest error; provided, however, that (a) failure by any Lender to make any such recordation or endorsement shall not in any way limit or otherwise affect the obligations of the Borrower or the rights and remedies of the Lenders under this Agreement or the Notes, and (b) payments of principal and interest on the Loans to the Lenders shall not be affected by the failure to make any such recordation or endorsement thereof. In lieu of making recordation or endorsement, the Lenders hereby are authorized, at their option, to record the payments or prepayments on their respective books and records in accordance with their usual and customary practice, which recordation shall constitute prima facie evidence of the Loans made by the Lenders to the Borrower and the payments and prepayments made by the Borrower to the Lenders, absent manifest error.

2.6. Administrative Agent's Right to Assume Funds Available. The Administrative Agent may assume that each Lender has made the proceeds of its Revolving Loans or Term Loans, as the case may be, available to the Administrative Agent on the corresponding Funding Date in the event the applicable

conditions precedent to funding the requested Revolving Loans or Term Loans, as the case may be, set forth in Article 6 have been satisfied or waived in accordance with Section 14.3, and the Administrative Agent, in its sole discretion, may, but shall not be obligated to, advance all or any portion of the amount of any requested Borrowing on such Funding Date to the Borrower prior to receiving the proceeds of the corresponding Revolving Loans or Term Loans, as the case may be, from the Lenders. If the Administrative Agent has advanced proceeds of any Revolving Loan or Term Loan to the Borrower on behalf of any Lender and such Lender fails to make available to the Administrative Agent its Percentage share of such Loan as required by Section 2.2, the Administrative Agent shall be entitled to recover such amount on demand from such Lender. If such Lender does not pay such amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent shall notify the Borrower and the Borrower shall pay such amount to the Administrative Agent. The Administrative Agent also shall be entitled to recover from such Lender interest at the applicable rate for such Loan, but in no event to exceed the Highest Lawful Rate, on such amount so advanced on behalf of such Lender for each day from the date such amount was made available by the Administrative Agent to the Borrower to the date such amount is recovered by the Administrative Agent. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill such Lender's Commitments or to prejudice any rights that the Administrative Agent or the Borrower may have against any Lender as a result of any default by such Lender hereunder.

2.7. Use of Proceeds. The proceeds of the Loans will be used by the Borrower to refinance the outstanding principal amount owed by the Borrower under that certain Amended and Restated Revolving Credit Agreement dated February 15, 2001, by and between Borrower and AmSouth, as amended to date, for working capital purposes and for other general corporate purposes (including, without limitation, Permitted Acquisitions), and will not be used by the Borrower for any purpose prohibited by the terms of this Agreement or by any law.

2.8. Credit Fees. In consideration for the obligations of the Administrative Agent and the Lenders set forth herein, the Borrower shall pay the following credit fees:

2.8.1. Administrative Agent's Fees. Pursuant to one or more separate agreements with the Administrative Agent, the Borrower shall pay to the Administrative Agent the fees and charges specified therein for the services of the Administrative Agent in acting as such hereunder.

2.8.2. Facility Initiation Fees. In consideration of each Lender's agreement to participate in the Facilities as provided herein, the Borrower agrees to pay to each Lender a fee in an amount equal to twenty one-hundredths of one percent (0.20%) of such Lender's Percentage of the Commitments hereunder. Such fees shall be due and payable upon the execution and delivery of this Agreement by the Borrower. Upon payment, such fees shall be deemed to have been fully earned and are nonrefundable.

2.8.3. Commitment Fees. The Borrower agrees to pay to the Administrative Agent, for distribution to the Lenders in proportion to their respective Percentages, annual commitment fees for the period commencing on the date hereof to but excluding the Revolving Commitment Period Expiration Date equal to the average of the daily unused portion of the Revolving Credit Commitments (i.e., the aggregate amount of the Revolving Credit Commitments less the aggregate amount of Revolving Loans outstanding) multiplied by the Applicable Commitment Fee Percentage ("Commitment Fees"). Commitment Fees shall be payable in quarter-annual installments, in arrears, on January 1, April 1, July 1 and October 1 of each year, commencing October 1, 2001, and on the Revolving Commitment Period Expiration Date.

2.9. Computations. To the extent permitted by applicable law, all computations of fees and interest under this Agreement payable in respect of any period shall be made by the Administrative Agent on the basis of a 360-day year, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such fees or interest are payable. In computing interest on any Loan, the date of the making of such Loan or the first day of an Interest Period, as the case may be, shall be included and the date of payment or the expiration date of an Interest Period, as the case may be, shall be

excluded; provided, however, that if a Loan is repaid on the same day on which it is made, one day's interest shall be paid on that Loan.

2.10. Interest and Fees Margins. For purposes of interest and fee computations hereunder involving the Applicable Base Rate Margin, the Applicable LIBOR Margin and the Applicable Commitment Fee Percentage, such margins and percentages shall be determined as follows:

Tier	Applicable LIBOR Margin	Applicable Base Rate Margin	Applicable Commitment Fee Percentage
1	0.75%	0.00%	0.125%
2	1.00%	0.00%	0.15%
3	1.50%	0.00%	0.20%
4	2.00%	0.00%	0.25%

Except as expressly hereinafter provided, the applicable tier at any time shall be determined with reference to the Borrower's Funded Indebtedness to EBITDA Ratio at such time (provided, however, for purposes of this Section 2.10, Pro Forma Effect shall not be given with respect to any Asset Acquisitions except Borrower's acquisition of Euroball), as follows:

Tier	Funded Indebtedness to EBITDA Ratio
1	Equal to or less than 1.25 to 1.00
2	Greater than 1.25 to 1.00 but equal to or less than 1.75 to 1.00
3	Greater than 1.75 to 1.00 but equal to or less than 2.25 to 1.00
4	Greater than 2.25 to 1.00

From the date hereof to but not including the first Pricing Tier Determination Date after December 31, 2001, Tier 3 shall be applicable. Any adjustment in the margins set forth above shall take effect on the first Pricing Tier Determination Date following the Last Four Fiscal Quarters as to which such ratio was calculated.

2.11. Special Provisions Governing LIBOR Loans. Notwithstanding other provisions of this Agreement, the following provisions shall govern with respect to LIBOR Loans as to the matters covered:

2.11.1. Determination of Interest Period. By giving a Notice of Borrowing pursuant to Section 2.2.5, the Borrower shall have the option, subject to the other provisions of this Section 2.11.1, to specify whether the Interest Period commencing on the date specified therein shall be a one, two or three-month period; provided that:

(a) in the case of immediately successive Interest Periods, each successive Interest Period shall commence on the day on which the next preceding Interest Period expires;

(b) if any Interest Period otherwise would expire on a day that is not a Business Day, that Interest Period shall be extended to expire on the next succeeding Business Day; provided, however, that if any such Interest Period would otherwise expire on a day that is not a Business Day but is a day of the month after which no further Business Day occurs in that month, that Interest Period shall expire on the immediately preceding Business Day;

(c) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to paragraph (d) below, end on the last Business Day of a calendar month; and

(d) no Interest Period shall extend beyond the Revolving Commitment Period Expiration Date.

2.11.2. Determination of Interest Rate. As soon as is practicable after 11:00 a.m. (Central time) on the Interest Rate Determination Date, the Administrative Agent shall determine (which determination shall, absent manifest error, be final, conclusive and binding upon all parties) the interest rate that shall apply to the LIBOR Loans for which an interest rate is then being determined for the applicable Interest Period and shall promptly give notice thereof (in writing or by telephone confirmed in writing) to the Borrower and to each Lender.

2.11.3. Inability to Determine Rate. In the event the Administrative Agent shall have determined (which determination shall be conclusive and binding absent manifest error) that by reason of circumstances affecting the London interbank Eurodollar market, adequate and reasonable means do not exist for ascertaining Base LIBOR, the Administrative Agent forthwith shall give telephonic notice of such determination, confirmed in writing, to the Borrower and to each Lender. If such notice is given, and until such notice has been withdrawn by the Administrative Agent, no additional LIBOR Loans shall be made.

2.11.4. Illegality; Termination of Commitment to Make LIBOR Loans. Notwithstanding any other provisions of this Agreement, if any law, treaty, rule or regulation or determination of a court or other governmental authority, or any change therein or in the interpretation or application thereof, shall make it unlawful for any Lender to make or maintain LIBOR Loans, as contemplated by this Agreement, then, and in any such event, such Lender shall be an "Affected Lender" and shall promptly give notice (by telephone confirmed in writing) to the Borrower and the Administrative Agent (which notice the Administrative Agent shall promptly transmit to each Lender in writing, or by telephone confirmed in writing) of such determination, and the obligation of the Affected Lender to make LIBOR Loans shall be terminated, and its obligation to maintain its LIBOR Loans during such period shall be terminated at the earlier to occur of the termination of the last Interest Period then in effect or when required by law. Thereafter, and until such notice has been withdrawn by the Affected Lender, the Affected Lender shall have no obligation to make LIBOR Loans, and any LIBOR Loans of the Affected Lender then outstanding shall be converted into Base Rate Loans as of the end of the corresponding Interest Period for each.

2.11.5. LIBOR Loans After Default. Unless all Lenders shall otherwise agree, after the occurrence of and during the continuance of a Default, the Borrower may not elect to have a Loan be made or continued as, or converted to, a LIBOR Loan.

2.12. Expenses. The Borrower shall reimburse the Administrative Agent, on demand, for all reasonable attorneys' and paralegals' fees and expenses of counsel to the Administrative Agent, all fees and expenses for title, lien and other public records searches, all filing and recordation fees and taxes, all duplicating expenses, corporation search fees, appraisal fees and escrow agent fees and expenses and all other customary fees and expenses incurred in connection with (a) the negotiation, documentation and closing of the transactions contemplated hereby, (b) the perfection of or the continued perfection of the security interests contemplated hereby, and (c) the review and preparation of any documentation in connection with, and the approval by the Lenders of, any matter for which the Lenders' approval is requested or required hereunder. The obligations described in this Section 2.12 regarding the payment of expenses are independent of all other obligations of the Borrower hereunder, shall survive the expiration or termination of the Commitments and shall be payable regardless of whether the financing transactions contemplated by this Agreement shall be consummated.

ARTICLE 3.

PAYMENTS, PREPAYMENTS AND COMPUTATIONS

3.1. General Provisions Relating to Repayment of Loans. The Loans shall be repaid as provided in this Section 3.1.

3.1.1. Interest Payments. The interest accrued on each Loan shall be payable on each Interest Payment Date applicable to such Loan, upon any prepayment of any LIBOR Loan (to the extent accrued on the amount being prepaid) and at maturity.

3.1.2. Scheduled Term Loan Principal Payments. Principal of the Term Loans shall be repaid in equal, quarterly installments of $1,750,000 each, with the first installment due and payable on October 1, 2001, and subsequent installments due and payable on each January 1, April 1, July 1, and October 1 thereafter; provided, however, that in connection with any payment of principal of the Term Loans consisting of LIBOR Loans, the Borrower shall pay to the Administrative Agent, for distribution to the Lenders, the accrued interest on such Loan required to be paid pursuant to Section 3.1.1 and any amounts required to be paid pursuant to Section 3.3.3.

3.1.3. Prepayments.

(a) Optional Prepayments.

(1) The Borrower may prepay Swing Line Loans, in whole or in part, at any time and from time to time. Except to the extent that repayment of Swing Line Loans is being administered through an automated cash management system mutually approved in writing by the Borrower and the Swing Line Lender, the Borrower shall, prior to or contemporaneously with making any such prepayment, give the Swing Line Lender such notice of prepayment as is sufficient to enable the Swing Line Lender to apply such prepayment properly to the repayment of Swing Line Loans.

(2) The Borrower may, upon not less than one (1) Business Day's prior written or telephonic notice confirmed in writing to the Administrative Agent (in the case of Base Rate Loans), and upon not less than three (3) Business Days' prior written or telephonic notice confirmed in writing to the Administrative Agent (in the case of LIBOR Loans) (each of which notices the Administrative Agent will promptly transmit to each Lender in writing, or by telephone confirmed in writing), at any time and from time to time prepay any Borrowing of Revolving Loans or Term Loans (as the Borrower may specify to the Administrative Agent) in whole or in part in integral multiples of $50,000; provided, however, that LIBOR Loans may only be prepaid in part if, after such prepayment, the unpaid portion of such Loans shall have aggregate minimum balances of $100,000; and provided further that in connection with any prepayment of LIBOR Loans, the Borrower shall pay to the Administrative Agent, for distribution to the Lenders, the accrued interest on such Loan required to be paid pursuant to Section 3.1.1 and any amounts required to be paid pursuant to Section 3.3.3; and provided further that any prepayments of the Term Loans shall be applied to scheduled Term Loan principal payments in the inverse order of their maturity.

(b) Mandatory Prepayments.

(1) The Borrower shall prepay Loans with (a) all of the net proceeds of the sale by the Borrower or any Guarantor of any stock or other securities (other than net proceeds not exceeding $10,000,000 during the term of the Facilities of the sale by the Borrower of

common stock issued upon the exercise of stock options pursuant to the NN, Inc. Stock Incentive Plan and other than the sale by a Guarantor of stock or other securities to the Borrower or another Guarantor) or the incurrence of any Indebtedness for borrowed money other than Indebtedness permitted hereunder; (b) all of the net proceeds of the sale or other disposition of assets except for (i) dispositions permitted pursuant to clauses (a), (b) and (c) of Section 9.3 and (ii) dispositions permitted pursuant to clause (d) of Section 9.3 to the extent such dispositions do not exceed an aggregate amount of $100,000 in any Fiscal Year; and (c) all payments received by Borrower pursuant to (i) that certain Promissory Note date _____, 2000, in the original principal amount of $720,000, executed by NN General, LLC, a Delaware limited liability company ("NN General"); (ii) that certain Promissory Note dated December 27, 2000, in the original principal amount of $320,000, executed by NN General and payable to the order of Borrower; and (iii) that certain Promissory Note dated March ___, 2000, in the original principal amount of $2,400,000, executed by NN General and payable to the order of Borrower; provided, however, that in connection with any prepayment of LIBOR Loans, the Borrower shall pay to the Administrative Agent, for distribution to the Lenders, the accrued interest on such Loan required to be paid pursuant to Section 3.1.1 and any amounts required to be paid pursuant to Section 3.3.3; and provided further that any prepayments of the Term Loans shall be applied to scheduled Term Loan principal payments in the inverse order of their maturity; and provided, further, that this section shall not be construed to permit the Borrower to take any action not otherwise permitted hereunder. Any prepayment pursuant to this paragraph (1) shall be applied first to scheduled Term Loan principal payments in the inverse order of their maturity, and then to outstanding Revolving Loans, in each case applied first to Base Rate Loans until the same have been fully repaid, and then to LIBOR Loans. The amount of the Commitments shall be reduced pro rata among the Lenders by the amount of any prepayment made pursuant to this paragraph (1), with reductions in the Commitments applied first to the Term Loan Commitments until the same have been fully reduced, then to the Revolving Credit Commitments until the same have been fully reduced, and then to the Swing Line Commitment.

(2) The Borrower shall prepay Loans to the extent necessary so that the aggregate principal amount of Loans outstanding at any time does not exceed the Commitments then in effect; provided, however, that in connection with any prepayment of LIBOR Loans, the Borrower shall pay to the Administrative Agent, for distribution to the Lenders, the accrued interest on such Loan required to be paid pursuant to Section 3.1.1 and any amounts required to be paid pursuant to Section 3.4.5. Any prepayment pursuant to this paragraph (2) shall be applied first to Swing Line Loans until the same have been fully repaid, then to Base Rate Loans until the same have been fully repaid, and then to LIBOR Loans.

3.1.4. Final Maturity of Loans. In all events, (a) the entire aggregate principal balances of, all accrued and unpaid interest on and all fees and other sums due and payable in respect of the Revolving Loans and the Swing Line Loans shall be due and payable in full on the Revolving Commitment Period Expiration Date if not sooner paid, and (b) the entire aggregate principal balances of, all accrued and unpaid interest on and all fees and other sums due and payable in respect to the Term Loans shall be due and payable in full on the Term Loan Maturity Date.

3.2. Payments and Computations, Etc.

3.2.1. Time and Manner of Payments. Except as otherwise expressly set forth herein, all payments of principal, interest and fees hereunder and under the Notes shall be in lawful currency of the United States of America, in immediately available (same day) funds, and delivered to the Administrative Agent at its Lending Office for its account, the account of the Lenders or the account of the Swing Line Lender, as the case may be (or in the case of Swing Line Loans and if so directed by the Swing Line Lender,

delivered directly to the Swing Line Lender), not later than 11:00 a.m. (Central time) on the date due. As soon as is practicable thereafter, the Administrative Agent shall cause to be distributed like funds relating to the payment of principal or interest or fees ratably to the Lenders in accordance with their respective Percentages (other than amounts payable pursuant to Sections 2.8.1, 3.3 and 3.4, which are to be distributed other than ratably). Funds received by the Administrative Agent after the time specified in the first sentence of this paragraph shall be deemed to have been paid by the Borrower on the next succeeding Business Day.

3.2.2. Payments on Non-Business Days. Whenever any payment to be made hereunder or under the Notes shall be stated to be due on a day that is not a Business Day, the payment shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of the payment of interest hereunder or under the Notes or of the fees payable hereunder, as the case may be; provided, however, that in the event that the day on which payment relating to a LIBOR Loan is due is not a Business Day but is a day of the month after which no further Business Day occurs in that month, then the due date thereof shall be the next preceding Business Day.

3.2.3. Apportionment of Payments. Aggregated principal and interest payments shall be apportioned among all outstanding Loans to which such payments relate, and shall be apportioned ratably among the Lenders in proportion to the Lenders' respective Percentages of the corresponding Loans (except for payments in respect of Swing Line Loans, which shall be apportioned and distributed entirely to the Swing Line Lender). The Administrative Agent shall promptly distribute to each Lender at its Lending Office its Percentage of all such payments received by the Administrative Agent. Notwithstanding the foregoing provisions of this Section 3.2.3, if, pursuant to the provisions of Section 2.11.4, any Notice of Borrowing is withdrawn as to any Affected Lender or if any Affected Lender makes Base Rate Loans in lieu of its Percentage of LIBOR Loans, the Administrative Agent shall give effect thereto in apportioning payments received thereafter.

3.2.4. Assumption of Payments Made. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the benefit of the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Administrative Agent, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate, but in no event to exceed the Highest Lawful Rate.

3.2.5. Application of Proceeds. After the occurrence and during the continuance of an Event of Default, unless otherwise set forth in this Agreement or the other Loan Documents, all payments received by the Administrative Agent from the enforcement of remedies under the Loan Documents or otherwise with respect to the Obligations shall be applied (a) first, to the payment of any fees, expenses, reimbursements or indemnities then due from the Borrower to the Administrative Agent; (b) second, to the payment of any fees, expenses, reimbursements or indemnities then due from the Borrower to the Lenders, or any of them; (c) third, to the ratable payment of interest due from the Borrower with respect to any of the Loans; (d) fourth, to the ratable payment of principal of any of the Loans of the Borrower, and (e) fifth, to pay all other Obligations. Amounts applied to the interest on or principal of Loans as aforesaid shall be applied to the interest on or principal of outstanding Swing Line Loans, if any, prior to application of same to Revolving Loans.

3.3. Increased Costs, Capital Requirements and Taxes.

3.3.1. Increased Costs. Except to the extent reimbursed pursuant to other provisions of this Section 3.3, in the event that either (i) the introduction of, or any change in, or in the interpretation of, any law or regulation or (ii) compliance with any guideline or request from any central bank or other Governmental Authority (regardless of whether having the force of law):

(a) does or shall subject any Lender to any additional income, preference, minimum or excise tax or to any additional tax of any kind whatsoever with respect to this Agreement, the Notes or any of the Loans or change the basis of taxation of payments to such Lender of principal, commitment fees, interest or any other amount payable hereunder (except for changes in the rate of tax on the overall gross or net income of that Lender or its foreign branch, agency or subsidiary); or

(b) does or shall impose, modify or hold applicable any reserve, special deposit, compulsory loan, FDIC insurance or similar requirement against assets held by, or deposits or other liabilities in or for the account of, advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of such Lender (except, with respect to LIBOR Loans, to the extent that the reserve requirements are reflected in the definition of "LIBOR"); or

(c) does or shall impose on that Lender any other condition;

and the result of any of the foregoing is to increase the cost to that Lender of making, renewing or maintaining the Loans or the Commitments or to reduce any amount receivable hereunder or thereunder; then, in any such case, the Borrower shall promptly pay to such Lender, upon demand, such additional amounts as are sufficient to compensate such Lender for any such additional cost or reduced amount received.

3.3.2. Capital Requirements - General. If either (i) the introduction of, or any change in, or in the interpretation of, any law or regulation or (ii) compliance with any guideline or request from any central bank or other Governmental Authority (regardless of whether having the force of law), affects or would affect in any way the amount of capital required or expected to be maintained by any Lender or any corporation controlling such Lender with the effect of reducing the rate of return on such capital to a level below the rate that such Lender or such other corporation could have achieved but for such introduction, change or compliance, and such Lender reasonably determines that such reduction is based on the existence of such Lender's Commitments hereunder and other commitments of this type, then upon demand by such Lender, the Borrower shall further pay to such Lender from time to time as specified by such Lender such additional amounts as are sufficient to compensate such Lender or other corporation for such reduction.

3.3.3. Breakage Costs - LIBOR Loans. The Borrower shall indemnify and hold each Lender free and harmless from all losses, liabilities and reasonable expenses (including any loss sustained by that Lender in connection with the re-employment of such funds), that such Lender may sustain: (a) if for any reason (other than a default by such Lender or the Administrative Agent) a Borrowing of LIBOR Loans does not occur on a date specified therefor in a Notice of Borrowing or a telephonic request for borrowing or a continuation of or conversion to LIBOR Loans does not occur on a date specified therefor in a Notice of Conversion/Continuation or in a telephonic request for conversion/continuation, (b) if any prepayment of any of its LIBOR Loans occurs on a date that is not the last day of an Interest Period, (c) if any prepayment of any of its LIBOR Loans is not made on any date specified in a notice of prepayment given by the Borrower, or (d) as a consequence of any other default by the Borrower to repay its LIBOR Loans when required by the terms of this Agreement.

3.3.4. LIBOR Taxes. The Borrower shall indemnify and hold each Lender free and harmless from, and shall pay, prior to the date on which penalties attach thereto, all present and future income, stamp and other taxes, levies or costs and charges whatsoever imposed, assessed, levied or collected on or in respect of a Loan solely as a result of the interest rate being determined by reference to LIBOR and/or the provisions of this Agreement related to LIBOR and/or the recording, registration, notarization or other formalization of any thereof and/or any payments of principal, interest or other amounts made on or in respect

of a Loan when the interest rate is determined by reference to LIBOR (all such taxes, levies, costs and charges being herein collectively called "LIBOR Taxes"); provided, however, that LIBOR Taxes shall not include: taxes imposed on or measured by the overall gross or net income of such Lender or any foreign branch, agency or subsidiary of such Lender by the United States of America or any political subdivision or taxing authority thereof or therein, or taxes on or measured by the overall gross or net income of that Lender or any foreign branch, agency or subsidiary of that Lender by any foreign country or subdivision thereof in which that Lender, branch, agency or subsidiary is doing business. The Borrower also shall indemnify and hold each Lender free and harmless from, and shall pay such additional amounts equal to, increases in taxes payable by that Lender described in the foregoing proviso that are attributable to payments made by the Borrower described in the immediately preceding sentence or this sentence. Promptly after the date on which payment of any such LIBOR Tax is due pursuant to applicable law, the Borrower will, at the request of such Lender, furnish to such Lender evidence, in form and substance satisfactory to such Lender, that the Borrower has met its obligation under this Section 3.3.4; and the Borrower will indemnify each Lender against, and reimburse each Lender on demand for, any LIBOR Taxes payable by that Lender. Such Lender shall provide the Borrower with appropriate receipts for any payments or reimbursements made by the Borrower pursuant to this Section 3.3.4.

3.3.5. Notice of Increased Costs; Payment. Each Lender will promptly notify the Administrative Agent (with a copy to the Borrower) of any event of which it has knowledge, occurring after the date hereof, that entitles such Lender to compensation, reimbursement or indemnity pursuant to this Section 3.3 or Section 3.4, and shall furnish to the Administrative Agent (with a copy to the Borrower) a certificate of such Lender claiming compensation, reimbursement or indemnity under this Section 3.3 or Section 3.4, setting forth in reasonable detail the additional amount or amounts to be paid to it hereunder if not theretofore paid by the Borrower as provided in Section 3.4 (which certificate shall be presumed correct and binding in the absence of manifest error). In determining such amount, such Lender may use any reasonable averaging, attribution or allocation methods. Subject to the provisions of the last sentence of this Section 3.3.5, within fifteen (15) days following receipt of such notice, the Borrower shall pay to the Administrative Agent, for distribution to such Lender the amount shown to be due and payable by such certificate. If any Lender fails to give such notice in accordance with this Section 3.3.5 within one hundred twenty (120) days after it first obtains knowledge of such an event, such Lender shall not be entitled to such compensation, reimbursement or indemnity attributable to the period beginning one hundred twenty (120) days after it first obtains such knowledge and ending on the date such notice is given.

3.4. Taxes.

3.4.1. Taxes Generally. Any and all payments by the Borrower or any Guarantor hereunder or under the Notes or the other Loan Documents shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect to such payments (including interest, additions to tax and penalties thereon), excluding, in the case of each Lender and the Administrative Agent, (i) taxes imposed on or measured by its net income or, in the State of Tennessee, net assets, and franchise taxes imposed on it, by the jurisdiction of such Lender's Lending Office or any political subdivision or taxing authority thereof, and (ii) withholding taxes that are the subject of Sections 3.4.2 through 3.4.5. If the Borrower or any Guarantor shall be required by law to deduct any such taxes from or in respect of any sum payable hereunder or under any Note or any other Loan Document to any Lender or the Administrative Agent, (a) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.4) such Lender or the Administrative Agent (as the case may be) shall receive an amount equal to the sum it would have received had no such deductions been made, and (b) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If and to the extent that any Lender subsequently shall be refunded or otherwise recover all or any part of any such deduction, it shall refund to the Borrower the amount so recovered.

3.4.2. Withholding Tax Exemption. If any Lender is a "foreign corporation" within the meaning of the Code, such Lender shall deliver to the Administrative Agent either: (a) if such Lender qualifies for an exemption from or a reduction of United States withholding tax under a tax treaty, a properly completed and executed Internal Revenue Service Form 1001 before the payment of any interest is due in the first calendar year and in each third succeeding calendar year during which interest may be paid under this Agreement, or (b) if such Lender qualifies for an exemption for interest paid under this Agreement from United States withholding tax because it effectively is connected with a United States trade or business of such Lender, two properly completed and executed copies of Internal Revenue Service Form 4224 before the payment of any interest is due in the first taxable year of such Lender, and in each succeeding taxable year of such Lender, during which interest may be paid under this Agreement, and (c) such other form or forms as may be required or reasonably requested by the Administrative Agent to establish or substantiate exemption from, or reduction of, United States withholding tax under the Code or other laws of the United States. Each such Lender agrees to notify the Administrative Agent of any change in circumstances that would modify or render invalid any claimed exemption or reduction.

3.4.3. Withholding Taxes. If any Lender is entitled to a reduction in the applicable withholding tax, the Administrative Agent may withhold from any interest payment to such Lender an amount equivalent to the applicable withholding tax after taking into account such reduction. If the forms or other documentation required by Section 3.4.2 are not delivered to the Administrative Agent, then the Administrative Agent may withhold from any interest payment to any Lender not providing such forms or other documentation, an amount equivalent to the applicable withholding tax.

3.4.4. Indemnification. If the Internal Revenue Service or any authority of the United States or other jurisdiction asserts a claim that the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered or was not properly executed, or because such Lender failed to notify the Administrative Agent of a change in circumstances that rendered the exemption from or reduction of withholding tax ineffective, or for any other reason) such Lender shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as tax or otherwise, including penalties and interest, together with all expenses incurred, including legal expenses, allocated staff costs and any out-of-pocket expenses.

3.4.5. Subsequent Lenders. If any Lender sells, assigns, grants participations in or otherwise transfers its rights under this Agreement, the participant shall comply and be bound by the terms of Sections 3.4.2, 3.4.3 and 3.4.4 as though it were such Lender.

3.5. Booking of Loans. Any Lender may make, carry or transfer Loans at, to or for the account of, any of its branch or agency offices, provided, however, that in the event that any Lender transfers its Loans to another branch or agency office in a transaction that does not involve the transfer by such Lender of any of its other loans to such branch or agency office, such Lender shall not be entitled to reimbursement for additional costs or taxes with respect to such Loans pursuant to Section 3.3 or Section 3.4 if the Borrower would be subject to additional liability under Section 3.3 or Section 3.4 to which it would not be subject if such Lender's Loans were maintained at the office at which such Loans were carried prior to such transfer.

The Borrower acknowledges and agrees that (a) each Lender's method of funding its Loans hereunder shall be in the sole discretion of such Lender, so long as such funding complies with all applicable requirements of this Agreement, and (b) for purposes of any determination to be made pursuant to Sections 2.11.4 or 3.3.5 of this Agreement, each Lender shall be presumed conclusively to have funded its LIBOR Loans with the proceeds of Dollar deposits obtained by such Lender in the interbank Eurodollar market.

ARTICLE 4.

SECURITY

4.1. Initial Security. The Obligations of the Borrower shall be secured by the Pledge Agreement.

4.2. Further Assurances. The Borrower and the Guarantors shall, and shall cause each of their respective Subsidiaries to, at their sole cost and expense, execute and deliver to the Administrative Agent and the Lenders all such further documents, instruments and agreements and perform all such other acts that reasonably may be required in the opinion of the Administrative Agent to enable the Administrative Agent and the Lenders to exercise and enforce their respective rights as the secured parties under the Security Documents and to carry out the provisions or effectuate the purposes of this Agreement and the other Loan Documents. To the extent permitted by applicable law, the Borrower and the Guarantors hereby authorize the Administrative Agent on behalf of itself and the Lenders to file Financing Statements and continuation statements with respect to the security interests granted or assigned under the Security Documents and to execute such Financing Statements and continuation statements on behalf of the Borrower, the Guarantors and their respective Subsidiaries. The Administrative Agent shall furnish to the Borrower and the Guarantors copies of all such Financing Statements and continuation statements filed by the Administrative Agent on behalf of the Lenders pursuant to this Section 4.2.

ARTICLE 5.

GUARANTY

5.1. Guaranty. Each of the Guarantors hereby unconditionally and irrevocably, jointly and severally, guarantees to the Administrative Agent and the Lenders the due and punctual payment and performance of all of the Obligations (except to the extent such Guarantor is a Principal Obligor on such Obligations), in each case as and when the same shall become due and payable, whether at maturity, by acceleration, mandatory prepayment or otherwise, according to their terms. In case of failure by a Principal Obligor of any Obligation punctually to pay or perform such Obligation, each of the Guarantors (other than a Principal Obligor on such Obligation) hereby unconditionally and irrevocably agrees to cause such payment to be made punctually as and when the same shall become due and payable, whether at maturity, by prepayment, declaration or otherwise, and to cause such performance to be rendered punctually as and when due, in the same manner as if such payment or performance were made by such Principal Obligor. This guaranty is and shall be a guaranty of payment and performance and not merely of collection.

5.2. Maximum Guaranty Liability.

(a) Each Guarantor's respective obligations hereunder and under the other Loan Documents shall be in an amount equal to, but not in excess of, the maximum liability permitted under Applicable Bankruptcy Law (the "Maximum Guaranty Liability"). To that end, but only to the extent such obligations otherwise would be subject to avoidance under Applicable Bankruptcy Law if any Guarantor is deemed not to have received valuable consideration, fair value or reasonably equivalent value for its obligations hereunder or under the other Loan Documents, each such Guarantor's respective obligations hereunder and under the other Loan Documents shall be reduced to that amount which, after giving effect thereto, would not render such Guarantor insolvent, or leave such Guarantor with an unreasonably small capital to conduct its business, or cause such Guarantor to have incurred debts (or to be deemed to have intended to incur debts), beyond its ability to pay such debts as they mature, at the time such obligations are deemed to have been incurred under Applicable Bankruptcy Law. As used herein, the terms "insolvent" and "unreasonably small capital" likewise shall be determined in accordance with Applicable Bankruptcy Law. This Section 5.2 is intended solely to preserve the rights of the Lenders and the Administrative Agent hereunder and under the other Loan Documents to the maximum extent permitted by Applicable Bankruptcy Law, and neither the Guarantors nor any other Person shall have any right or claim under this Section 5.2 that otherwise would not be available under Applicable Bankruptcy Law.

(b) Each Guarantor agrees that the Guaranteed Obligations at any time and from time to time may exceed the Maximum Guaranty Liability of such Guarantor, and may exceed the aggregate Maximum Guaranty Liability of all Guarantors hereunder, without impairing this Guaranty or affecting the rights and remedies of the Lenders or the Administrative Agent hereunder.

5.3. Contribution. In the event any Guarantor (a "Funding Guarantor") shall make any payment or payments under this Guaranty or shall suffer any loss as a result of any realization upon any of its property granted as Collateral under any Loan Document, each other Guarantor (each, a "Contributing Guarantor") shall contribute to such Funding Guarantor an amount equal to such Contributing Guarantor's "Pro Rata Share" of such payment or payments made, or losses suffered, by such Funding Guarantor. For the purposes hereof, each Contributing Guarantor's Pro Rata Share with respect to any such payment or loss by a Funding Guarantor shall be determined as of the date on which such payment or loss was made by reference to the ratio of (a) such Contributing Guarantor's Maximum Guaranty Liability as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder) to (b) the aggregate Maximum Guaranty Liability of all Guarantors (including such Funding Guarantor) as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder). Nothing in this Section 5.3 shall affect each Guarantor's several liability for the entire amount of the Guaranteed Obligations (up to such Guarantor's Maximum Guaranty Liability). Each Guarantor covenants and agrees that its right to receive any contribution hereunder from a Contributing Guarantor shall be subordinate and junior in right of payment to all the Guaranteed Obligations.

5.4. Guaranty Unconditional. The obligations of each Guarantor under this Article 5 shall be continuing, unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by:

(a) any extension, renewal, settlement, compromise, waiver or release in respect of any Obligation of the Borrower under this Agreement or any other Loan Document, by operation of law or otherwise;

(b) any modification or amendment or supplement to this Agreement or any other Loan Document;

(c) any modification, amendment, waiver, release, non-perfection or invalidity of any direct or indirect security, or of any guaranty or other liability of any third party, for any Obligation of the Borrower under this Agreement or any other Loan Document;

(d) any change in the existence, structure or ownership of the Borrower or any Guarantor, or any insolvency, bankruptcy, reorganization or other similar case or proceeding affecting the Borrower or any Guarantor or any of their respective assets, or any resulting release or discharge of any Obligation of the Borrower under this Agreement or any other Loan Document;

(e) the existence of any claim, set-off or other right that any Guarantor at any time may have against the Borrower, the Administrative Agent, any Lender or any other Person, regardless of whether arising in connection with this Agreement or any other Loan Document;

(f) any invalidity or unenforceability relating to or against the Borrower for any reason of the whole or any provision of this Agreement or any other Loan Document or any provision of Applicable Bankruptcy Law purporting to prohibit the payment or performance by the Borrower of any Obligation, or the payment by the Borrower of any other amount payable by it under this Agreement or any other Loan Document; or

(g) any other act or omission to act or delay of any kind by the Borrower, the Administrative Agent, any Lender or any other Person or any other circumstance whatsoever that might but for the provisions of this Section 5.4 constitute a legal or equitable discharge of the obligations of any Guarantor under this Article 5.

5.5. Discharge Only Upon Payment in Full; Reinstatement in Certain Circumstances. Each Guarantor's obligations under this Article 5 shall remain in full force and effect so long as any Obligations are unpaid, outstanding or unperformed or any of the Commitments are in effect. If at any time any payment of the Obligations or any other amount payable by the Borrower under this Agreement or the other Loan Documents is rescinded or otherwise must be restored or returned upon the insolvency, bankruptcy or reorganization of the Borrower or otherwise, each Guarantor's obligations under this Article 5 with respect to such payment shall be reinstated at such time as though such payment had become due but not been made at such time.

5.6. Waiver. Each Guarantor irrevocably waives acceptance hereof, presentment, demand, protest, notice of any breach or default by the Borrower and any other notice not specifically provided for herein, as well as any requirement that at any time any action be taken by any Person against the Borrower or any other Person or any Collateral granted as security for the Obligations or the Guaranteed Obligations. Each Guarantor hereby specifically waives any right to require that an action be brought against the Borrower or any other Principal Obligor with respect to the Obligations under the provisions of Title 47, Chapter 12, Tennessee Code Annotated, as the same may be amended from time to time.

5.7. Waiver of Reimbursement, Subrogation, Etc. Each Guarantor hereby waives to the fullest extent possible as against the Borrower and its assets any and all rights, whether at law, in equity, by agreement or otherwise, to subrogation, indemnity, reimbursement, contribution, exoneration or any other similar claim, right, cause of action or remedy that otherwise would arise out of such Guarantor's performance of its obligations to the Administrative Agent or any Lender under this Article 5. The preceding waiver is intended by the Guarantors, the Administrative Agent and the Lenders to be for the benefit of the Borrower or any of its successors and permitted assigns as an absolute defense to any action by any Guarantor against the Borrower or its assets that arises out of such Guarantor's having made any payment to the Administrative Agent or any Lender with respect to any of the Guaranteed Obligations.

5.8. Stay of Acceleration. If acceleration of the time for payment of any amount payable by the Borrower under this Agreement is stayed upon the insolvency, bankruptcy or reorganization of the Borrower, all such amounts otherwise subject to acceleration under the terms of this Agreement shall nonetheless be payable by the Guarantors hereunder forthwith on demand by the Administrative Agent as directed by Requisite Lenders.

5.9. Subordination of Indebtedness. Any indebtedness of the Borrower for borrowed money now or hereafter owed to any Guarantor is hereby subordinated in right of payment to the payment by the Borrower of the Obligations, and if a default in the payment of the Obligations shall have occurred and be continuing, any such indebtedness of the Borrower owed to any Guarantor, if collected or received by such Guarantor, shall be held in trust by such Guarantor for the holders of the Obligations and be paid over to the Administrative Agent for application in accordance with this Agreement and the other Loan Documents.

5.10. Certain Releases. Provided that no Default has occurred and is continuing or would result therefrom:

(a) in the event that any asset sale permitted under Section 9.3(d) consists in whole or in part of the sale of all of the capital stock of (or other ownership interests in) a Subsidiary that is owned by the Borrower or any other Subsidiary of the Borrower, upon the request of the Borrower the Administrative Agent shall release the Subsidiary whose stock (or other ownership interests) has (have) been sold from any duties and obligations to the Lenders pursuant to this Agreement and the

other Loan Documents to which such Subsidiary may be a party, provided that at the times of such request and release any Indebtedness evidenced by a Pledged Note made by such Subsidiary has been fully satisfied; and

(b) in connection with any other asset sale permitted under Section 9.3(d), upon the request of the Borrower the Administrative Agent shall execute and deliver any instruments reasonably required to release the assets sold from the Liens of the Loan Documents.

ARTICLE 6.

CONDITIONS PRECEDENT

6.1. Conditions Precedent to Initial Loans. The effectiveness of this Agreement and the obligations of the Lenders to make the Loans are all subject to the satisfaction by the Borrower and the Guarantors, to the extent not waived by the Lenders, of the following conditions precedent:

6.1.1. Deliveries to the Administrative Agent. The Administrative Agent shall have received, for the ratable benefit of each Lender (and in such number of original counterparts or copies as the Administrative Agent reasonably may specify), each of the following, in form and substance satisfactory to the Administrative Agent, the Lenders and their respective counsel:

(a) Agreement. Counterpart originals of this Agreement, each duly and validly executed and delivered by or on behalf of all the appropriate parties thereto;

(b) Notes. The Notes, each duly and validly executed and delivered on behalf of the Borrower;

(c) Security Documents. The Pledge Agreement and other Security Documents, each duly and validly executed and delivered by or on behalf of all the appropriate parties thereto;

(d) Pledged Notes. The Pledged Notes, together with appropriate instruments of assignment attached thereto, duly endorsed in blank by the Borrower or the appropriate Guarantor, as the case may be;

(e) Organizational Documents. Copies of the charters, articles or certificates of incorporation or other organizational documents of the Borrower and each Guarantor, certified by the Secretary of State or other appropriate public official in each jurisdiction of organization, all in form and substance satisfactory to the Lenders;

(f) Bylaws. Copies of the bylaws, and all amendments thereto, of the Borrower and each Guarantor, together with certificates of the respective Secretaries or Assistant Secretaries of the Borrower and each Guarantor, dated the date hereof, stating that such copy is complete and correct;

(g) Good Standing and Authority. Certificates of the appropriate governmental officials of each jurisdiction as the Administrative Agent reasonably may request, dated within fifteen (15) days of the date hereof, stating that the Borrower and each Guarantor exists, is in good standing with respect to the payment of franchise and similar taxes and is duly qualified to transact business therein;

(h) Incumbency. Certificates of the respective Secretaries or Assistant Secretaries of the Borrower and each of the Guarantors, dated the date hereof, as to the incumbency and signature of all officers of the Borrower or such Guarantor authorized to execute or attest to this Agreement, the Notes

and the other Loan Documents to which the Borrower or each such Guarantor is a party, together with evidence of the incumbency of each such Secretary or Assistant Secretary;

(i) Resolutions. With respect to the Borrower and each of the Guarantors (i) copies of the resolutions authorizing, approving and ratifying this Agreement, the Notes, the Security Documents and the other Loan Documents and the transactions contemplated herein and therein, duly adopted by the respective boards of directors or other managers of the Borrower and each of the Guarantors, together with (ii) certificates of the respective Secretaries or Assistant Secretaries of the Borrower and each of the Guarantors, dated the date hereof, stating that each such copy is a true and correct copy of resolutions duly adopted at a meeting, or by action taken on written consent, of the board of directors or other managers of the Borrower or such Guarantor and that such resolutions have not been modified, amended, rescinded or revoked in any respect and are in full force and effect as of the date hereof;

(j) Legal Opinions of the Borrower's and Guarantors' Counsel. The favorable legal opinion of Messrs. Blackwell Sanders Peper Martin LLP, counsel to the Borrower and the Guarantors, dated the date hereof, and addressed to the Administrative Agent and the Lenders, substantially in the form of Exhibit 6.1.1A;

(k) Officer's Certificate. A certificate of a Responsible Officer of the Borrower and each of the Guarantors, dated the date hereof, stating that (i) each of the representations and warranties contained in Article 7 is true and correct at and as of the date hereof with the same force and effect as if made on such date, (ii) all obligations, covenants, agreements and conditions contained in this Agreement to be performed or satisfied by the Borrower or such Guarantor on or prior to the date hereof have been performed or satisfied in all respects, (iii) since December 31, 2000, there has been no Material Adverse Change, and (iv) no Default has occurred and is continuing, and in addition setting forth in such detail as shall be required by the Lenders calculations of the financial ratios and covenants contained in this Agreement showing that as of the date hereof and after giving effect to the transactions that are the subject hereof the Borrower and the Guarantors are in compliance with Article 10;

(l) Solvency Certificates. (i) A solvency certificate of a Responsible Officer of the Borrower, in substantially the form of Exhibit 6.1.1B hereto, and (ii) a solvency certificate of the Responsible Officer of each Guarantor, in substantially the form of Exhibit 6.1.1C (collectively, the "Solvency Certificates");

(m) Consents. Evidence that the Borrower and each Guarantor have obtained all requisite consents and approvals required to be obtained from any Person to permit the transactions contemplated by this Agreement, the Notes and the other Loan Documents to be consummated in accordance with their respective terms and conditions; and

(n) Other Matters. All other documents, instruments, agreements, opinions, certificates, insurance policies, consents and evidences of other legal matters, in form and substance satisfactory to the Administrative Agent and its counsel, as the Administrative Agent reasonably may request.

6.1.2 Compliance with Laws. The Borrower, the Guarantors and their respective Subsidiaries shall not be in violation of, and shall not have received notice of any violation of, any applicable Requirement of Law, including any building, zoning, occupational safety and health, fair employment, equal opportunity, pension, environmental control, health care, certificate of need, health care facility licensing or similar federal, state or local law, ordinance or regulation, relating to the ownership or operation of its business or assets, if such violation or non-compliance could have a Material Adverse Effect, and if requested by the Administrative Agent the Borrower, the Guarantors or their respective Subsidiaries shall have furnished to the

Administrative Agent and the Lenders copies of all required approvals (including required operating licenses and permits) of any Governmental Authority.

6.1.3. No Material Adverse Change. Since December 31, 2000 no Material Adverse Change (as determined by the Administrative Agent and the Lenders in their sole discretion) shall have occurred.

6.1.4. No Material Misrepresentation. No material misrepresentation or omission shall have been made by or on behalf of the Borrower or any Guarantor to the Administrative Agent or the Lenders with respect to the Borrower's or such Guarantor's business operations or financial or other condition.

6.1.5. Legal Proceedings. No action, suit, proceeding or investigation shall be pending before or threatened by any court or Governmental Authority with respect to the transactions contemplated hereby or that may have a Material Adverse Effect (as determined by the Administrative Agent and the Lenders, in their sole discretion).

6.1.6. Subordinated Indebtedness. If requested by the Administrative Agent, any creditor holding Subordinated Indebtedness shall have entered into an intercreditor and subordination agreement with the Administrative Agent in form and substance reasonably satisfactory to the Lenders and consistent with the definition of Subordinated Indebtedness set forth herein.

6.2. Conditions Precedent to All Loans. The obligations of each of the Lenders to make any Loans (including Loans used to refinance or repay other Loans) on any date (including the date hereof) are subject to the satisfaction of the conditions set forth below in this Section 6.2. Each request for Loans hereunder shall constitute a representation and warranty by the Borrower to the Administrative Agent and each Lender, as of the date of the making of such Loans, that the conditions in this Section 6.2 have been satisfied.

6.2.1. Satisfaction of Conditions Precedent to Initial Loans. The conditions precedent set forth in Section 6.1 shall have been satisfied.

6.2.2. Representations and Warranties. The representations and warranties of the Borrower and the Guarantors set forth in this Agreement, the Notes and the other Loan Documents and in any certificate, opinion or other statement provided at any time by or on behalf of the Borrower or any Guarantor in connection herewith shall be true and correct on and as of the date of the making of such Loans as if made on and as of such date, except to the extent that a representation or warranty is made as of a specific date, in which event such representation or warranty shall remain true and correct as of such earlier date, and except to the extent that a representation or warranty is no longer correct by virtue of changes permitted by the terms of this Agreement.

6.2.3. No Default. No Default shall have occurred and be continuing on the date of the requested Borrowing or after giving effect to such Borrowing.

6.2.4. No Violations. No law or regulation shall prohibit the making of the requested Loan and no order, judgment or decree of any court or Governmental Authority shall, and no litigation shall be pending that in the judgment of the Administrative Agent or Requisite Lenders would, enjoin, prohibit or restrain any Lender from making a requested Loan.

6.2.5. Proceedings Satisfactory. All proceedings in connection with the making of any Loan, and the other transactions contemplated by this Agreement, the Loan Documents and all documents incidental thereto shall be satisfactory to the Administrative Agent, and the Administrative Agent shall have received all such information and such counterpart originals or certified or other copies of such documents as the Administrative Agent reasonably may request.

ARTICLE 7.

REPRESENTATIONS AND WARRANTIES

In order to induce the Administrative Agent and the Lenders to enter into this Agreement, to make the Loans and to provide the other financial accommodations provided for herein, the Borrower and each of the Guarantors hereby make the following representations and warranties to the Administrative Agent and each Lender:

7.1. Existence and Power. The Borrower, each of the Guarantors and each of their respective Subsidiaries are entities of the type designated on Schedule 7.1 and are duly organized, validly existing and in good standing under the laws of the jurisdiction indicated next to the name of such entity on Schedule 7.1. The Borrower, each of the Guarantors and each of their respective Subsidiaries have the power, authority and legal right to own and operate their respective properties and assets, to lease the properties and assets they operate under lease and to carry on their respective businesses as they are now being conducted and intended to be conducted, and are duly qualified to transact business in, and in good standing under the laws of, each jurisdiction in which their ownership, lease or operation of property or the conduct of their respective businesses requires such qualification, except to the extent that failure to qualify to transact business will not have a Material Adverse Effect.

7.2. Authorization and Enforceability of Obligations. The Borrower, each of the Guarantors and each of their respective Subsidiaries (a) have the power, authority and legal right to enter into this Agreement and such of the Loan Documents to which each is a party and to enter into and perform their respective obligations hereunder and thereunder, and (b) have taken all necessary action on the part of each to authorize the execution and delivery of such documents, instruments and agreements and the performance of their respective obligations hereunder and thereunder. This Agreement, the Notes and the other Loan Documents have been duly executed and delivered on behalf of the Borrower, each of the Guarantors and such of their respective Subsidiaries as are parties to such Loan Documents, and constitute legal, valid and binding obligations, enforceable against the Borrower, the Guarantors and their respective Subsidiaries as are parties hereto or thereto in accordance with their respective terms.

7.3. No Consents. Except as set forth on Schedule 7.3, all necessary consents, approvals and authorizations of, filings with and acts by or with respect to all Governmental Authorities and other Persons required to be obtained, made or taken in connection with the execution, delivery, performance, validity or enforceability of this Agreement, the Notes and the other Loan Documents, or otherwise in connection with the transactions contemplated hereby, have been obtained, made or taken and remain in effect.

7.4. No Conflict. Except as set forth on Schedule 7.4, the execution and delivery of this Agreement, the Notes and the other Loan Documents, the transactions contemplated hereby, the use of the proceeds of the Loans and the performance by the Borrower, the Guarantors and such of their respective Subsidiaries as are parties to the Loan Documents of their respective obligations hereunder and thereunder (a) do not conflict with or violate any Requirement of Law or any Contractual Obligation of the Borrower, such Guarantor or such Subsidiary, except to the extent that any such violation or conflict will not have a Material Adverse Effect, and (b) do not conflict with, constitute a default or require any consent under, or result in the creation of any Lien upon any property or assets of the Borrower, such Guarantor or such Subsidiary pursuant to any Contractual Obligation of the Borrower, such Guarantor or such Subsidiary (other than Liens in favor of the Administrative Agent and the Lenders), except to the extent that any such conflict or default or the failure to obtain any necessary consent will not have a Material Adverse Effect.

7.5. Financial Statements; Projections; Solvency.

(a) The consolidated balance sheet of the Borrower and its Subsidiaries as of December 31, 2000 and the related consolidated statements of income, shareholders' equity and cash flows for the Fiscal Year then ended, together with the opinion of KPMG LLP with respect thereto, and together with the unaudited consolidating balance sheet of the Borrower and its Subsidiaries as of the end of such Fiscal Year and the unaudited consolidating statement of income of the Borrower and its Subsidiaries for such Fiscal Year, copies of all of which have been furnished to the Administrative Agent, are complete and correct and fairly present the assets, liabilities and consolidated financial position of the Borrower and its Subsidiaries as at such date and the consolidated results of their operations and their cash flows for the Fiscal Year then ended.

(b) The unaudited consolidated and consolidating balance sheet of the Borrower and its Subsidiaries as of March31, 2001, together with the related consolidated and consolidating statement of income and the related consolidated statements of shareholders' equity and cash flows for the period commencing at the beginning of the current Fiscal Year and ending with the end of the Fiscal Quarter ended on such date, copies of all of which have been furnished to the Administrative Agent, are complete and correct and, subject to customary year-end adjustments that are not anticipated to be material, fairly present the assets, liabilities and consolidated financial position of the Borrower and its Subsidiaries as at such date and the consolidated results of their operations and their cash flows for such period.

(c) The financial statements described in the preceding paragraphs (a) and (b), including the related schedules and notes thereto, have been prepared in conformity with GAAP applied consistently throughout the periods involved. Neither the Borrower nor any of its Subsidiaries has any material Indebtedness, obligation or other unusual forward or long-term commitment that is not fairly reflected in the foregoing financial statements or in the notes thereto.

(d) In the opinion of the management of the Borrower, the assumptions used in the preparation of the Projections were reasonable when made and as of May, 2001. The Projections were prepared in good faith by executive and financial personnel of the Borrower in light of the historical financial performance and the financial and operating condition of the Borrower and its Subsidiaries at the time prepared and, in the opinion of the management of the Borrower and the Guarantors, represented, as of May, 2001, a reasonable estimate of the future performance and financial condition of the Borrower and its Subsidiaries for the periods included therein, subject to the uncertainties and approximations inherent in the making of any financial projections and without assurance that the projected performance and financial condition actually will be achieved.

(e) After giving effect to the consummation of the transactions contemplated by this Agreement, the making of Loans hereunder and the incurrence by the Borrower and the Guarantors of the Obligations incurred by each pursuant to this Agreement, each of the Borrower, the Guarantors and their respective Subsidiaries is Solvent.

7.6. Absence of Litigation. Except as otherwise set forth in Schedule 7.6, there are no actions, suits, proceedings or other litigation (including proceedings by or before any arbitrator or Governmental Authority) pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, the Guarantors or any of their respective Subsidiaries, nor to the knowledge of the Borrower and the Guarantors is there any basis therefor, (a) that challenge the validity or propriety of the transactions contemplated hereby, or (b) that reasonably can be expected to be adversely determined and, if adversely determined, to have a Material Adverse Effect, either individually or in the aggregate.

7.7. No Default. Neither the Borrower nor any Guarantor nor any of their respective Subsidiaries is in default (nor has any event occurred that with notice or lapse of time or both would constitute a default) under any Contractual Obligation of the Borrower, any Guarantor or any of their respective Subsidiaries, if such default or event could have a Material Adverse Effect. No Default has occurred and is continuing.

7.8. Security Documents. The Security Documents create in favor of the Administrative Agent for the ratable benefit of the Lenders valid, perfected security interests in the Collateral subject to no Liens other than Permitted Liens. The security interests granted in favor of the Administrative Agent as contemplated by this Agreement and the Security Documents do not constitute a fraudulent conveyance under the federal Bankruptcy Code or any applicable state law.

7.9. Capital Stock. The capitalization of the Borrower, the Guarantors and their respective Subsidiaries consists of such number of shares, authorized, issued and outstanding, of such classes and series, with or without such par value, as are set forth in Schedule 7.1. All such outstanding shares have been duly authorized and validly issued and are fully paid and nonassessable. There are no outstanding stock purchase warrants, subscriptions, options, securities, instruments or other rights of any type or nature whatsoever that are convertible into, exchangeable for or otherwise provide for the issuance of capital stock of the Borrower, any Guarantor or any of their respective Subsidiaries, except as described in Schedule 7.1.

7.10. Taxes. The Borrower, the Guarantors and their respective Subsidiaries have filed all tax returns that were required to be filed in any jurisdiction and have paid all taxes shown thereon to be due or otherwise due upon the Borrower, the Guarantors, their respective Subsidiaries or their respective properties, income or franchises, including interest, assessments, fees and penalties, or have provided adequate reserves for the payment thereof. To the knowledge of the Borrower and the Guarantors, no claims are threatened, pending or being asserted with respect to, or in connection with, any return referred to in this Section 7.10 that, if adversely determined, could have a Material Adverse Effect.

7.11. No Burdensome Restrictions. No Contractual Obligation or Requirement of Law relating to or otherwise affecting the Borrower, any Guarantor, any of their respective Subsidiaries or any of the respective properties, businesses or operations thereof has had or, insofar as the Borrower or any of the Guarantors reasonably may foresee is likely to have, a Material Adverse Effect.

7.12. Judgments. There are no outstanding or unpaid judgments against the Borrower, any of the Guarantors or any of their respective Subsidiaries.

7.13. Subsidiaries. Each of the Subsidiaries of the Borrower and the Guarantors as of the date hereof is set forth in Schedule 7.1. Schedule 7.1 also shows as of the date hereof as to each such Subsidiary the jurisdiction of its incorporation or formation, the number of shares of each class of capital stock outstanding, the direct owner of the outstanding shares of each such class and the number of shares owned, and the jurisdictions in which such Subsidiary is qualified to do business as a foreign corporation.

7.14. ERISA. No "prohibited transaction" or "accumulated funding deficiency" (each as defined in ERISA) or Reportable Event has occurred with respect to any Single Employer Plan, or to the knowledge of Borrower and the Guarantors with respect to any Multi-Employer Plan. As of the most recent actuarial valuation of any such Plan, the actuarial present value of all benefits under each Plan (based on those assumptions used to fund the Plan) does not exceed the fair market value of the assets of the Plan allocable to such benefits. The Borrower, the Guarantors, their respective Subsidiaries and each Commonly Controlled Entity are in compliance in all material respects with ERISA and the rules and regulations promulgated thereunder.

7.15. Margin Securities. None of the Borrower, the Guarantors or any of their respective Subsidiaries is engaged principally in, nor has as one of its significant activities, the business of extending credit for the purpose of purchasing or carrying "margin stock" as that term is defined in Regulation U promulgated by the Board of Governors of the Federal Reserve System, as now in effect. No part of the Indebtedness evidenced by the Notes, or otherwise created in connection with this Agreement or the other Loan Documents, has been or will be used, directly or indirectly, for the purpose of purchasing any such margin stock. If requested by the Administrative Agent or any of the Lenders, the Borrower shall furnish or

cause to be furnished to the Administrative Agent and each such Lender a statement, in conformity with the requirements of Federal Reserve Form U-1 referred to in Regulation U, to the foregoing effect.

7.16. Investment Company Act. None of the Borrower, the Guarantors or any of their respective Subsidiaries is an "investment company," or company "controlled" by an investment company within the meaning of the Investment Company Act of 1940, as now in effect.

7.17. Indebtedness and Contingent Obligations. Set forth on Schedule 7.17A hereto is a complete and correct list of all Indebtedness (other than Contingent Obligations, Indebtedness incurred under the Loan Documents, trade debt incurred in the ordinary course of business and obligations under Operating Leases) of the Borrower, each Guarantor and each of their respective Subsidiaries and the aggregate principal amount thereof outstanding on the date hereof. Set forth on Schedule 7.17B is a complete and correct list of all Contingent Obligations (other than any Contingent Obligations created under the Loan Documents) of the Borrower, each Guarantor and each of their respective Subsidiaries and the aggregate amount thereof outstanding on the date hereof.

7.18. Business Locations and Trade Names. Set forth on Schedule 7.18A is a complete and correct list of the locations where each of the Borrower, the Guarantors and their respective Subsidiaries maintain their respective chief executive offices, their principal places of business, an office, a place of business or any material financial records. Set forth on Schedule 7.18B is a complete and correct list of each name under or by which each of the Borrower, the Guarantors and their respective Subsidiaries presently conducts its business or has conducted its business during the past seven years.

7.19. Title to Assets. The Borrower, the Guarantors and their respective Subsidiaries have good and marketable title (or good and marketable leasehold interests with respect to leased property) to all their respective assets (including all assets constituting a part of the Collateral and all assets reflected in the consolidated balance sheet as of December 31, 2000), subject to no Liens other than Permitted Liens.

7.20. Labor Matters. There are no disputes or controversies pending between the Borrower, the Guarantors or their respective Subsidiaries and their respective employees, the outcome of which reasonably may be expected to have a Material Adverse Effect.

7.21. Business. There is no pending or threatened claim, action, suit, proceeding or other litigation against or affecting the Borrower, the Guarantors or their respective Subsidiaries contesting the right of the Borrower, the Guarantors or their respective Subsidiaries to conduct their businesses as presently conducted or as proposed to be conducted, and there are no other facts or circumstances that have had or reasonably may be expected to have a Material Adverse Effect.

7.22. Compliance with Laws. The Borrower, the Guarantors and their respective Subsidiaries (a) have not been, are not and will not be in violation of any applicable Requirement of Law, including any building, zoning, occupational safety and health, fair employment, equal opportunity, pension, environmental control, health care, certificate of need, health care facility licensing or similar federal, state or local law, ordinance or regulation, relating to the ownership or operation of their respective businesses or assets, (b) have not failed to obtain any license, permit, certificate or other governmental authorization necessary for the conduct of their businesses or the ownership and operation of their assets, (c) have not received any notice from any Governmental Authority, and to their knowledge no such notice is pending or threatened, alleging that the Borrower, any Guarantor or any of their respective Subsidiaries has violated, or has not complied with, any Requirement of Law, condition or standard applicable with respect to any of the foregoing, and (d) are not a party to any agreement or instrument, or subject to any judgment, order, writ, rule, regulation, code or ordinance, except to the extent that any violation, noncompliance, failure, agreement, judgment, etc. as described in this Section 7.22 will not have a Material Adverse Effect.

7.23. Governmental Authorizations; Permits, Licenses and Accreditation; Other Rights. The Borrower, the Guarantors and their respective Subsidiaries have all licenses, permits, approvals, registrations, contracts, consents, franchises, qualifications, certificates of need, accreditations and other authorizations necessary for the lawful conduct of their respective businesses or operations wherever now conducted and as planned to be conducted, pursuant to all applicable statutes, laws, ordinances, rules and regulations of all Governmental Authorities having, asserting or claiming jurisdiction over the Borrower, the Guarantors and their respective Subsidiaries or over any part of their respective operations. Copies of all such licenses, permits, approvals, registrations, contracts, consents, franchises, qualifications, certificates of need, accreditations and other authorizations shall be provided to the Administrative Agent upon request. The Borrower, the Guarantors and their respective Subsidiaries are not in default under any of such licenses, permits, approvals, registrations, contracts, consents, franchises, qualifications, certificates of need, accreditations and other authorizations, and no event has occurred, and no condition exists, that with the giving of notice, the passage of time or both would constitute a default thereunder or would result in the suspension, revocation, impairment, forfeiture or non-renewal of any thereof, except to the extent that the cumulative effect of all such defaults, events, conditions, suspensions, revocations, impairments, forfeitures and non-renewals will not have a Material Adverse Effect. The continuation, validity and effectiveness of all such licenses, permits, approvals, registrations, contracts, consents, franchises, qualifications, certificates of need, accreditations and other authorizations will not be adversely affected by the transactions contemplated by this Agreement. The Borrower, the Guarantors and their respective Subsidiaries know of no reason why they will not be able to maintain after the date hereof all licenses, permits, approvals, registrations, contracts, consents, franchises, qualifications, certificates of need, accreditations and other authorizations necessary or appropriate to conduct the businesses of the Borrower, the Guarantors and their respective Subsidiaries as now conducted and presently planned to be conducted.

7.24. No Material Adverse Change. Since December 31, 2000, no Material Adverse Change has occurred.

7.25. Environmental Matters. Except as disclosed in Schedule 7.25, (a) none of the Borrower, the Guarantors or any of their respective Subsidiaries, nor any of the properties owned or leased thereby or operations thereof, nor, to the knowledge of the Borrower and the Guarantors, any current or prior owner, lessor or operator (other than the Borrower or any Guarantor or any of their respective Subsidiaries) of any properties owned or leased by Borrower or any Guarantor or any of their respective Subsidiaries, is in violation of any applicable Environmental Law or any restrictive covenant or deed restriction relating to environmental matters (recorded or otherwise) or subject to any existing, pending or threatened investigation, inquiry or proceeding by any Governmental Authority or subject to any remedial obligations under any Environmental Law, except to the extent that the cumulative effect of all such violations, investigations, inquiries, proceedings and remedial obligations will not have a Material Adverse Effect; (b) all permits, licenses and approvals required of the Borrowers, the Guarantors or any of their respective Subsidiaries with respect to Hazardous Materials, including past or present treatment, storage, disposal or release of any Hazardous Materials or solid waste into the environment, have been obtained or filed; (c) all Hazardous Materials or solid waste generated by the Borrower, any Guarantor or any of their respective Subsidiaries have in the past been, and will continue to be, transported, treated and disposed of only by carriers maintaining valid permits under all applicable Environmental Laws and only at treatment, storage and disposal facilities maintaining valid permits under applicable Environmental Laws, which carriers and facilities have been and are, to the knowledge of the Borrower and the Guarantors, operating in compliance with such permits; (d) the Borrower, the Guarantors and their respective Subsidiaries have taken all reasonable steps necessary to determine, and have determined, that no Hazardous Materials or solid wastes have been disposed of or otherwise released by them except in compliance with Environmental Laws; and (e) neither the Borrower nor any Guarantor nor any of their respective Subsidiaries has a material contingent liability in connection with any release of any Hazardous Materials or solid waste into the environment, and in connection herewith the Borrower hereby agrees to pursue diligently the resolution of any environmental issues disclosed in Schedule 7.25 by all necessary and appropriate actions and shall report to the Administrative Agent not less frequently than quarter-annually as to the status of the resolution of such issues.

7.26. Material Contracts. Set forth on Schedule 7.26 hereto is a complete and accurate list of all Material Contracts of the Borrower, each of the Guarantors and each of their respective Subsidiaries. Other than as set forth on Schedule 7.26, each such Material Contract is in full force and effect in accordance with the terms thereof and there are no material defaults by the Borrower, the Guarantors or any of their respective Subsidiaries as are parties thereto or, to the knowledge of the Borrower and the Guarantors, by any other party, under any such Material Contract. The Borrower has delivered to the Administrative Agent a true and complete copy of each Material Contract required to be listed on Schedule 7.26.

7.27. No Misstatements. Neither this Agreement nor any of the other Loan Documents, nor any agreement, instrument or other document executed pursuant hereto or thereto or in connection herewith or therewith, nor any certificate, statement or other information referred to herein or therein or furnished to the Administrative Agent or any Lender pursuant hereto or thereto or in connection herewith or therewith, contains any misstatement of a material fact or omits to state any material fact necessary to make the statements contained herein or therein, in the light of the circumstances under which they were made, not misleading on the date hereof or on the date furnished, as the case may be, except as otherwise disclosed to the Administrative Agent and the Lenders in writing on or prior to the date hereof. Neither the Borrower nor any Guarantor is aware of any fact that it has not disclosed in writing to the Administrative Agent that materially and adversely affects, or insofar as the Borrower or such Guarantor can now foresee, could materially and adversely affect, the properties, businesses, prospects, results of operations, management or financial or other condition of the Borrower and its Subsidiaries, taken as a whole, the Administrative Agent's or the Lenders' rights or the ability of the Borrower, any Guarantor or any of their respective Subsidiaries to perform its obligations under this Agreement and the other Loan Documents to which it is a party.

ARTICLE 8.

AFFIRMATIVE COVENANTS

So long as any Obligations are unpaid or outstanding, any Obligation under the Loan Documents is unperformed or any of the Commitments are in effect, the Borrower and Guarantors shall:

8.1. Financial Statements.

8.1.1. Annual Financial Statements and Reports. Furnish to the Administrative Agent and each Lender, as soon as available and in any event within ninety-five (95) days after the end of each Fiscal Year of the Borrower, a consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such Fiscal Year and the related consolidated statements of income, shareholders' equity and cash flows of the Borrower and its Subsidiaries for such Fiscal Year, audited and reported upon, without qualification, by KPMG LLP or other independent public accountants acceptable to Requisite Lenders in their sole discretion, accompanied by an unaudited consolidating balance sheet of the Borrower and its Subsidiaries as of the end of such Fiscal Year and an unaudited consolidating statement of income for such Fiscal Year, certified by a Responsible Officer of the Borrower, together with (a) a written discussion and analysis by the management of the Borrower of the financial statements furnished in respect of such annual fiscal period, and (b) a certificate of a Responsible Officer of the Borrower, in form satisfactory to the Administrative Agent and the Lenders, (1) stating that no Default has occurred and is continuing or, if in the opinion of such officer, a Default has occurred and is continuing, stating the nature thereof and the action that the Borrower proposes to take with respect thereto, and (2) setting forth computations demonstrating compliance with all financial covenants contained herein as of the end of such Fiscal Year.

8.1.2. Quarterly Financial Statements and Reports. Furnish to the Administrative Agent and each Lender, as soon as available and in any event within fifty (50) days after the end of each Fiscal Quarter of the Borrower (other than the last Fiscal Quarter in any Fiscal Year) an unaudited consolidated and

consolidating balance sheet of the Borrower and its Subsidiaries as of the end of such Fiscal Quarter, the related consolidated and consolidating statement of income of the Borrower and its Subsidiaries for the period commencing at the beginning of the current Fiscal Year and ending with the end of such Fiscal Quarter and the related consolidated statements of shareholders' equity and cash flows of the Borrower and its Subsidiaries for such period, certified by a Responsible Officer of the Borrower, together with (a) a written discussion and analysis by the management of the Borrower of the financial statements furnished in respect of such period, and (b) a certificate of a Responsible Officer of the Borrower, in form satisfactory to the Administrative Agent and the Lenders, (1) stating that no Default has occurred and is continuing or, if in the opinion of such officer, a Default has occurred and is continuing, stating the nature thereof and the action that the Borrower proposes to take with respect thereto, and (2) setting forth computations demonstrating compliance with all financial covenants contained herein as of the end of such period.

8.1.3. GAAP. Take all actions necessary to cause all such financial statements to be complete and correct in all material respects and to be prepared in reasonable detail and in conformity with GAAP applied consistently throughout the periods reflected therein (except as may be approved by such accountants or Responsible Officer, as the case may be, and disclosed therein).

8.2. Certificates and Other Information. Furnish to the Administrative Agent and each Lender, each in form and substance acceptable to Requisite Lenders:

8.2.1. Management Letters. Promptly after the same are received by the Borrower, copies of management letters provided to the Borrower by its independent certified public accountants that describe or refer to any inadequacy, defect, problem, qualification or other lack of satisfactory accounting controls utilized by the Borrower or any of its Subsidiaries.

8.2.2. Shareholder Materials. (a) Within two (2) Business Days after the delivery of same to the shareholders of the Borrower, copies of all financial statements and reports that the Borrower, any Guarantor or any of their respective Subsidiaries sends to the shareholders of the Borrower, and (b) concurrently with the filing thereof, copies of all reports and statements of the Borrower, the Guarantors and their respective Subsidiaries (including proxy and information statements, quarterly, annual and current reports and registration statements, but excluding those pertaining only to employee benefit plans) that it may make to, or file with, the Commission.

8.2.3. Budgets. As soon as available, and in any event not later than ninety (90) days after the end of each Fiscal Year of the Borrower, twelve (12) month budgeted financial statements (including balance sheets and statements of income, shareholders' equity and cash flows and a statement of budgeted capital expenditures, and including a reasonably detailed description of all underlying assumptions) of the Borrower and its Subsidiaries on a consolidated basis for the following Fiscal Year, and twelve (12) month consolidating budgeted statements of income of the Borrower and each of its Subsidiaries for the following Fiscal Year, all in a format reasonably acceptable to Requisite Lenders and certified by a Responsible Officer of the Borrower as being fairly stated in good faith. Any updates thereto shall be provided upon request of the Administrative Agent.

8.2.4. Asset Acquisitions. Not later than thirty (30) days prior to the consummation of any Asset Acquisition, notice of the pendency of such Asset Acquisition, and not later than fourteen (14) Business Days prior to the consummation of such Asset Acquisition, the following:

(a) a reasonably detailed description of the operating profile for the assets to be acquired in such Asset Acquisition, and

(b) a reasonably detailed description of the terms and conditions of such Asset Acquisition, including the purchase price and the manner and structure of payment(s), accompanied by copies of the then-current drafts of the proposed acquisition agreement(s), and

(c) a certificate duly executed by a Responsible Officer of the Borrower, in form satisfactory to the Administrative Agent, certifying that no Default has occurred and is continuing or will result from such Asset Acquisition, certifying that after giving Pro Forma Effect to such Asset Acquisition such Responsible Officer reasonably believes that such Asset Acquisition will not result in a violation of any of the financial covenants contained herein during the twelve (12) month period following such Asset Acquisition, and setting forth computations demonstrating compliance with all financial covenants contained herein as of the end of the Fiscal Quarter then most recently completed, after giving Pro Forma Effect to such Asset Acquisition, and

(d) twelve-months trailing financial statements, consolidated starting balance sheet, and a twelve-month projected financial statements for the Asset Acquisition.

8.2.5. Acquisition Documents. Not later than thirty (30) days after the consummation of any Asset Acquisition, copies of the executed documents evidencing the transaction.

8.2.6. Reports to Other Persons. Promptly after the furnishing thereof, copies of any statement or report furnished to any other holder of any Indebtedness of the Borrower, any of the Guarantors or any of their respective Subsidiaries pursuant to the terms of any indenture, loan or credit or similar agreement and not otherwise required to be furnished to the Administrative Agent or Lenders pursuant to any other clause of this Section 8.2.

8.2.7. Funded Indebtedness. Promptly upon request by the Administrative Agent, copies of all agreements, instruments and/or documents evidencing or otherwise related to any Consolidated Funded Indebtedness.

8.2.8. Additional Information. Promptly, such additional financial and other information as the Administrative Agent or any Lender from time to time reasonably may request.

8.3. Provision of Notices. Notify the Administrative Agent and each Lender of the occurrence of any of the following events not later than five (5) days after the Borrower or any Guarantor knows or has reason to know of such event:

8.3.1. Default. Any Default.

8.3.2. Other Default or Litigation. (a) Any default or event of default under any Contractual Obligation of the Borrower, any Guarantor or any of their respective Subsidiaries that if adversely determined could have a Material Adverse Effect, (b) any litigation, investigation or proceeding that may exist at any time between the Borrower, any Guarantor or any of their respective Subsidiaries and any Governmental Authority (excluding, however, audits and inquiries made in the ordinary course of business) or (c) any other litigation that if adversely determined would have a Material Adverse Effect.

8.3.3. Reportable Events. (a) Any Reportable Event with respect to any Plan, (b) the institution of proceedings or the taking or expected taking of any other action by the PBGC, the Borrower, any Guarantor, any of their respective Subsidiaries or any Commonly Controlled Entity to terminate, withdraw or partially withdraw from any Plan, and (c) with respect to any Multi-Employer Plan, the reorganization or insolvency of such Plan. In addition to such notice, the Borrower and the Guarantors shall deliver or cause to be delivered to the Administrative Agent and each Lender whichever of the following may be applicable: (i) a certificate of a Responsible Officer of the Borrower or such Guarantor setting forth details as to such Reportable Event and the action that it, such Subsidiary or the Commonly Controlled Entity proposes to take with respect thereto, together with the copy of any notice of such Reportable Event that may be required to be filed with the PBGC, or (ii) any notice delivered by the PBGC evidencing its intent to institute such proceedings or any notice to the PBGC that such Plan is to be terminated, as the case may be.

8.3.4. Environmental Matters. (a) Any event that makes any of the representations set forth in Section 7.25 inaccurate in any respect or (b) the receipt by the Borrower, any of the Guarantors or any of their respective Subsidiaries of any notice, order, directive or other communication from a Governmental Authority alleging a violation of or noncompliance with any Environmental Laws, except to the extent that any such violation or noncompliance could not reasonably be expected to have a Material Adverse Effect.

8.3.5. Loss of License, Permit, Approval, Etc. The loss or, if known by the Borrower, any Guarantor or any of their respective Subsidiaries, threatened loss, by the Borrower, any Guarantor or any of their respective Subsidiaries, of any license, permit, approval, registration, contract, consent, franchise, qualification, certificate of need, accreditation or other authorization issued by any Governmental Authority referenced in Section 7.23, if such loss reasonably could be expected to have a Material Adverse Effect.

8.3.6. Material Contracts. (a) Any proposed material amendment, change or modification to, or waiver of any material provision of, or any termination of, any Material Contract and (b) any default or event of default under any Material Contract.

8.3.7. Casualty Losses. Any casualty loss or event not insured against in an amount in excess of $100,000.

8.4. Payment of Obligations and Performance of Covenants.

(a) Make full and timely payment of the Obligations, including the Loans, whether now existing or hereafter arising;

(b) Duly comply with all terms, covenants and conditions contained in each of the Loan Documents, at the times and places and in the manner set forth therein; and

(c) Take all action necessary to maintain the security interests provided for under this Agreement and the Security Documents as valid and perfected Liens on the property intended to be covered thereby, subject to no other Liens except Permitted Liens, and supply all information to the Administrative Agent or the Lenders necessary to accomplish same.

8.5. Payment of Taxes. Pay, and cause their respective Subsidiaries to pay, or cause to be paid before the same shall become delinquent and before penalties have accrued thereon, all taxes, assessments and governmental charges or levies imposed on the income, profits, franchises, property or businesses of the Borrower, the Guarantors or their respective Subsidiaries, except to the extent and so long as (a) the same are being contested in good faith by appropriate proceedings and (b) adequate reserves with respect thereto in conformity with GAAP have been provided on the books of the Borrower or any such Guarantor or Subsidiary, as appropriate.

8.6. Conduct of Business and Maintenance of Existence. Continue, and cause their respective Subsidiaries to continue, (a) to engage solely in the business as the Borrower and the Guarantors are presently engaged and businesses that enhance or support that primary business activity, and (b) except as permitted by Sections 9.3 and 9.7, to preserve, renew and keep in full force and effect their existence and present corporate, partnership or other organizational structure, as the case may be.

8.7. Compliance with Law. Observe and comply with, and cause their respective Subsidiaries to observe and comply with, all present and future Requirements of Law relating to the conduct of their businesses or to their properties or assets, except to the extent and so long as the nonobservance thereof or noncompliance therewith will not have a Material Adverse Effect.

8.8. Maintenance of Properties and Franchises. Maintain, preserve and keep and cause their respective Subsidiaries to maintain, preserve and keep (a) all of their buildings, tangible properties, equipment and other property and assets used and necessary in their businesses, whether owned or leased, in good repair, working order and condition, from time to time making all necessary and proper repairs and replacements so that at all times the utility, efficiency and value thereof shall not be impaired, and (b) all rights, privileges and franchises necessary or desirable in the normal conduct of their businesses.

8.9. Insurance.

(a) Maintain and cause their respective Subsidiaries to maintain:

(1) insurance (in addition to any insurance required under the Security Documents) on all insurable operations of and insurable property and assets owned or leased by the Borrower, the Guarantors or any of their respective Subsidiaries in the manner, to the extent and against at least such risks (in any event including professional and comprehensive general liability, workers' compensation, employer's liability, automobile liability and physical damage, fiduciary liability, commercial fidelity, employee benefits liability, environmental impairment liability, all-risk property, business interruption and crime insurance) usually maintained by owners of similar businesses and properties in similar geographic areas; provided that the amounts of property insurance coverages shall not be less than the full replacement cost of all such insurable property and assets, except for coverage limitations with respect to flood, earthquake and windstorm perils that are acceptable to the Administrative Agent and Requisite Lenders; and

(2) self-insurance reserves covering those risks for which the Borrower, the Guarantors and each of their respective Subsidiaries presently self-insure in appropriate amounts as determined from time to time by independent insurance claims auditors acceptable to the Administrative Agent and Requisite Lenders.

All such insurance shall be in such amounts, in such form and with such insurance companies as are reasonably satisfactory to the Administrative Agent and Requisite Lenders.

(b) Furnish to the Administrative Agent not less frequently than annually and at any time upon written request, (i) full information as to such insurance carried, including the amounts of all self-insurance reserves of the Borrower, the Guarantors and their respective Subsidiaries, and (ii) certificates of insurance from the insurance companies and certified copies of such insurance policies.

8.10. Use of Proceeds. Use, and cause their respective Subsidiaries to use, the proceeds of the Facilities for the purposes specified in Section 2.7 and for no other purpose.

8.11. Books and Records. Keep and maintain, and cause their respective Subsidiaries to keep and maintain, full and accurate books of record and accounts of their operations, dealings and transactions in relation to their business and activities, in conformity with GAAP and all Requirements of Law.

8.12. Inspection. Permit, and cause their respective Subsidiaries to permit, any employees, agents or other representatives of the Administrative Agent or the Lenders and any attorneys, accountants or other agents or representatives designated by the Administrative Agent or the Lenders to (a) have access to and visit and inspect any of the accounting systems, books of account, financial records and properties, real, personal or mixed, of the Borrower, the Guarantors and their respective Subsidiaries, (b) examine and make abstracts from any such accounting systems, books and records, and (c) discuss the affairs, finances and accounts of the Borrower, the Guarantors and their respective Subsidiaries with their officers, employees or agents, all at such reasonable business times as the Administrative Agent or the Lenders deem necessary or advisable to protect their respective interests. So long as no Default or Event of Default shall have occurred and be continuing, the

Administrative Agent and the Lenders shall give the Borrower, the Guarantors and their respective Subsidiaries, as the case may be, reasonable prior notice of any such inspection.

8.13. Compliance With Terms of Material Contracts. Comply, and cause their respective Subsidiaries to comply, with all agreements, covenants, terms, conditions and provisions of all Material Contracts, except to the extent and so long as noncompliance therewith will not have a Material Adverse Effect.

8.14. Compliance With Environmental Laws, Etc.

(a) Employ, and cause their respective Subsidiaries to employ, in connection with the use of any real property, appropriate technology (including appropriate secondary containment measures) to maintain compliance with applicable Environmental Laws;

(b) take, and cause their respective Subsidiaries to take, all actions necessary to comply with all Environmental Laws, including any actions identified as necessary in any environmental compliance reports delivered to the Administrative Agent pursuant to the provisions of this Agreement;

(c) obtain and maintain, and cause their respective Subsidiaries to obtain and maintain, any and all permits required by applicable Environmental Laws in connection with the operations of the Borrower, the Guarantors or any of their respective Subsidiaries or any Affiliate thereof;

(d) dispose of, and cause their respective Subsidiaries to dispose of, any and all Hazardous Materials only at facilities and with carriers maintaining valid permits under applicable federal, state and local Environmental Laws; and

(e) use best efforts to obtain, and cause their respective Subsidiaries to use their best efforts to obtain, certificates of disposal from all contractors employed by the Borrower, the Guarantors or any of their respective Subsidiaries in connection with the transportation or disposal of any Hazardous Materials.

8.15. Environmental Monitoring. Establish and maintain, and cause their respective Subsidiaries to establish and maintain, a system to assure and monitor continued compliance with all applicable Environmental Laws, noncompliance with which would have a Material Adverse Effect, which system shall include annual reviews of such compliance by employees or agents of the Borrower, the Guarantors and their respective Subsidiaries who are familiar with the requirements of applicable Environmental Laws.

8.16. Maintenance of Licenses, Permits, Approvals, Etc. Preserve and maintain, and cause their respective Subsidiaries to preserve and maintain, all licenses, permits, approvals, registrations, contracts, consents, franchises, qualifications, certificates of need, accreditations and other authorizations required under applicable state or local laws and regulations in connection with the ownership or operation of their businesses, except to the extent that a failure to preserve and maintain any of same will not have a Material Adverse Effect.

8.17. Intercompany Indebtedness; Pledged Notes.

(a) Maintain, and cause their respective Subsidiaries to maintain, accounting systems, practices and procedures that enable the Borrower, the Guarantors and their respective Subsidiaries to report to the Administrative Agent at any time upon its request the aggregate unpaid balance of any unsecured advances or loans owing to the Borrower or a Guarantor by any such Subsidiary; and

(b) Cause all such advances or loans to be evidenced by Pledged Notes delivered to the Administrative Agent pursuant to the Pledge Agreement and, contemporaneously with the delivery to the Administrative Agent of any Pledged Note, assign and deliver to the Administrative Agent any loan agreement or other instrument, document or agreement further evidencing, securing or otherwise relating to the indebtedness evidenced by such Pledged Note.

8.18. Further Assurances. Perform, make, execute and deliver, and cause their respective Subsidiaries to perform, make, execute and deliver, all such additional and further acts, deeds, occurrences and instruments as the Administrative Agent or the Lenders reasonably may require to document and consummate the transactions contemplated hereby and to vest completely in and to ensure the Administrative Agent and the Lenders their respective rights under this Agreement, the Notes and the other Loan Documents.

8.19. Creation of Subsidiaries. Within ninety (90) days after creating any Subsidiary of Borrower or any Guarantor, (a) give Notice to the Administrative Agent of the creation of such Subsidiary, and (b) cause such Subsidiary to become a Guarantor under the terms of this Agreement.

ARTICLE 9.

NEGATIVE COVENANTS

So long as any Obligations are unpaid or outstanding, any Obligation under the Loan Documents is unperformed or any of the Commitments are in effect, the Borrower and the Guarantors shall not:

9.1. Indebtedness. Create, incur, assume or suffer to exist, or permit any of their respective Subsidiaries to create, incur, assume or suffer to exist, any Indebtedness, except:

(a) Indebtedness of the Borrower or any of the Guarantors under or pursuant to this Agreement and the other Loan Documents;

(b) Indebtedness existing, or arising pursuant to commitments existing, on the date hereof, all as set forth in Schedules 7.17A and 7.17B, and any extensions, renewals, refundings or refinancings thereof on the same terms or other terms satisfactory to Requisite Lenders; provided, however, that neither the principal amount thereof nor the interest rate thereon shall be increased, nor shall the date for the making of any required payment of principal be accelerated nor the amount due on any such date increased;

(c) Purchase Money Debt and Capitalized Lease Obligations in an aggregate amount not to exceed $1,000,000 outstanding at any one time;

(d) Subordinated Indebtedness;

(e) Current liabilities incurred in the ordinary course of business and not represented by any note, bond, debenture or other instrument, and which are not past due for a period of more than thirty (30) days, or if overdue for more than thirty (30) days, which are being contested in good faith and by appropriate actions and for which adequate reserves in conformity with GAAP have been established on the books of the primary obligor with respect thereto;

(f) Contingent Obligations consisting of (i) the endorsement by the Borrower, any Guarantor or any of their respective Subsidiaries of negotiable instruments payable to such Person for deposit or collection in the ordinary course of business, and (ii) guarantees executed by the Borrower, any Guarantor or any of their respective Subsidiaries with respect to Operating Lease obligations or Indebtedness of the Borrower and its Subsidiaries otherwise permitted by this Agreement;

(g) Contingent Obligations consisting of the indemnification by the Borrower or any of its Subsidiaries of (i) the officers, directors, employees and agents of the Borrower or such Subsidiary, to the extent permissible under the corporation law of the jurisdiction in which the Borrower or such Subsidiary is organized, (ii) commercial banks, investment bankers and other independent consultants or professional advisors pursuant to agreements relating to the underwriting of the Borrower's or such Subsidiary's securities or the rendering of banking or professional services to the Borrower or such Subsidiary, (iii) landlords, licensors, licensees and other parties pursuant to agreements entered into in the ordinary course of business by the Borrower or such Subsidiary and (iv) other Persons under agreements relating to Permitted Acquisitions;

(h) Indebtedness with respect to financed insurance premiums not past due; and

(i) Indebtedness of the Borrower or a Subsidiary of the Borrower that is owed to the Borrower or a Subsidiary of the Borrower and that is described in clauses (d), (e) or (h) of Section 9.4.

9.2. Liens. Create, incur, assume or suffer to exist, or permit any of their respective Subsidiaries (other than the Non-Guarantor Subsidiaries) to create, incur, assume or suffer to exist, any Lien upon any real or personal property, fixtures, revenues or other assets whatsoever (including the Collateral), whether now owned or hereafter acquired, of the Borrower, the Guarantors or any of their respective Subsidiaries (other than the Non-Guarantor Subsidiaries), except:

(a) Liens securing the Obligations;

(b) Existing Liens;

(c) Liens for taxes not yet due or that are being contested in good faith and by appropriate actions and for which adequate reserves in conformity with GAAP have been established on the books of the Borrower or such Guarantor or Subsidiary;

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than thirty (30) days, or if overdue for more than thirty (30) days, (i) which are being contested in good faith and by appropriate proceedings, (ii) for which adequate reserves in conformity with GAAP have been established on the books of the Borrower or such Guarantor or Subsidiary; and (iii) with respect to which the obligations secured thereby are not material;

(e) pledges or deposits in connection with workers' compensation insurance, unemployment insurance and like matters;

(f) Liens securing Purchase Money Debt or Indebtedness arising under Capitalized Leases; provided, however, that in each case any such Lien attaches only to the specific item(s) of property or asset(s) financed with such Purchase Money Debt or Capitalized Lease;

(g) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(h) easements, reservations, exceptions, rights-of-way, covenants, conditions, restrictions and other similar encumbrances incurred in the ordinary course of business that, in the aggregate, are not substantial in amount, and that do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of business by the Borrower or such Guarantor or Subsidiary;

(i) Liens in respect of any writ of execution, attachment, garnishment, judgment or judicial award, if (i) the time for appeal or petition for rehearing has not expired, an appeal or appropriate proceeding for review is being prosecuted in good faith and a stay of execution pending such appeal or proceeding for review has been secured, or (ii) the underlying claim is fully covered by insurance issued by an insurer satisfactory to the Administrative Agent, the insurer has acknowledged in writing its responsibility to pay such claim and no action has been taken to enforce such execution, attachment, garnishment, judgment or award;

(j) Liens of lessors under or in connection with Operating Leases;

(k) Liens securing Indebtedness permitted under clause (b) of Section 9.1, but only to the extent that such Indebtedness is currently secured as set forth on Schedules 7.17A and 7.17B; and

(l) Other non-consensual Liens not securing Indebtedness, the existence of which in the aggregate will not have a Material Adverse Effect, provided that any Lien permitted by this clause (l) is permitted only for so long as is reasonably necessary for the Borrower or the affected Subsidiary, using its best efforts, to remove or eliminate such Lien.

9.3. Sale or Transfer of Assets. Sell, lease, assign, transfer or otherwise dispose of, or permit any of their respective Subsidiaries (other than the Non-Guarantor Subsidiaries) to sell, lease, assign, transfer or otherwise dispose of, any of their assets (including the stock of Subsidiaries) except:

(a) sales of personal property assets in the ordinary course of business of the Borrower and its Subsidiaries;

(b) the disposition of obsolete or worn-out equipment or other property no longer required by or useful to the Borrower or any of its Subsidiaries in connection with the operation of their businesses, provided that such equipment or other property is replaced with equipment or other property having substantially equivalent utility and equal or greater value;

(c) the sale or transfer to the Borrower or any Guarantor of any asset owned by the Borrower or any of its Subsidiaries; and

(d) any other sale or transfer of assets not exceeding an aggregate amount of $3,500,000 in any Fiscal Year and not exceeding an aggregate amount of $7,000,000 over the term of the Facilities.

9.4. Investments. Make, commit to make or suffer to exist, or permit any of their respective Subsidiaries to make, commit to make or suffer to exist, any Investment except:

(a) Cash Equivalents;

(b) Investments existing on the date hereof and set forth in Schedule 9.4;

(c) accounts receivable representing trade credit extended in the ordinary course of business;

(d) unsecured loans or advances by the Borrower or any Guarantor to any Guarantor or the Borrower;

(e) unsecured loans or advances by any Subsidiary of the Borrower to the Borrower or any Guarantor;

(f) Investments in Guarantors;

(g) Investments consisting of Permitted Acquisitions;

(h) additional advances to, and other Investments in, Non-Guarantor Subsidiaries (other than Euroball) in an aggregate outstanding amount not to exceed $3,000,000 at any time;

(i) additional Investments in Euroball made with the prior written consent of the Requisite Lenders, which consent shall not be unreasonably withheld;

(j) advances, in an aggregate amount not to exceed $1,000,000 outstanding at any one time, made by the Borrower and its Subsidiaries to their respective employees for reimbursable expenses incurred or to be incurred by such employees in the ordinary course performance of their duties; and

(k) Investments consisting of amounts potentially due from a seller of assets in a Permitted Acquisition that relate to customary post-closing adjustments with respect to accounts receivable, accounts payable and similar items typically subject to post-closing adjustments in similar transactions.

9.5. Restricted Payments. Declare, pay or make, or permit any of their respective Subsidiaries to declare, pay or make any Restricted Payments except so long as no Default or Event of Default exists or would result therefrom:

(a) the Borrower may declare and deliver dividends and make distributions payable solely in common stock of the Borrower or in preferred stock of the Borrower that the Borrower is permitted to issue pursuant to Section 9.6, and may distribute cash in lieu of fractional shares otherwise distributable pursuant to this clause (a);

(b) the Borrower may purchase or otherwise acquire shares of its capital stock; and

(c) The Borrower may declare and deliver dividends and make distributions payable to its shareholders in any Fiscal Year in an aggregate amount not in excess of $5,500,000.

9.6. Issuance of Stock. Issue any capital stock or permit any Subsidiary to issue any capital stock; provided, however, that

(a) the Borrower may issue common stock and may issue preferred stock to the extent the aggregate of all preferred stock outstanding does not require the payment of dividends in excess of amounts permitted under Section 9.5, and provided such preferred stock is not redeemable, payable or subject to being required to be purchased or otherwise retired or extinguished (i) at a fixed or determinable date, whether by operation of a sinking fund or otherwise, (ii) at the option of any Person other than the Borrower or (iii) upon the occurrence of a condition not solely within the control of the Borrower, such as a redemption required to be made out of future earnings; and

(b) any Subsidiary of the Borrower may issue capital stock to the Borrower or any wholly-owned Subsidiary of the Borrower.

9.7. Fundamental Changes. Directly or indirectly (whether in one transaction or a series of transactions), or permit any of their respective Subsidiaries directly or indirectly (whether in one transaction or a series of transactions) to:

(a) enter into any transaction of merger, consolidation or amalgamation;

(b) liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution);

(c) make any Asset Acquisition other than a Permitted Acquisition;

(d) make any material change in its present method of conducting business; or

(e) enter into any agreement or transaction to do or permit any of the foregoing;

provided, however, that:

(1) notwithstanding clause (a) of this Section 9.7, the merger, consolidation or amalgamation of any Person with the Borrower or any Guarantor as the method by which a Permitted Acquisition is accomplished shall be permitted, provided that the Borrower or such Guarantor is the surviving entity in the transaction;

(2) notwithstanding clause (a) of this Section 9.7, the merger, consolidation or amalgamation of any Subsidiary of the Borrower with any Guarantor shall be permitted, provided that such Guarantor is the surviving entity in the transaction;

(3) notwithstanding clause (a) of this Section 9.7, the merger, consolidation or amalgamation of any Subsidiary of the Borrower with the Borrower shall be permitted, provided that the Borrower is the surviving entity in the transaction; and

(4) notwithstanding clause (b) of this Section 9.7, the Borrower may permit the dissolution of any of its Subsidiaries (and any such Subsidiary may suffer such dissolution) if at the time of such dissolution such Subsidiary has no material assets, engages in no material business and otherwise has no material activities other than activities related to the maintenance of its corporate existence and good standing.

9.8. Transactions With Affiliates. Enter into, or permit any of their respective Subsidiaries to enter into, any transaction, including any purchase, sale, lease or exchange of property or the rendering of any service, with any Affiliate or employee of the Borrower or any of its Subsidiaries, except transactions that are in the ordinary course of business of the Borrower or such Guarantor or Subsidiary and that are upon fair and reasonable terms no less favorable to the Borrower or such Guarantor or Subsidiary than would be obtained in a comparable arm's length transaction with a Person not an Affiliate.

9.9. Agreements Restricting the Borrower and its Subsidiaries. Enter into or become a party to any agreement with any Person (other than this Agreement and the Loan Documents) that in any way prohibits, restricts or limits the ability of the Borrower, any Guarantor or any such Subsidiary to:

(a) transfer cash or other assets to the Borrower or any of its Subsidiaries, or

(b) create, incur, assume or suffer to exist any Lien with respect to any real or personal property, fixtures, revenues or other assets whatsoever, whether now owned or hereafter acquired, of the Borrower, any Guarantor or any such Subsidiary.

9.10. ERISA.

(a) terminate or permit any of their respective Subsidiaries to terminate any Plan so as to result in any material liability to the PBGC;

(b) engage or permit any of their respective Subsidiaries to engage in any "prohibited transaction" (as defined in Section 4975 of the Code) involving any Plan that would result in a material liability for an excise tax or civil penalty in connection therewith;

(c) incur or suffer to exist, or permit any of their respective Subsidiaries to incur or suffer to exist, any material "accumulated funding deficiency" (as defined in Section 302 of ERISA), regardless of whether waived, involving any Plan; or

(d) allow or suffer to exist, or permit any of their respective Subsidiaries to allow or suffer to exist, any event or condition that presents a material risk of incurring a material liability to the PBGC by reason of the termination of any Plan.

9.11. Maintenance of Material Contracts. Without the prior written consent of Requisite Lenders, enter into an agreement to cancel, terminate or surrender, or enter into any material amendment of, any Material Contract, unless the cumulative effect of all such cancellations, terminations, surrenders and amendments will not have a Material Adverse Effect.

9.12. Adverse Transactions. Enter into or become a party to, or permit any of their respective Subsidiaries to enter into or become a party to, any transactions the performance of which in the future would be inconsistent with or is reasonably likely to result in a breach of any covenant contained herein or any other Loan Document or otherwise to result in a Default.

9.13. Subordinated Indebtedness. Modify, amend or in any way change the terms of any Subordinated Indebtedness or any instrument, document or agreement evidencing same or related thereto, if the effect of any such modification, amendment or change would be to (a) modify the terms of subordination, as they apply to the Obligations, in a manner inconsistent with the definition of Subordinated Indebtedness set forth herein, or (b) otherwise materially affect the rights of the Administrative Agent or the Lenders vis-a-vis the holder(s) of such Subordinated Indebtedness.

ARTICLE 10.

FINANCIAL COVENANTS

10.1. Borrower Ratios. So long as any Obligations are unpaid or outstanding, any Obligation under the Loan Documents is unperformed or any of the Commitments are in effect, the Borrower and the Guarantors shall not:

10.1.1. Fixed Charge Coverage Ratio. Permit the Fixed Charge Coverage Ratio as of the end of any Fiscal Quarter to be less than 2.10 to 1.00.

10.1.2. Funded Indebtedness to EBITDA Ratio. Permit the Funded Indebtedness to EBITDA Ratio (a) as of the end of any Fiscal Quarter ending on or before December 31, 2001, to be greater than 2.50 to 1.00, or (b) as of the end of any Fiscal Quarter ending after December 31, 2001, to be greater than 2.25 to 1.00.

10.1.3. Funded Indebtedness to Capitalization Ratio. Permit the Funded Indebtedness to Capitalization Ratio (a) as of the end of any Fiscal Quarter ending on or before June 30, 2003 to be greater than 0.55 to 1.00, or (b) as of the end of any Fiscal Quarter ending after June 30, 2003 but on or before December 31, 2003 to be greater than 0.50 to 1.00, or (c) as of the end of any Fiscal Quarter ending after December 31, 2003 to be greater than 0.45 to 1.00.

10.1.4. Capital Expenditures. Permit Capital Expenditures made by Borrower and the Guarantors to exceed an aggregate amount in any Fiscal Year equal to one hundred fifty percent (150%) of Borrower and Guarantor's depreciation during such Fiscal Year.

10.2. Guarantor Solvency. So long as any Obligations or any Guaranteed Obligations are unpaid or outstanding, any Obligations under the Loan Documents are unperformed or any of the Commitments are in effect, each of the Guarantors at all times shall be Solvent.

ARTICLE 11.

EVENTS OF DEFAULT AND LENDERS' REMEDIES

11.1. Events of Default. Any one or more of the following described events shall constitute an Event of Default hereunder, whether such occurrence shall be voluntary or involuntary, or come about or be effected by operation of law or otherwise:

11.1.1. Failure to Pay Loans, Etc. The Borrower shall fail to pay when due any principal of, interest on or other amount payable in respect of the Loans, the Credit Fees or any of the other Obligations.

11.1.2. Failure to Perform Certain Covenants. The Borrower or any Guarantor shall fail to perform or observe any of its covenants and agreements set forth in Sections 8.6, 8.10 and 8.12 and in Articles 9 and 10.

11.1.3. Failure to Perform Agreements Generally. The Borrower or any Guarantor shall fail to perform or observe any of its other covenants and agreements set forth in this Agreement (other than those described in Sections 11.1.1 and 11.1.2) or the other Loan Documents, and such failure shall continue for more than twenty (20) days after the earlier of (a) written notice from the Administrative Agent to the Borrower or such Guarantor, as applicable, of the existence of such Default or (b) the date any Responsible Officer of the Borrower or such Guarantor, as applicable, first obtains knowledge of such failure.

11.1.4. Defaults Under Other Loan Documents. Any default or event of default shall occur under any other Loan Document, and, if subject to a cure right, shall fail to be cured or corrected within the applicable cure period.

11.1.5. False Statements. Any representation or warranty of the Borrower or any Guarantor set forth in this Agreement, the Notes or the other Loan Documents or in any other certificate, opinion or other statement at any time provided by or on behalf of the Borrower or any Guarantor in connection herewith or therewith shall prove to be false or misleading in any material respect at the time made or given.

11.1.6. Voluntary Insolvency Proceedings. The Borrower, any Guarantor or any of their respective Subsidiaries (a) shall commence a voluntary case or other proceeding seeking dissolution, liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a receiver, trustee, liquidator, custodian or other similar official with respect to it or any substantial part of its property, (b) shall consent to any such relief or to the appointment of, or the taking of possession of any of its property by, any such official in any involuntary case or other proceeding commenced against it, (c) shall make a general assignment for the benefit of creditors, (d) shall take any action to authorize any of the foregoing, or (e) shall become insolvent or fail generally to pay its debts as they become due.

11.1.7. Involuntary Insolvency Proceedings. Any involuntary case or other proceeding shall be commenced against the Borrower, any Guarantor or any of their respective Subsidiaries seeking

dissolution, liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a receiver, trustee, liquidator, custodian or other similar official with respect to it or any substantial part of its property, and (a) an order for relief (or the equivalent) shall be entered in such involuntary case or other proceeding or (b) such involuntary case or other proceeding shall remain undismissed and unstayed for a period of forty-five (45) days after the commencement thereof.

11.1.8. Failure to Perform Other Obligations. The Borrower, any Guarantor or any of their respective Subsidiaries shall (a) fail to pay any amount of any Indebtedness or interest thereon, or (b) fail to observe or perform any term, covenant or agreement contained in any Contractual Obligation (including Contractual Obligations evidencing, securing or relating to any Indebtedness) executed by it, which failure (i) would cause or permit the holder or holders or beneficiary or beneficiaries of such Indebtedness (or any agent or trustee on their behalf) to cause such Indebtedness to become due or otherwise payable prior to its stated maturity, so long as the aggregate principal amount of all such Indebtedness that would then become due or payable would equal or exceed $1,000,000, or (ii) would impair the Administrative Agent's or the Lenders' rights or the performance of the obligations of the Borrower, any Guarantor or any of their respective Subsidiaries under this Agreement, the Notes or the other Loan Documents or the business or operations of the Borrower, any Guarantor or any of their respective Subsidiaries; unless in the case of a Contractual Obligation that is not for borrowed money, such failure of performance is being contested by the Borrower, such Guarantor or such Subsidiary in good faith and adequate reserves with respect thereto have been established on the books of the Borrower, such Guarantor or such Subsidiary in conformity with GAAP.

11.1.9. Judgments; Legal Process. One or more judgments, decrees or orders for the payment of money shall be entered, or any judgment lien shall be filed, or any writ of execution, attachment, garnishment or other legal process shall be issued, against the Borrower, any Guarantor or any of their respective Subsidiaries, or any of the property thereof, which by itself or together with all other such legal processes is for an amount in excess of $1,000,000, and which shall remain unvacated, unbonded or unstayed for a period of thirty (30) days, or in any event later than five (5) days prior to the date of any proposed sale thereunder.

11.1.10. Condemnation of Property. All or substantially all of the property of the Borrower, any Guarantor or any of their respective Subsidiaries shall be condemned, seized or otherwise appropriated, and the condemnation award is materially less than the book value of such property at the date hereof (if such property was owned by the Borrower or any of its Subsidiaries on the date hereof) or at the time such property was acquired by the Borrower or such Subsidiary (if such property was acquired by the Borrower or such Subsidiary after the date hereof).

11.1.11. Suspension of Business. The Borrower, any Guarantor or any of their respective Subsidiaries shall voluntarily suspend the transaction of its business for more than five (5) Business Days in any Fiscal Year after the date hereof without the prior express written consent of Requisite Lenders.

11.1.12. ERISA. (a) The Borrower or any Commonly Controlled Entity shall engage in any "prohibited transaction" (as defined in ERISA or Section 4975 of the Code) involving any Plan, (b) any "accumulated funding deficiency" (as defined in ERISA), regardless of whether waived, shall exist with respect to any Plan, (c) a Reportable Event shall occur with respect to, or a proceeding shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or proceeding presents a material risk of termination of such Plan for purposes of Title IV of ERISA, and, in the case of a Reportable Event, shall continue unremedied for ten (10) days after notice of such Reportable Event is given pursuant to Section 4043(a), (c) or (d) of ERISA and, in the case of such proceeding, shall continue for ten (10) days after commencement thereof, (d) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (e) the withdrawal or partial withdrawal by the Borrower or any Commonly Controlled Entity from any Multi-Employer Plan, or (f) the reorganization or insolvency of a Plan or any other event or condition shall occur or exist with respect to a Plan and in each case in clauses (a)

through (f) above, such event or condition together with all other such events or conditions, if any, would have a Material Adverse Effect.

11.1.13. Validity of Loan Documents. Any of the Loan Documents or any provision thereof, for any reason whatsoever, shall cease to be binding on the Borrower, any Guarantor or any of their respective Subsidiaries as is a party thereto, or the Borrower or any Guarantor shall so assert.

11.1.14. Guaranty Obligations. Any Guarantor shall default in the performance or observance of its guarantee hereunder, or such guarantee for any reason whatsoever shall cease to be a valid and binding obligation of any such Guarantor, or any such Guarantor shall so assert.

11.1.15. Failure of Lien. Any Security Document, after delivery thereof pursuant to this Agreement, for any reason shall cease to create a valid Lien on any of the Collateral purported to be covered thereby or, after recordation of such Security Document as provided in this Agreement, shall cease to be a perfected and first priority Lien on such Collateral, subject only to Permitted Liens.

11.1.16. Defaults under Material Contracts. Any default or event of default by the Borrower or any Guarantor shall occur under any Material Contract, and, if subject to a cure right, shall fail to be cured or corrected within the applicable cure period.

11.1.17. Material Adverse Change. Any Material Adverse Change shall occur.

11.1.18. Change in Control. An event or series of events shall occur by which (a) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934), shall become the "beneficial owner" (within the meaning of Rule 13d-3 and/or Rule 13d-5 under the Securities Exchange Act of 1934, except that a Person shall be deemed to have "beneficial ownership" of all shares that such Person has the right to acquire without condition, other than the passage of time, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of thirty-five percent (35%) or more of the combined voting power of all securities of the Borrower entitled to vote in the election of directors, other than securities having such power only by reason of the happening of a contingency (other than the passage of time), or (b) during any period of up to twelve (12) consecutive months, individuals who at the beginning of such period were directors of the Borrower shall cease for any reason to constitute a majority of the Board of Directors of the Borrower.

11.2. Lenders' Remedies. Upon the occurrence of an Event of Default or at any time thereafter, and in each and every case, unless such Event of Default shall have been remedied or waived in writing by Requisite Lenders, any one or all of the following actions may be taken:

(a) upon the request of Requisite Lenders, the Administrative Agent shall, by notice to the Borrower terminate any or all of the Commitments, whereupon such Commitments of the Lenders thereunder immediately shall terminate; provided, however, that upon the occurrence of any event specified in either Section 11.1.6 or Section 11.1.7 the Commitments shall terminate automatically without further action by the Administrative Agent or the Lenders;

(b) upon request of Requisite Lenders, the Administrative Agent shall declare all outstanding Obligations and other amounts owing under this Agreement, the Notes and the other Loan Documents to be due and payable immediately, and all such Obligations and other amounts immediately shall be due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived to the extent permitted by applicable law; provided, however, that upon the occurrence of any event specified in either Section 11.1.6 or Section 11.1.7 all such Obligations and other amounts immediately shall be due and payable in full without declaration or other notice;

(c) the Administrative Agent immediately, and without expiration of any period of grace, may enforce payment of all Obligations of the Borrower and the Guarantors to the Administrative Agent and the Lenders under this Agreement, the Notes and the other Loan Documents, and the Administrative Agent shall be entitled to all remedies available hereunder or thereunder; and

(d) the Administrative Agent shall be entitled to exercise, for the ratable benefit of the Lenders, all other rights, powers, privileges, options and remedies available under or by virtue of the Loan Documents or otherwise available at law or in equity.

ARTICLE 12.

THE ADMINISTRATIVE AGENT

12.1. Appointment. Each Lender hereby (a) irrevocably appoints AmSouth as the Administrative Agent for such Lender and the other Lenders under this Agreement, the Notes and the other Loan Documents, and (b) irrevocably authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement, the Notes and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement, the Notes and the other Loan Documents, together with such other powers as are reasonably incidental thereto. The Administrative Agent shall, among other things, take such actions as the Administrative Agent is authorized to take pursuant to this Agreement, the Notes and the other Loan Documents. As to any matters not expressly provided for in this Agreement, the Administrative Agent may, but shall not be required to, exercise any discretion or take any action; however, the Administrative Agent shall be required to act or to refrain from acting upon the written instructions of Requisite Lenders if the Administrative Agent shall be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of so acting or refraining from acting. Notwithstanding anything to the contrary herein, the Administrative Agent shall have no duties, responsibilities or fiduciary relationships with any Lender except those expressly set forth in this Agreement, the Notes and the other Loan Documents, and no implied covenants, responsibilities, duties, obligations or liabilities shall be read into this Agreement, the Notes or the other Loan Documents or otherwise exist against the Administrative Agent.

12.2. Delegation of Duties. The Administrative Agent may exercise any of its powers or execute any of its duties under this Agreement, the Notes and the other Loan Documents by or through one or more agents or attorneys-in-fact and shall be entitled to obtain, and to rely on, advice of counsel concerning all matters pertaining to such rights and duties. The Administrative Agent may utilize the services of such agents and attorneys-in-fact as the Administrative Agent in its sole discretion reasonably determines, and all reasonable fees and expenses of such agents and attorneys-in-fact shall be paid by the Borrower on demand. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by the Administrative Agent in good faith.

12.3. Limitation of Liability. Neither the Administrative Agent nor its respective officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (a) liable for any waiver, consent or approval given or any action taken or omitted to be taken by it or by such Person under or in connection with this Agreement, the Notes or the other Loan Documents, if authorized or permitted hereunder, except for its or such Person's own gross negligence or willful misconduct, or (b) responsible for the consequences of any oversight or error in judgment by it or such Person whatsoever, except for its or such Person's own gross negligence or willful misconduct. The Administrative Agent shall not be responsible for (i) the execution, validity, genuineness, effectiveness, sufficiency, enforceability, perfection or priority of this Agreement, the Notes or the other Loan Documents, (ii) the collectability of any amounts owing under this Agreement, the Notes or the other Loan Documents, (iii) the value, sufficiency, enforceability, perfection or collectability of any Collateral, (iv) the failure by the Borrower, any Guarantor or any of their respective Subsidiaries to

perform its obligations under this Agreement, the Notes or the other Loan Documents or to observe any conditions hereof or thereof, (v) the truth, accuracy and completeness of the recitals, statements, representations or warranties made by the Borrower, any Guarantor or any of their respective Subsidiaries or any officer or agent thereof contained in this Agreement, the Notes or the other Loan Documents, or in any certificate, report, statement, document or other writing referred to or provided for in, or received by the Administrative Agent in connection with, this Agreement, the Notes or the other Loan Documents believed by the Administrative Agent to be genuine and correct and to have been signed, sent or made by the proper Person or Persons.

12.4. Reliance by the Administrative Agent. The Administrative Agent shall not have any obligation (a) to ascertain or to inquire as to the observance or performance of any of the conditions, covenants or agreements in this Agreement, the Notes or the other Loan Documents or in any document, instrument or agreement at any time constituting, or intended to constitute, Collateral, (b) to ascertain or inquire as to whether any notice, consent, waiver or request delivered to it shall have been duly authorized or is genuine, accurate and complete or (c) to inspect the properties, books or records of the Borrower, any Guarantor or any of their respective Subsidiaries. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying (i) upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document, instrument or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and (ii) upon advice and statements of legal counsel (including counsel to the Borrower or the Guarantors), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of the assignment, negotiation or transfer thereof, in accordance with the provisions of this Agreement, shall have been delivered to the Administrative Agent identifying the name of the subsequent payee or holder thereof. The Administrative Agent shall be entitled to fail or refuse, and shall be fully protected in failing or refusing, to take any action required or permitted by it under this Agreement, the Notes or the other Loan Documents unless (A) it first shall receive such advice or concurrence of Requisite Lenders as it deems appropriate, or (B) it first shall be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. In all cases the Administrative Agent shall be fully protected in acting, or in refraining from acting, under this Agreement, the Notes or the other Loan Documents in accordance with a request of Requisite Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Notes.

12.5. Notice of Default; Action by Administrative Agent. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default unless the Administrative Agent has received notice from a Lender, the Borrower or any Guarantor referring to this Agreement, describing such Default and stating that such notice is a "Notice of Default". If the Administrative Agent receives such a notice, the Administrative Agent shall give telephonic and written notice thereof to the Lenders as soon as is practicable. The Administrative Agent shall take such action with respect to an Event of Default as shall be reasonably directed by Requisite Lenders; provided, however, that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Event of Default as it deems advisable in the best interests of the Lenders.

12.6. Non-Reliance on the Administrative Agent by the Other Lenders. Each Lender expressly acknowledges that neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to such Lender. The Administrative Agent shall have no obligation, responsibility or liability to any of the Lenders regarding the creditworthiness or financial condition of the Borrower, any of the Guarantors or any of their respective Subsidiaries or for any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith or for the execution, effectiveness, genuineness, validity, enforceability, perfection, collectability, priority or sufficiency of this Agreement or any other Loan Document. No act by the Administrative Agent hereinafter taken, including any review of the Borrower, the

Guarantors and their respective Subsidiaries, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent that, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, it has made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower, the Guarantors and their respective Subsidiaries and has made its own decision to enter into this Agreement and to make its Loans and otherwise participate in the transactions hereunder. Each Lender also represents that, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it deems appropriate at the time, it shall continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, the Notes and the other Loan Documents and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrower, the Guarantors and their respective Subsidiaries. The Administrative Agent shall not be required to make any inquiry concerning the performance or observance of any of the terms, provisions or conditions of this Agreement or any other Loan Document, or the financial condition of the Borrower or the Guarantors or the existence or possible existence of any Default. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall have no obligation or liability to provide any Lender with any credit or other information concerning the business, operations, property, financial and other condition or creditworthiness of the Borrower, the Guarantors or their respective Subsidiaries that may come into the possession of the Administrative Agent or any of its respective officers, directors, employees, agents, attorneys-in-fact or affiliates.

12.7. Indemnification. Each of the Lenders shall indemnify, defend and hold harmless the Administrative Agent in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective Percentages, from and against any and all claims, demands, lawsuits, costs, expenses, fees, liabilities, obligations, losses, damages, actions, recoveries, judgments, suits, costs, expenses or disbursements of any kind whatsoever, including interest, penalties and reasonable attorneys' and paralegals' fees and costs and amounts paid in settlement of any of the foregoing, whether direct, indirect, consequential or incidental, that at any time (including at any time following the satisfaction of the Obligations) may be imposed on, incurred by or asserted against the Administrative Agent in any way relating to, resulting from or arising out of this Agreement, the Notes or the other Loan Documents, the transactions contemplated hereby or any action taken or omitted by the Administrative Agent under or in connection with any of the foregoing; provided, however, that no Lender shall be liable for the payment of any portion of such claims, demands, lawsuits, costs, expenses, fees, liabilities, obligations, losses, damages, actions, remedies, judgments, suits, costs, expenses or disbursements to the extent such result arose solely from the Administrative Agent's gross negligence or willful misconduct. The agreements in this Section 12.7 shall survive the repayment of the Loans and the satisfaction of the other Obligations and shall be in addition to and not in lieu of any other indemnification agreements set forth in the Loan Documents.

12.8. Payments. If in the opinion of the Administrative Agent, the distribution of any amount received by the Administrative Agent in such capacity under this Agreement, the Notes or the other Loan Documents might involve it in liability, the Administrative Agent may refrain from making the distribution thereof until the Administrative Agent's right to make such distribution shall have been adjudicated by a court of competent jurisdiction. If a court of competent jurisdiction shall adjudge that any amount received from and distributed by the Administrative Agent in such capacity as Administrative Agent is to be repaid, each Person to whom any such distribution shall have been made either (a) shall repay to the Administrative Agent its proportionate share of the amount so adjudged to be repaid, or (b) shall repay the same in such manner and to such Persons as shall be determined by such court.

12.9. Administrative Agent in Its Individual Capacity. The Administrative Agent in its individual capacity, and its Affiliates, may make loans and other financial accommodations to, accept deposits from and generally engage in any kind of business with the Borrower or any of the Guarantors and their respective

Subsidiaries as though the Administrative Agent were not the Administrative Agent hereunder. With respect to Loans made or renewed by it and any Notes issued to it, the Administrative Agent in its individual capacity shall have the same benefits, rights, powers and privileges under this Agreement, the Notes and the other Loan Documents as any other Lender and may exercise the same as though it were not the Administrative Agent, and the terms "Lender", "Lenders" and "Requisite Lenders" shall include the Administrative Agent in its individual capacity.

12.10. Successor Administrative Agent. The Administrative Agent may resign as such upon thirty (30) days' prior written notice to the Lenders. If the Administrative Agent shall resign as such under this Agreement, then Requisite Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall be reasonably acceptable to the Borrower; provided, however, that acceptability to the Borrower shall not be required if a Default has occurred and is continuing. Upon acceptance of its appointment as successor agent, (a) such successor agent shall succeed to the rights, powers, privileges and duties of the Administrative Agent, (b) the retiring Administrative Agent shall be discharged of all its obligations and liabilities in such capacity under this Agreement, the Notes and the other Loan Documents, (c) the term "Administrative Agent" shall mean such successor agent effective upon its appointment and (d) the retiring Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such retiring Administrative Agent or any of the parties to this Agreement or any holders of the Notes. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article 12 shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

ARTICLE 13.

ASSIGNMENTS AND PARTICIPATIONS

13.1. Successors and Assigns. This Agreement, the Notes and the other Loan Documents shall be binding on and shall inure to the benefit of the Borrower, the Guarantors, the Administrative Agent, the Lenders and their respective successors and assigns, except as otherwise provided herein or therein. Neither the Borrower nor the Guarantors may assign, transfer, hypothecate or otherwise convey their respective rights, benefits, obligations or duties hereunder or thereunder without the prior express written consent of the Lenders. Any purported assignment, transfer, hypothecation or other conveyance by the Borrower or the Guarantors without the prior express written consent of all the Lenders shall be void. Neither the Administrative Agent nor any of the Lenders may sell, assign, transfer, grant a participation in or otherwise dispose of all or any portion of its interest in this Agreement, the Notes or the other Loan Documents except as expressly provided herein.

13.2. Assignments.

13.2.1. Assignments. With prior notice to the Borrower, each Lender may assign (other than the sale of a participation) up to one hundred percent (100%) of its right, title and interest under this Agreement, the Notes and the other Loan Documents (including all or a portion of its Commitments and the same portion of the Loans at the time owing to it) to one or more banks or other financial institutions; provided, however, that (a) each such assignment shall be of a constant, and not a varying, percentage of all such Lender's right, title and interest hereunder and thereunder, (b) such share equals no less than $5,000,000 in the case of any one assignee, (c) any assignee shall execute and deliver to the Administrative Agent an Assignment and Acceptance and a non-refundable assignment fee of $3,500, and (d) a Lender may not assign any interest without the prior approval of the Administrative Agent and, in the absence of a Default, the Borrower, which approval shall not be unreasonably withheld. Notwithstanding the foregoing, any Lender may assign, as collateral or otherwise, any of its rights (including such Lender's rights to payments of principal

and/or interest on the Notes) under this Agreement to any Federal Reserve Bank without notice to or consent of the Administrative Agent or the Borrower.

13.2.2. Effect of Assignments. Upon the sale, assignment, transfer or other disposition (other than the sale of a participation) of any of a Lender's right, title and interest under this Agreement, the Notes and the other Loan Documents to any assignee in accordance with this Section 13.2, then upon the execution, delivery and acceptance of the Assignment and Acceptance, from and after the effective date specified therein, (a) the transferor Lender no longer shall have the rights, benefits and obligations under this Agreement, the Notes or the other Loan Documents to the extent of the interest transferred (except for such rights, benefits and obligations that such Lender would retain under or with respect to this Agreement, the Notes or the other Loan Documents upon payment in full of the Obligations), and (b) the assignee shall become a Lender, shall succeed to the rights and benefits and assume the obligations of such transferor Lender hereunder and thereunder to the extent of the interest transferred.

13.2.3. Actions by the Borrower. The Borrower hereby agrees that it shall execute and deliver, at the request of the Administrative Agent (a) one or more substitute Notes to the order of such Lenders to evidence the portions of the Loans retained and sold and (b) any amendment to any Loan Document to effectuate the provisions of this Section 13.2.

13.3. Participations. Subject to the provisions of this Section 13.3, each Lender shall have the right at any time to sell undivided participating interests in all or any part of its Commitments and the Loans to one or more banks or other financial institutions; provided, however, that (a) such sale or transfer shall not relieve such Lender of any obligation or liability hereunder, (b) such Lender shall make and receive all payments for the account of its participants and shall retain exclusively, and shall continue to exercise exclusively, all rights of approval and administration available hereunder with respect to such Lender's Commitments and the Loans, even after giving effect to the sale of any such participation (although such Lender may at its option agree with its participants that it will not consent to any matter described in clauses (a) through (f) of Section 14.3.4 without their concurrence), and (c) such Lender shall make such arrangements with its participants as may be necessary to accomplish the foregoing. No such participant shall be a Lender for any purpose of this Agreement, other than for purposes of Section 14.13, without the consent of the Administrative Agent.

13.4. Disclosure. In connection with any assignments, participations or offers therefor pursuant to this Article 13, each Lender may disclose to any assignee or participant or prospective assignee or participant such information pertaining to the Borrower, the Guarantors or any of their respective Subsidiaries as such Lender may deem appropriate or such assignee or participant or prospective assignee or participant may request; provided, however, that prior to any such disclosure such assignee or participant or prospective assignee or participant shall agree to preserve the confidentiality of any confidential information relating to the Borrower or its Subsidiaries received by it on the same basis as provided in this Section 13.4.

13.5. Assignments and Participations as Units. No Lender shall assign or sell any participation in its Commitments or the Loans, except in the form of units consisting of pro rata interests in its Commitments and the Loans.

ARTICLE 14.

GENERAL PROVISIONS

14.1. Notices. Any notice, request, demand or other communication required or permitted under this Agreement, the Notes or the other Loan Documents shall be in writing and shall be deemed to be properly given (a) when received, if personally delivered or sent by overnight courier with appropriate confirmation of delivery, (b) two (2) Business Days after deposit in the mail, if mailed by United States first class, certified or registered mail, postage prepaid, (c) one (1) Business Day after deposit with a public telegraph company for

transmittal, charges prepaid, or (d) when received, if given by telecopy, with appropriate confirmation, each to the appropriate address set forth below or to such other address that any such party or the Administrative Agent may designate by written notice to other parties.

If to the Borrower:

NN, Inc.
Building 2, Suite 12
2000 Water's Edge Drive
Johnson City, Tennessee 37604
Attn: William C. Kelly
Telecopy No. 423/743-2670

with a copy to:

Blackwell Sanders Peper Martin LLP
13710 FNB Parkway, Suite 200
Omaha, Nebraska 68154
Attn: H. Dale Dixon, III
Telecopy No. 402/964-5050

If to any of the Guarantors:

c/o NN, Inc.
Building 2, Suite 12
2000 Water's Edge Drive
Johnson City, Tennessee 37604
Attn: William C. Kelly
Telecopy No. 423/743-2670

If to any of the Lenders:

Their respective addresses as set forth with their signatures on this Agreement.

If to AmSouth as Administrative Agent:

AmSouth Bank
AmSouth Center
315 Deaderick Street
Nashville, Tennessee 37237
Attn: Corporate Finance
Telecopy No. 615/748-1501

with a copy to:

Bass, Berry & Sims PLC
2700 AmSouth Center
315 Deaderick Avenue
Nashville, Tennessee 37237
Attn: Felix R. Dowsley, III

Telecopy No. 615/742-6293

14.2. Entire Agreement. The execution and delivery of this Agreement and the other Loan Documents supersede all the negotiations or stipulations concerning the matters that preceded or accompanied the execution and delivery hereof and thereof (other than with respect to fees payable pursuant to separate agreements between the Borrower and the Administrative Agent). This Agreement, the Notes and the other Loan Documents also are intended, by the parties hereto and thereto, as a complete and exclusive statement of the terms and conditions hereof and thereof.

14.3. Amendments, Waivers and Consents.

14.3.1. Amendments. Except as otherwise set forth in this Agreement, the provisions of (a) this Agreement may not be modified, amended, restated or supplemented, except by a written instrument duly executed and delivered on behalf of the Borrower, the Guarantors and Requisite Lenders, and (b) the Notes and all Loan Documents other than this Agreement may not be modified, amended, restated or supplemented, except by a written instrument duly executed and delivered on behalf of the Borrower and any of the Guarantors, to the extent that the Borrower or any such Guarantor is a signatory party to such Note or such Loan Document, and on behalf of the Administrative Agent, with the written consent of Requisite Lenders. Notwithstanding anything to the contrary herein, the Administrative Agent and Requisite Lenders may modify, amend, restate, supplement or waive any provision of Article 12 without the consent of the Borrower or any Guarantor.

14.3.2. Waivers and Consents. Except as otherwise set forth in this Agreement, any waiver of the terms and conditions of this Agreement, the Notes or the other Loan Documents, or any waiver of any Default and its consequences hereunder or thereunder, and any consent or approval required or permitted by this Agreement, the Notes or the other Loan Documents to be given by the Lenders, may be made or given with, but only with, the written consent of Requisite Lenders on such terms and conditions as specified in the written instrument granting such waiver, consent or approval. A waiver, to be effective, must be in writing and signed by the party making the waiver.

14.3.3. Effect of Waivers. In the case of any waiver, the Borrower, the Guarantors, the Lenders and the Administrative Agent shall be restored to their former positions and rights under this Agreement, the Notes and the other Loan Documents to the extent of such waiver, and any Default waived shall be deemed to be cured and not continued; provided, however, that no waiver shall constitute the waiver of any subsequent or other Default or impair any right consequent thereon. No failure or delay on the part of the Administrative Agent or any Lender to exercise or enforce any right or remedy under or in connection with this Agreement, the Notes or the other Loan Documents, whether by their respective terms, at law, in equity or otherwise, shall operate as a waiver thereof. No single or partial exercise of any such right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy.

14.3.4. Consent of All the Lenders. Without in each instance the prior express written consent of the Administrative Agent and all the Lenders, no such modification, amendment, restatement, supplement, waiver or consent shall:

(a) increase the aggregate Commitments, or increase the Commitment of any Lender without such Lender's approval;

(b) reduce the amounts or extend the dates for the payment of any Credit Fees that are payable ratably to all of the Lenders in accordance with their respective Percentages of the Commitments;

(c) extend the maturity of the Notes or the date of any scheduled principal payments or mandatory prepayments hereunder or thereunder;

(d) reduce the rate or extend the time of payment of interest hereunder or under the Notes;

(e) waive the payment of any principal, interest or Credit Fees payable hereunder or under the Notes;

(f) extend the Revolving Commitment Expiration Date or the Term Loan Maturity Date except as expressly provided for in this Agreement;

(g) consent to the assignment or transfer by the Borrower of any of its Obligations under this Agreement, the Notes or the other Loan Documents;

(h) release a material portion of the Collateral or release any of the guarantees hereunder, except as expressly provided herein; or

(i) amend or modify the definitions of "Percentages" or "Requisite Lenders" contained in this Agreement.

14.3.5. Binding Effect. Any such modification, amendment, restatement, supplement, waiver or consent shall apply equally to each of the Lenders and shall be binding upon the Borrower, the Guarantors, the Lenders, the Administrative Agent and all future holders of the Notes.

14.4. Independence of Covenants. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or otherwise would be within the limitations of, another covenant shall not avoid the occurrence of a Default if such action is taken or condition exists.

14.5. Interpretation. Neither this Agreement, the Notes or the other Loan Documents, nor any uncertainty or ambiguity herein or therein, shall be construed or resolved against the Administrative Agent, the Lenders, the Borrower or the Guarantors whether under any rule of construction or otherwise. This Agreement, the Notes and the other Loan Documents have been reviewed by all the parties hereto and thereto and shall be construed and interpreted according to the ordinary meaning of the words used as to accomplish fairly the purposes and intentions of all such parties.

14.6. Inconsistencies With Other Documents. In the event there is a conflict or inconsistency between this Agreement, the Notes or the other Loan Documents, the terms of this Agreement shall control; provided, however, that any provision of the Security Documents that imposes additional burdens on the Borrower or any Guarantor or further restricts the rights of the Borrower or any Guarantor or gives the Lenders additional rights shall not be deemed to be in conflict or inconsistent with this Agreement and shall be given full force and effect.

14.7. Severability. If any portion of this Agreement, the Notes or any of the other Loan Documents shall be judged by a court of competent jurisdiction to be unenforceable, the remaining portions shall be valid and enforceable to the extent that the remaining terms thereof provide for the creation of the Obligations and the consummation of the issuance of the Notes, the grant of collateral security therefor, the guarantee thereof and the payment of principal and interest in respect of the Obligations substantially on the same terms and subject to the same conditions as set forth herein and therein.

14.8. Governing Law. This Agreement, the Notes and the other Loan Documents, unless otherwise expressly set forth therein, shall be governed by, construed and enforced in accordance with the laws of the State of Tennessee, without reference to the conflicts or choice of law principles thereof, except to the extent that the laws of a particular jurisdiction govern the creation, perfection, priority and enforcement of liens on

and security interests in the Collateral. Notwithstanding the foregoing, if at any time the laws of the United States of America permit any Lender to contract for, take, reserve, charge or receive interest or loan charges in amounts greater than are allowed by the laws of such state (whether such federal laws directly so provide or refer to the law of the state where such Lender is located), then such federal laws shall to such extent govern as to the interest and loan charges that such Lender is allowed to contract for, take, reserve, charge or receive under this Agreement, the Notes and the other Loan Documents. References to laws in this section are to such laws as are now in effect, and, with respect to usury laws, if any, applicable to any Lender and to the extent allowed thereby, to such laws as hereafter may be in effect that allow a higher maximum nonusurious interest rate than such laws now allow.

14.9. CONSENT TO JURISDICTION. THE BORROWER AND EACH GUARANTOR HEREBY IRREVOCABLY CONSENT TO THE PERSONAL JURISDICTION OF THE STATE AND FEDERAL COURTS LOCATED IN DAVIDSON COUNTY, TENNESSEE IN ANY ACTION, CLAIM OR OTHER PROCEEDING ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, THE NOTES AND THE OTHER LOAN DOCUMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS. THE BORROWER AND EACH GUARANTOR HEREBY IRREVOCABLY CONSENT TO THE SERVICE OF A SUMMONS AND COMPLAINT AND OTHER PROCESS IN ANY ACTION, CLAIM OR PROCEEDING BROUGHT BY THE ADMINISTRATIVE AGENT OR ANY LENDER IN CONNECTION WITH THIS AGREEMENT, THE NOTES OR THE OTHER LOAN DOCUMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS, ON BEHALF OF ITSELF OR ITS PROPERTY, IN THE MANNER SPECIFIED IN SECTION 14.1. NOTHING IN THIS SECTION 14.9 SHALL AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO BRING ANY ACTION OR PROCEEDING AGAINST THE BORROWER, ANY OF THE GUARANTORS OR THEIR RESPECTIVE PROPERTIES IN THE COURTS OF ANY OTHER JURISDICTIONS.

14.10. WAIVER OF JURY TRIAL. THE ADMINISTRATIVE AGENT, EACH LENDER, THE BORROWER AND EACH GUARANTOR HEREBY IRREVOCABLY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL WITH RESPECT TO ANY ACTION, CLAIM, COUNTERCLAIM OR OTHER PROCEEDING ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, THE NOTES OR THE OTHER LOAN DOCUMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS. The scope of this waiver is intended to be all-encompassing with respect to any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including without limitation contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each of the parties hereto (a) acknowledges that this waiver is a material inducement for the parties to the Loan Documents to enter into a business relationship, that the parties to the Loan Documents have already relied on this waiver in entering into same and the transactions that are the subject thereof, and that they will continue to rely on this waiver in their related future dealings, and (b) further warrants and represents that each has reviewed this waiver with its legal counsel and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. This waiver is irrevocable, meaning that it may not be modified either orally or in writing, and this waiver shall apply to any subsequent amendments, modifications, supplements, extensions, renewals and/or replacements of this Agreement. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

14.11. Cumulative Remedies. All rights and remedies provided in or contemplated by this Agreement, the Notes and the other Loan Documents are cumulative and not exclusive of any right or remedy otherwise provide herein, therein, at law or in equity.

14.12. Expenses of Administration and Enforcement. The Borrower shall pay on demand all reasonable expenses of the Administrative Agent in connection with this Agreement, the Notes and the other Loan Documents, and the preparation of any modifications, amendments, restatements, supplements or waivers, including all attorneys' and paralegals' fees and expenses, all fees and expenses for title, lien and other public records searches, filing and recordation fees and taxes, duplicating expenses, corporation search fees, appraisal fees, escrow agent fees and expenses, and all other customary expenses. If a Default shall occur, all reasonable out-of-pocket expenses incurred by the Lenders and the Administrative Agent (including administrative expenses of the Administrative Agent and the Lenders and reasonable fees and disbursements of outside counsel) in connection with such Default and collection and other enforcement proceedings (including bankruptcy proceedings) resulting therefrom shall be paid by the Borrower, regardless of whether suit is actually commenced to obtain any relief provided hereunder. The Borrower shall indemnify, defend and hold harmless the Administrative Agent and each of the Lenders from and against any and all documentary or filing taxes, assessments or charges by any Governmental Authority by reason of the execution and delivery of this Agreement, the Notes and the other Loan Documents and the consummation of the transactions that are the subject thereof.

14.13. Indemnification. The Borrower and each of the Guarantors, jointly and severally, shall indemnify, defend and hold harmless the Administrative Agent and the Lenders (to the fullest extent permitted by law) from and against any and all claims, demands, lawsuits, costs, expenses, fees, obligations, liabilities, losses, damages, recoveries and deficiencies, including interest, penalties and reasonable attorneys' and paralegals' fees and costs and amounts paid in settlement of any of the foregoing, whether direct, indirect, consequential or incidental, that the Administrative Agent and the Lenders may incur or suffer or that may arise out of, result from or relate to (a) this Agreement, the Notes or the other Loan Documents or the transactions contemplated hereby or thereby (excluding actions arising out of the Administrative Agent's or the Lenders' own gross negligence or willful misconduct and actions arising out of claims made by the Administrative Agent or any Lender against any of the others), or (b) any action under this Agreement, the Notes or the other Loan Documents or the transactions contemplated hereby or thereby (excluding actions arising out of the Administrative Agent's or the Lenders' own gross negligence or willful misconduct and actions arising out of claims made by the Administrative Agent or any Lender against any of the others). In no event shall the Administrative Agent or any Lender be liable to the Borrower or any of the Guarantors for any matter or thing in connection with this Agreement, the Notes or the other Loan Documents other than to account for monies actually received by them in accordance with the terms hereof. This Section 14.13 shall survive termination of this Agreement.

14.14. Adjustment. Except with respect to payments on account of Swing Line Loans, if any Lender (a "benefitted Lender") at any time shall receive any payment of all or part of its Loans or the interest thereon or receive any collateral therefor, whether voluntarily or involuntarily, by set-off or otherwise, in an amount proportionately greater than any corresponding payment to or collateral received by any other Lender in respect of such other Lender's Loans or the interest thereon, such benefitted Lender shall purchase for cash from the other Lenders such portion of each Lender's Loans, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefitted Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits thereafter is recovered from such benefitted Lender or set aside, such purchase shall be rescinded and the purchase price and benefit returned to the extent of such recovery, but without interest. Each Lender so purchasing a portion of another Lenders' Loans may exercise all rights of payment (including rights of setoff) with respect to such portion as fully as if such Lender were the direct holder of such portion.

14.15. Setoff. In addition to any rights and remedies of the Lenders provided by law, the Lenders each shall have a security interest in any and all deposits of the Borrower and the Guarantors (general or special, time or demand, provisional or final) at any time held by any Lender or any Affiliate thereof, which security interest shall secure the Obligations. Upon the occurrence and during the continuance of any Event of Default, with the consent of the Administrative Agent without prior notice to the Borrower or the Guarantors,

any notice being specifically waived by the Borrower and the Guarantors to the fullest extent permitted by applicable law, each Lender may set off and apply against any indebtedness, whether matured or unmatured, of the Borrower or any Guarantor to the Lenders, any amount owing from any Lender or any Affiliate thereof to the Borrower or any Guarantor at, or at any time after, the occurrence of an Event of Default (and each Affiliate of any Lender is irrevocably authorized to permit such setoff and application), and the aforesaid right of setoff may be exercised by any Lender against the Borrower or the Guarantors or against any trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receiver or execution, judgment, or attachment creditor of the Borrower or any Guarantor, or against anyone else claiming through or against the Borrower or any such Guarantor or such trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receiver or execution, judgment or other attachment creditor, notwithstanding the fact that such right of setoff shall not have been exercised by any Lender prior to the making, filing or issuance, or service upon any Lender of, or of notice of, any such petition, assignment for the benefit of creditors, appointment or application for the appointment of a receiver, or issuance of execution, subpoena, order or warrant. Each Lender promptly shall notify the Borrower or the Guarantors and the Administrative Agent after any such setoff and application made by any Lender; provided, however, that failure to give such notice shall not affect the validity of such setoff and application.

14.16. Other Accommodations to the Borrower and the Guarantors; No Rights By Virtue of Cross-Collateralization.

(a) Each Lender (including the Administrative Agent) may, without notice to or consent by any other Lender, make or participate in loans, extensions of credit or other financial accommodations to or for the benefit of the Borrower and/or any of its Subsidiaries on any terms that it deems desirable, and engage in other business transactions, in the same manner as if this Agreement were not in existence, all without limiting, waiving or otherwise impairing any rights of such Lender or any other Lender under this Agreement. Without limiting the generality of the foregoing, the Lenders acknowledge and agree that so long as a Lender acts in good faith and the other Lenders' interests in the Obligations and the Collateral are not impaired thereby, (i) such Lender may be preferred or secured in any manner that it deems advisable with respect to such other loans, extensions of credit, financial accommodations and transactions, (ii) such Lender shall be under no obligation to collect or attempt to collect any payments in respect of the Obligations in preference to the collection or enforcement of any other borrowings or obligations of the Borrower and/or its Subsidiaries to such Lender, and (iii) any amounts collected by such Lender from the Borrower and/or its Subsidiaries that are not expressly designated (or reasonably determinable to be intended) as being in payment of the Obligations may be applied to any of the obligations of such Person to such Lender in any manner deemed appropriate by such Lender.

(b) The Lenders acknowledge and agree that the Collateral constitutes all of the collateral security for the Obligations and that, as among themselves, no Lender shall have any interest in (i) any property or interests of the Borrower or any of its Subsidiaries, other than the Collateral, that now or hereafter secures loans, extensions of credit, other financial accommodations and other transactions (excluding the Obligations), of the Borrower or any of its Subsidiaries with any other Lender, whether entered into directly or acquired by such Lender, (ii) any property of the Borrower or any of its Subsidiaries, other than the Collateral, now or hereafter in the possession or control of any other Lender, (iii) any deposit, not constituting Collateral, now or hereafter held by any other Lender, or (iv) any other indebtedness now or hereafter owing to any other Lender; any of which may be or become security for or otherwise available for payment or performance of the Obligations by reason of any cross-collateralization or any general description of secured indebtedness(es) and/or obligation(s) contained in any mortgage, security agreement or other security instrument or agreement held by any Lender, or by reason of the right of setoff, counterclaim or otherwise. Notwithstanding the foregoing, if any such property, deposit or indebtedness, or any proceeds thereof, in the discretion of the Lender holding same, is applied to the reduction of the Obligations, then all of the Lenders shall

e entitled to their respective Percentages of such application in the manner provided in Sections 3.3 and 14.14.

14.17. Survival of Representations and Warranties. All representations and warranties of the Borrower and the Guarantors set forth in this Agreement, the Notes and the other Loan Documents and in any other certificate, opinion or other statement provided at any time by or on behalf of the Borrower and the Guarantors in connection herewith shall survive the execution of the delivery of this Agreement, the Notes and the other Loan Documents, the purchase and sale of the Notes hereunder and the payment or other satisfaction of the Obligations.

14.18. Relationship of the Parties. None of the Administrative Agent or the Lenders shall be deemed partners or joint venturers with the Borrower or the Guarantors or any Affiliate thereof in making this Agreement or by any action taken hereunder. The Borrower and the Guarantors, jointly and severally, shall indemnify, defend and hold harmless the Lenders and the Administrative Agent from and against any and all claims, demands, lawsuits, costs, expenses, fees, obligations, liabilities, losses, damages, recoveries and deficiencies, including interest, penalties and reasonable attorneys' fees and costs, whether direct, indirect, consequential or incidental, that the Lenders or the Administrative Agent may incur or suffer or that may arise out of, result from or relate to such a construction of the parties and their relationship. This Section 14.18 shall survive termination of this Agreement.

14.19. Destruction of Records. Any documents, schedules, invoices or other papers delivered to the Administrative Agent or the Lenders at their option may be destroyed or otherwise disposed of by them six (6) months after they are delivered to or received by them, unless the Borrower or any Guarantor requests, in writing, the return of such documents, schedules, invoices or other papers and makes reasonably acceptable arrangements, at the Borrower's or such Guarantor's expense, for their return.

14.20. Execution in Counterparts; Effectiveness.

(a) This Agreement may be executed in multiple counterparts, each of which shall be deemed an original hereof for all purposes, but all of which together shall constitute one and the same document. One or more counterparts of this Agreement may be executed by one or more of the parties hereto, and some different counterparts or copies executed by other parties. Each counterpart hereof executed by any party hereto shall be binding upon the party executing same even though other parties may execute one or more different counterparts, and all counterparts hereof so executed shall constitute but one and the same agreement. Each party hereto, by execution of a counterpart hereof, expressly authorizes and directs any other party hereto to detach the signature pages (and any corresponding acknowledgment pages) thereof from the counterpart hereof executed by the authorizing party and affix same to another identical counterpart hereof such that upon execution of multiple counterparts hereof by all parties hereto, there shall be one counterpart hereof to which is attached the signature pages (and any corresponding acknowledgment pages) containing signatures (and acknowledgments) of all parties hereto.

(b) This Agreement shall become effective when (i) the Administrative Agent shall have received counterparts or signature pages executed by the Borrower, the Guarantors, the Administrative Agent and the Lenders, or (ii) in the case of any Lender, the Administrative Agent shall have received telecopied notice from such Lender that it has executed a counterpart hereof or signature page hereto and forwarded the same to the Administrative Agent by first class, registered or certified mail as set forth in Section 14.1. A set of the copies of this Agreement or counterparts signed by all of the parties shall be lodged with the Borrower, on behalf of itself and the Guarantors, and the Administrative Agent.

14.21. Interest and Loan Charges Not to Exceed Maximum Amounts Allowed by Law. It is the intention of the Borrower and the Lenders to conform strictly to all laws applicable to the Lenders that govern

or limit the interest and loan charges that may be charged in respect of the Obligations. Anything in this Agreement, the Notes or any of the other Loan Documents to the contrary notwithstanding, in no event whatsoever, whether by reason of advancement of proceeds of the Loans, acceleration of the maturity of the unpaid balance of any of the Obligations or otherwise, shall the interest and loan charges agreed to be paid to any of the Lenders for the use of the money advanced or to be advanced hereunder exceed the maximum amounts collectible by such Lender pursuant to applicable law. If for any reason whatsoever the interest or loan charges paid or contracted to be paid by the Borrower to any of the Lenders in respect of the Obligations shall exceed the maximum amounts collectible under the law applicable to such Lender, then, in that event, and notwithstanding anything to the contrary in this Agreement, the Notes or any other Loan Document: (a) the aggregate of all consideration that constitutes interest or loan charges under the law applicable to such Lender that is contracted for, taken, reserved, charged or received under this Agreement, the Notes or any other Loan Document or otherwise in connection with the Obligations under no circumstances shall exceed the maximum amounts allowed by such applicable law, and any excess shall be credited by such Lender on the principal amount of the Obligations (or, to the extent the principal amount outstanding under this Agreement, the Notes and the other Loan Documents has been or thereby would be paid in full, refunded to the Borrower); and (b) in the event that the maturity of any or all of the Obligations is accelerated by reason of an election of the Lenders resulting from any Default under this Agreement or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest or loan charges under the law applicable to any Lender may never include more than the maximum amounts allowed by the law applicable to such Lender, and any excess interest or loan charges provided for in this Agreement or otherwise shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by such Lender on the principal amount of the Obligations (or, to the extent the principal amount of the Obligations has been or thereby would be paid in full, refunded by such Lender to the Borrower). All sums paid or agreed to be paid to the Lenders for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by applicable law, be prorated, allocated and spread throughout the full term of the Obligations until payment in full so that the rate or amount of interest and loan charges on account of the Obligations will not exceed any applicable legal limitation. The right to accelerate the maturity of the Obligations does not include the right to accelerate the maturity of any interest or loan charges not otherwise accrued on the date of such acceleration, and the Lenders do not intend to charge or collect any unearned interest or loan charges in the event of any such acceleration.

14.22. Final Agreement. This written agreement represents the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

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

[SIGNATURE PAGES FOLLOW]

BORROWER:

NN, INC.,
a Delaware corporation

By: /s/ David L. Dyckman
Name: David L. Dyckman
Title: VP & CFO

GUARANTORS:

INDUSTRIAL MOLDING GP, LLC,
a Delaware limited liability company

By: /s/ David L. Dyckman
Name: David L. Dyckman
Title: Manager

INDUSTRIAL MOLDING LP, LLC,
a Tennessee limited liability company

By: /s/ William C. Kelly, Jr.
Name: William C. Kelly, Jr.
Title: Manager

INDUSTRIAL MOLDING GROUP, L.P.,
a Tennessee limited partnership

By: Industrial Molding GP, LLC, a Delaware limited liability company, its general partner

By: /s/ David L. Dyckman
Name: David L. Dyckman
Title: Manager

DELTA RUBBER COMPANY,
a Connecticut corporation

By: /s/ David L. Dyckman
Name: David L. Dyckman
Title: VP

[Lender's Signature Page to $60,000.000
NN, Inc.
Credit Agreement dated July 20, 2001]

AMSOUTH BANK, as a Lender and as Administrative Agent

By: /s/ Jerry C. Greene
Name: Jerry C. Greene
Title: Senior Vice President

Address: AmSouth Bank
AmSouth Center
315 Deaderick Street
Nashville, Tennessee 37237
Attn: Corporate Finance
Telecopy No. 615/748-1501

Initial Commitment: $20,000,000

*(subject to Section 2.1.1)

Percentage: 33.333333%

[Lender's Signature Page to $60,000.000
NN, Inc.
Credit Agreement dated July 20, 2001]

BANK ONE, KENTUCKY, NA, as a Lender and as Co-Agent

By: /s/ Darrin J. McCauley

Name: Darrin J. McCauley

Title: Vice President

Address: Bank One, Kentucky, NA
416 West Jefferson Street
Louisville, Kentucky 40202
Attn: Darrin J. McCauley
Telecopy No. 502/566-8200

Initial Commitment: $15,000,000

*(subject to Section 2.1.1)

Percentage: 25.00%

[Lender's Signature Page to $60,000.000
NN, Inc.
Credit Agreement dated July 20, 2001]

FIRSTAR BANK, N.A., as a Lender

By: /s/ Russell S. Rogers

Name: Russell S. Rogers

Title: Vice President

Address: Firstar Bank, N.A.
150 Fourth Avenue, North
2/nd/ Floor
Nashville, Tennessee 37219
Attn: Russell S. Rogers
Telecopy No. 615/251-9247

Initial Commitment: $10,000,000

*(subject to Section 2.1.1)

Percentage: 16.666667%

[Lender's Signature Page to $60,000.000
NN, Inc.
Credit Agreement dated July 20, 2001]

SUNTRUST BANK, as a Lender

By: /s/ William E. Edwards, III

Name: William E. Edwards, III

Title: Vice President

Address: Suntrust Bank
207 Mockingbird Lane
Johnson City, Tennessee 37604
Attn: William E. Edwards, III
Telecopy No. 423/434-0338

Initial Commitment: $7,500,000

*(subject to Section 2.1.1)

Percentage: 12.50%

[Lender's Signature Page to $60,000.000
NN, Inc.

Credit Agreement dated July 20, 2001]

FIRST TENNESSEE BANK,
NATIONAL ASSOCIATION, as a Lender

By: /s/ J. Michael Blackwell

Name: J. Michael Blackwell

Title: Sr. VP

Address: First Tennessee Bank, National
Association
2112 North Roan Street
5/th/ Floor
Johnson City, Tennessee 37601
Attn: J. Michael Blackwell
Telecopy No. 423/461-1208

Initial Commitment: $7,500,000

*(subject to Section 2.1.1)

Percentage: 12.50%

SCHEDULES AND EXHIBITS

Schedules

Schedule 7.1	Borrower, Guarantors and Subsidiaries - Capitalization and Jurisdictions of Incorporation and Foreign Qualification
Schedule 7.3	Post-Closing Consents
Schedule 7.4	Conflicts
Schedule 7.6	Pending Litigation
Schedule 7.17A	Indebtedness
Schedule 7.17B	Contingent Obligations
Schedule 7.18A	Business Locations
Schedule 7.18B	Trade Names
Schedule 7.25	Environmental Matters
Schedule 7.26	Material Contracts and Capitalized Lease Obligations
Schedule 9.4	Existing Investments

Exhibits

Exhibit 1.1A	Form of Supplement to Credit Agreement
Exhibit 1.1B	Form of Subordination Provisions
Exhibit 2.2.5	Form of Notice of Borrowing
Exhibit 2.4.2	Form of Notice of Conversion/Continuation
Exhibit 2.5A	Form of Revolving Note
Exhibit 2.5B	Form of Term Note
Exhibit 2.5C	Form of Swing Line Note
Exhibit 4.1	Form of Pledge Agreement
Exhibit 6.1.1A	Form of Opinion of Counsel to the Borrower and the Guarantors
Exhibit 6.1.1B	Form of Solvency Certificate of Borrower
Exhibit 6.1.1C	Form of Solvency Certificate of Guarantors
Exhibit 13.2	Form of Assignment and Acceptance

Exhibit 10.8

AMENDMENT NO. 1 TO CREDIT AGREEMENT

THIS AMENDMENT NO. 1 TO CREDIT AGREEMENT (this "Amendment"), dated October 4, 2001, is made and entered into on the terms and conditions hereinafter set forth, by and among NN, INC., a Delaware corporation (the "Borrower"), the subsidiaries of the Borrower who are parties to the Credit Agreement, as hereinafter defined (the "Guarantors"), the several lenders who are now or hereafter become parties to the Credit Agreement (the "Lenders"), AMSOUTH BANK, an Alabama state bank, individually and as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and BANK ONE, KENTUCKY, NA, individually and as co-agent for the Lenders (in such capacity, the "Co-Agent").

RECITALS:

1. Pursuant to a Credit Agreement dated as of July 20, 2001, among the Borrower, the Guarantors, the Administrative Agent, the Lenders and the Co-Agent (as the same heretofore may have been and/or hereafter may be amended, restated, supplemented, extended, renewed, replaced or otherwise modified from time to time, the "Credit Agreement"), the Lenders have agreed to make Loans, all as more specifically described in the Credit Agreement. Capitalized terms used but not otherwise defined in this Agreement have the same meanings as in the Credit Agreement.

2. The parties hereto desire to amend the Credit Agreement in certain respects, as more particularly hereinafter set forth.

AGREEMENTS:

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Swing Line Note. The definition of Swing Line Note in Section 1.1 of the Agreement is hereby amended to provide as follows:

> "Swing Line Note" shall mean that certain Amended and Restated Promissory Note dated October 4, 2001, in the maximum principal amount of $5,000,000, executed by the Borrower in favor of the Swing Line Lender, evidencing the indebtedness of the Borrower to the Swing Line Lender in connection with the Swing Line Loans.

2. Swing Line Loans. Subsection 2.2.7(a) of the Agreement is hereby amended to provide as follows:

> (a) Commitment to Make Swing Line Loans. Subject to all of the terms and conditions of this Agreement (including the conditions set forth in Sections 6.1 and 6.2 and the limitations set forth in Section 2.2.1), and in reliance upon the representations and

warranties of the Borrower herein set forth and the agreements of the other Lenders set forth in subsections (c) and (d) of this Section 2.2.7, the Swing Line Lender hereby agrees to make Swing Line Loans to the Borrower from time to time during the Revolving Commitment Period, in an aggregate principal amount not to exceed $5,000,000 outstanding at any time, for the purposes identified in Section 2.7. Amounts borrowed by the Borrower under the Swing Line Commitment may be prepaid and reborrowed from time to time during the Revolving Commitment Period. The Swing Line Lender's commitment to make Swing Line Loans as provided in this subsection 2.2.7(a) shall expire on the Revolving Commitment Period Expiration Date, and all Swing Line Loans shall be paid in full no later than the Revolving Commitment Period Expiration Date.

3. Effectiveness. This Amendment shall be effective only upon execution and delivery by the Borrower, the Guarantors, the Administrative Agent and Requisite Lenders.

4. Representations and Warranties of the Borrower and the Guarantors. As an inducement to the Administrative Agent, the Co-Agent and the Lenders to enter into this Amendment, the Borrower and the Guarantors hereby represent and warrant to the Administrative Agent, the Co-Agent and the Lenders that, on and as of the date hereof:

(a) the representations and warranties contained in the Credit Agreement and the other Loan Documents are true and correct, except for (1) representations and warranties that expressly relate to an earlier date, which remain true and correct as of said earlier date, and (2) representations and warranties that have become untrue or incorrect solely because of changes permitted by the terms of the Credit Agreement and the other Loan Documents, and

(b) no Default or Event of Default has occurred and is continuing.

5. Effect of Amendment; Continuing Effectiveness of Credit Agreement and Loan Documents.

(a) Neither this Amendment nor any other indulgences that may have been granted to the Borrower or any of the Guarantors by the Administrative Agent, the Co-Agent or any Lender shall constitute a course of dealing or otherwise obligate the Administrative Agent, the Co-Agent or any Lender to modify, expand or extend the agreements contained herein, to agree to any other amendments to the Credit Agreement or to grant any consent to, waiver of or indulgence with respect to any other noncompliance with any provision of the Loan Documents.

(b) This Amendment shall constitute a Loan Document for all purposes of the Credit Agreement and the other Loan Documents. Any noncompliance by the Borrower or any Guarantor with any of the covenants, terms, conditions or provisions of this Amendment shall constitute an Event of Default. Except to the extent amended hereby, the Credit Agreement, the other Loan Documents and all terms, conditions and provisions thereof shall continue in full force and effect in all respects.

6. Counterparts. This Amendment may be executed in multiple counterparts or copies, each of which shall be deemed an original hereof for all purposes. One or more counterparts or copies of this Amendment may be executed by one or more of the parties hereto, and some different counterparts or copies executed by one or more of the other parties. Each counterpart or copy hereof executed by any party hereto shall be binding upon the party executing same even though other parties may execute one or more different counterparts or copies, and all counterparts or copies hereof so executed shall constitute but one and the same agreement. Each party hereto, by execution of one or more counterparts or copies hereof, expressly authorizes and directs any other party hereto to detach the signature pages and any corresponding acknowledgment, attestation, witness or similar pages relating thereto from any such counterpart or copy hereof executed by the authorizing party and affix same to one or more other identical counterparts or copies hereof so that upon execution of multiple counterparts or copies hereof by all parties hereto, there shall be one or more counterparts or copies hereof to which is(are) attached signature pages containing signatures of all parties hereto and any corresponding acknowledgment, attestation, witness or similar pages relating thereto.

7. Miscellaneous.

(a) This Amendment shall be governed by, construed and enforced in accordance with the laws of the State of Tennessee, without reference to the conflicts or choice of law principles thereof.

(b) The headings in this Amendment and the usage herein of defined terms are for convenience of reference only, and shall not be construed as amplifying, limiting or otherwise affecting the substantive provisions hereof.

(c) Any reference herein to any instrument, document or agreement, by whatever terminology used, shall be deemed to include any and all amendments, modifications, supplements, extensions, renewals, substitutions and/or replacements thereof as the context may require.

(d) When used herein, (1) the singular shall include the plural, and vice versa, and the use of the masculine, feminine or neuter gender shall include all other genders, as appropriate, (2) "include", "includes" and "including" shall be deemed to be followed by "without limitation" regardless of whether such words or words of like import in fact follow same, and (3) unless the context clearly indicates otherwise, the disjunctive "or" shall include the conjunctive "and".

[Signatures Begin Next Page]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

BORROWER:

NN, INC.,
a Delaware corporation

By: /s/ David L. Dyckman
Name: David L. Dyckman
Title: Vice President and Chief Financial Officer

GUARANTORS:

INDUSTRIAL MOLDING GP, LLC,
a Delaware limited liability company

By: /s/ David L. Dyckman
Name: David L. Dyckman
Title: Manager

INDUSTRIAL MOLDING LP, LLC,
a Tennessee limited liability company

By: /s/ William C. Kelly, Jr.
Name: William C. Kelly, Jr.
Title: Treasurer

[Signatures Continued Next Page]

INDUSTRIAL MOLDING GROUP, L.P.,
a Tennessee limited partnership

By: Industrial Molding GP, LLC, a Delaware limited liability company, its general partner

By: /s/ David L. Dyckman

Name: David L. Dyckman

Title: Manager

DELTA RUBBER COMPANY,
a Connecticut corporation

By: /s/ David L. Dyckman

Name: David L. Dyckman

Title: Vice President

LENDERS:

AMSOUTH BANK, as a Lender and as
Administrative Agent

By: /s/ Robert T. Page

Name: Robert T. Page

Title: Vice President

BANK ONE, KENTUCKY, NA, as a Lender and as
Co-Agent

By: /s/ Darrin J. McCauley

Name: Darrin J. McCauley

Title: Vice President

[Signatures Continued Next Page]

FIRSTAR BANK, N.A., as a Lender

By: _____
Name: _____
Title: _____

SUNTRUST BANK, as a Lender

By: /s/ William E. Edwards, III
Name: William E. Edwards, III
Title: First Vice President

FIRST TENNESSEE BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ J. Michael Blackwell
Name: J. Michael Blackwell
Title: Senior Vice President

Exhibit 10.9

AMENDMENT NO. 2 TO CREDIT AGREEMENT

THIS AMENDMENT NO. 2 TO CREDIT AGREEMENT (this "Amendment"), dated July ___, 2002, is made and entered into on the terms and conditions hereinafter set forth, by and among NN, INC., a Delaware corporation (the "Borrower"), the subsidiaries of the Borrower who are parties to the Credit Agreement, as hereinafter defined (the "Guarantors"), the several lenders who are now or hereafter become parties to the Credit Agreement (the "Lenders"), AMSOUTH BANK, an Alabama state bank, individually and as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and BANK ONE, KENTUCKY, NA, individually and as co-agent for the Lenders (in such capacity, the "Co-Agent").

RECITALS:

1. Pursuant to a Credit Agreement dated as of July 20, 2001, among the Borrower, the Guarantors, the Administrative Agent, the Lenders and the Co-Agent, as amended by that certain Amendment No. 1 to Credit Agreement dated October 4, 2001, (as the same heretofore may have been and/or hereafter may be amended, restated, supplemented, extended, renewed, replaced or otherwise modified from time to time, the "Credit Agreement"), the Lenders have agreed to make Loans, all as more specifically described in the Credit Agreement. Capitalized terms used but not otherwise defined in this Agreement have the same meanings as in the Credit Agreement.

2. The parties hereto desire to amend the Credit Agreement in certain respects, as more particularly hereinafter set forth.

AGREEMENTS:

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms. Subsection 1.1 of the Agreement is hereby amended by amending the definition of "Term Loan Commitments" to provide as follows:

> "Term Loan Commitments" shall mean, at any time, the commitment of all the Lenders, collectively, to make Term Loans to the Borrower from time to time, pursuant to the provisions of Section 2.2.2, and the "Term Loan Commitment" of any Lender at any time shall mean an amount equal to such Lender's Percentage multiplied by the then effective aggregate Term Loan Commitments. The Term Loan Commitments are in the aggregate amount set forth in Section 2.1.

2. Term Loan Commitments. Subsection 2.1.1(c) of the Agreement is hereby amended to provide as follows:

(c) The aggregate amount of the Term Loan Commitments shall be $27,378,000, which amount shall reduce by $1,750,000 on October 1, 2002, and on each January 1, April 1, July 1 and October 1 thereafter.

3. Voluntary Reductions of Revolving Credit Commitments and Term Loan Commitments. Subsection 2.1.2 of the Agreement is hereby amended to provide as follows:

2.1.2. Voluntary Reductions of Revolving Credit Commitments and Term Loan Commitments. The Borrower shall have the right, at any time and from time to time, to terminate in whole or permanently reduce in part, without premium or penalty, the Revolving Credit Commitments and Term Loan Commitments in an amount up to the amount by which the Revolving Credit Commitments or the Term Loan Commitments, as applicable, exceed the aggregate amount of the then outstanding Revolving Loans or the Term Loans. The Borrower shall give not less than ten (10) Business Days' prior written notice to the Administrative Agent designating the date (which shall be a Business Day) of such termination or reduction and the amount of any reduction. Promptly after receipt of a notice of such termination or reduction, the Administrative Agent shall notify each Lender of the proposed termination or reduction. Such termination or reduction of the Revolving Credit Commitments or the Term Loan Commitments, as the case may be, shall be effective on the date specified in the Borrower's notice and shall reduce the Revolving Credit Commitments or the Term Loan Commitments, as applicable, of each Lender in proportion to its Percentage of the Revolving Credit Commitments or the Term Loan Commitments, as applicable. Any such reduction of the Revolving Credit Commitments or the Term Loan Commitments shall be in a minimum amount of $1,000,000 and in integral multiples of $500,000.

4. Commitment to Make Term Loans. Subsection 2.2.2 of the Agreement is hereby amended to provide as follows:

2.2.2. Commitment to Make Term Loans. Subject to all of the terms and conditions of this Agreement (including the conditions set forth in Sections 6.1 and 6.2) in reliance upon the representations and warranties of the Borrower herein set forth, each Lender hereby severally agrees to make Term Loans to the Borrower from time to time prior to the Term Loan Maturity Date and for the purposes identified in Section 2.7.; provided, however, in no event shall (a) the aggregate principal amount of the Term Loans made by any Lender outstanding at any time exceed such Lender's Term Loan Commitment, or (b) the aggregate principal amount of the Term Loans outstanding at any time exceed the Term Loan Commitments. All Term Loans shall be paid in full no later than the Term Loan Maturity Date.

5. Revolving Credit; Minimum Borrowings. Subsection 2.2.4 is hereby amended to provide as follows:

2.2.4. Revolving Credit; Minimum Borrowings. Amounts borrowed by the Borrower under the Revolving Credit Commitments may be prepaid and reborrowed from time to time during the Revolving Commitment Period. Amounts borrowed by the Borrower under the Term Loan Commitments may be prepaid and reborrowed from time to time prior to the Term Loan Maturity Date. The aggregate amount of Revolving Loans or Term Loans made on any Funding Date shall be in integral multiples of $100,000.

6. Notice of Borrowing. Exhibit 2.2.5 [Form of Notice of Borrowing] to the Agreement is hereby deleted and Exhibit 2.2.5 hereto is substituted in lieu thereof. Subsection 2.2.5 of the Agreement is hereby amended to provide as follows:

2.2.5. Notice of Borrowing.

(a) Delivery of Notice. Whenever the Borrower desires to borrow under Section 2.2.1 or Section 2.2.2, it shall deliver to the Administrative Agent a Notice of Borrowing no later than 11:00 a.m. (Central time) at least one (1) Business Day in advance of the proposed Funding Date (in the case of Base Rate Loans) or three (3) Business Days in advance of the proposed Funding Date (in the case of LIBOR Loans). The Notice of Borrowing shall specify (i) the proposed Funding Date (which shall be a Business Day), (ii) the amount of the proposed Borrowing, (iii) whether the proposed Borrowing shall be a Revolving Loan or a Term Loan, (iv) whether the proposed Borrowing shall be in the form of Base Rate Loans or LIBOR Loans, and (v) in the case of LIBOR Loans, the requested Interest Period. In lieu of delivering a Notice of Borrowing, the Borrower may give the Administrative Agent telephonic notice by the required time of notice of any proposed Borrowing under this Section 2.2.5; provided, however, that such notice shall be promptly confirmed in writing by delivery of a Notice of Borrowing to the Administrative Agent on or prior to the Funding Date of the requested Revolving Loans or Term Loans. The execution and delivery of each Notice of Borrowing shall be deemed a representation and warranty by the Borrower that the requested Revolving Loans or Term Loans may be made in accordance with, and will not violate the requirements of, this Agreement, including those set forth in Section 2.2.1 or Section 2.2.2.

(b) No Liability for Telephonic Notices. Neither the Administrative Agent nor any Lender shall incur any liability to the Borrower in acting upon any telephonic notice given pursuant to this Section 2.2.5 that the Administrative Agent believes in good faith to have been given by a duly authorized officer or other person authorized to borrow on behalf of the Borrower or for otherwise acting in good faith under this Section 2.2.5 and, upon the funding of Revolving Loans or Term Loans by the Lenders in accordance with this Agreement pursuant to any telephonic notice, the Borrower shall have effected a Borrowing of Revolving Loans or Term Loans, as the case may be, hereunder.

(c) Notice Irrevocable. A Notice of Borrowing for LIBOR Loans (or a telephonic notice in lieu thereof) shall be irrevocable on and after the related Interest Rate Determination Date, and the Borrower shall be bound to make a Borrowing in accordance therewith.

7. Commitment Fees. Subsection 2.8.3 of the Agreement is hereby amended to provide as follows:

2.8.3. Commitment Fees. The Borrower agrees to pay to the Administrative Agent, for distribution to the Lenders in proportion to their respective Percentages, (a) annual commitment fees for the period commencing on the date hereof to but excluding the Revolving Commitment Period Expiration Date equal to the average of the daily unused portion of the Revolving Credit Commitments (i.e., the aggregate amount of the Revolving Credit Commitments less the aggregate amount of Revolving Loans outstanding) multiplied by the Applicable Commitment Fee Percentage, and (b) annual commitment fees for the period commencing on the date hereof to but excluding the Term Loan Maturity Date equal to the average of the daily unused portion of the Term Loan Commitments (i.e., the aggregate amount of the Term Loan Commitments less the aggregate amount of Term Loans outstanding) multiplied by the Applicable Commitment Fee Percentage (collectively, the "Commitment Fees"). Commitment Fees shall be payable in quarter-annual installments, in arrears, on January 1, April 1, July 1, and October 1 of each year, commencing October 1, 2001, and on the Revolving Commitment Expiration Date (with respect to the Revolving Credit Commitments) and commencing October 1, 2002, and on the Term Loan Maturity Date (with respect to the Term Loan Commitments).

8. Disbursement of Funds. Subsection 2.2.6 of the Agreement is hereby amended to provide as follows:

2.2.6. Disbursement of Funds. Promptly after receipt of a Notice of Borrowing (or telephonic notice in lieu thereof), the Administrative Agent shall notify each Lender of the proposed Borrowing in writing, or by telephone promptly confirmed in writing. Each Lender shall make the amount of its Revolving Loan or Term Loan, as the case may be, available to the Administrative Agent, in immediately available funds, at the Lending Office of the Administrative Agent, not later than 11:00 a.m. (Central time) on the Funding Date. The Administrative Agent shall make the proceeds of such Revolving Loans or Term Loans available to the Borrower on such Funding Date by causing an amount of immediately available funds equal to the proceeds of all such Revolving Loans or Term Loans, as the case may be, received by the Administrative Agent to be credited to the account of the Borrower at such office of the Administrative Agent.

9. Term Loan Principal Payments. Subsection 3.1.2 of the Agreement is hereby amended to provide as follows:

3.1.2. Term Loan Principal Payments. Principal of the Term Loans shall be repaid in an amount necessary to reduce the outstanding principal of the Term Loans to an amount that is not greater than the amount of the Term Loan Commitments, as such amount reduces from time to time in accordance with Subsection 2.1.1(c) of this Agreement; provided, however, that in connection with any payment of principal of the Term Loans consisting of LIBOR Loans, the Borrower shall pay to the Administrative Agent, for distribution to the Lenders, the accrued interest on such Loan required to be paid pursuant to Section 3.1.1 and any amounts required to be paid pursuant to Section 3.3.3.

10. Optional Prepayments. Subsection 3.1.3(a)(2) is hereby amended by deleting from the last two (2) lines the clause "and provided further that any prepayments of the Term Loans, shall be applied to scheduled Term Loan principal payments in the inverse order of their maturity."

11. Mandatory Prepayment. The first sentence of Subsection 3.1.3(b)(1) of the Agreement is hereby amended by deleting from the first sentence the language "and provided further that any prepayments of the Term Loan shall be applied to scheduled Term Loan principal payments in the inverse order of their maturity." The penultimate sentence of Subsection 3.1.3(b)(1) of the Agreement is hereby amended to provide as follows:

Any prepayment pursuant to this paragraph (1) shall be applied first to the outstanding principal balance of the Term Loans, and then to outstanding Revolving Loans, in each case applied first to Base Rate Loans until the same have been fully repaid, and then to LIBOR Loans.

12. Secondary Offering. The proceeds received by the Borrower from the Borrower's anticipated secondary offering of its stock less any underwriters' discounts and commissions shall be applied to the outstanding Term Loans in accordance with the provisions of Subsection 3.1.3(b) of the Agreement; provided, however, notwithstanding the provisions of Section 3.1.3(b) of the Agreement so long as such proceeds are received by the Borrower not later than September 30, 2002, the amount of the Term Loan Commitments shall not be reduced by the amount of such prepayment.

13. Restricted Payments. Clause (c) of Section 9.5 is hereby amended to provide as follows:

(c) the Borrower may declare and pay dividends and make distributions payable to its shareholders in any Fiscal Year in an aggregate amount not in excess of (i) $5,500,000 or (ii) in the event Borrower received proceeds from its anticipated secondary offering on or before September 30, 2002, $6,500,000.

14. Restructuring Fee. Upon execution of this Amendment, the Borrower shall pay to the Administrative Agent, for distribution to the Lenders in proportions to their respective Percentages, a restructuring fee in the amount of $54,756.

15. Effectiveness. This Amendment shall be effective only upon execution and delivery by the Borrower, the Guarantors, the Administrative Agent and the Lenders.

16. Representations and Warranties of the Borrower and the Guarantors. As an inducement to the Administrative Agent, the Co-Agent and the Lenders to enter into this Amendment, the Borrower and the Guarantors hereby represent and warrant to the Administrative Agent, the Co-Agent and the Lenders that, on and as of the date hereof:

(a) the representations and warranties contained in the Credit Agreement and the other Loan Documents are true and correct, except for (1) representations and warranties that expressly relate to an earlier date, which remain true and correct as of said earlier date, and (2) representations and warranties that have become untrue or incorrect solely because of changes permitted by the terms of the Credit Agreement and the other Loan Documents, and

(b) no Default or Event of Default has occurred and is continuing.

17. Effect of Amendment; Continuing Effectiveness of Credit Agreement and Loan Documents.

(a) Neither this Amendment nor any other indulgences that may have been granted to the Borrower or any of the Guarantors by the Administrative Agent, the Co-Agent or any Lender shall constitute a course of dealing or otherwise obligate the Administrative Agent, the Co-Agent or any Lender to modify, expand or extend the agreements contained herein, to agree to any other amendments to the Credit Agreement or to grant any consent to, waiver of or indulgence with respect to any other noncompliance with any provision of the Loan Documents.

(b) This Amendment shall constitute a Loan Document for all purposes of the Credit Agreement and the other Loan Documents. Any noncompliance by the Borrower or any Guarantor with any of the covenants, terms, conditions or provisions of this Amendment that shall continue for more than twenty (20) days after the earlier of (a) written notice from the Administrative Agent to the Borrower or such Guarantor, as applicable, of the existence of such Default or (b) the date any Responsible Officer of the Borrower or such Guarantor, as applicable, first obtains knowledge of such failure, shall constitute an Event of Default. Except to the extent amended hereby, the Credit Agreement, the other Loan Documents and all terms, conditions and provisions thereof shall continue in full force and effect in all respects.

18. Counterparts. This Amendment may be executed in multiple counterparts or copies, each of which shall be deemed an original hereof for all purposes. One or more counterparts or copies of this Amendment may be executed by one or more of the parties hereto,

and some different counterparts or copies executed by one or more of the other parties. Each counterpart or copy hereof executed by any party hereto shall be binding upon the party executing same even though other parties may execute one or more different counterparts or copies, and all counterparts or copies hereof so executed shall constitute but one and the same agreement. Each party hereto, by execution of one or more counterparts or copies hereof, expressly authorizes and directs any other party hereto to detach the signature pages and any corresponding acknowledgment, attestation, witness or similar pages relating thereto from any such counterpart or copy hereof executed by the authorizing party and affix same to one or more other identical counterparts or copies hereof so that upon execution of multiple counterparts or copies hereof by all parties hereto, there shall be one or more counterparts or copies hereof to which is(are) attached signature pages containing signatures of all parties hereto and any corresponding acknowledgment, attestation, witness or similar pages relating thereto.

19. Miscellaneous.

(a) This Amendment shall be governed by, construed and enforced in accordance with the laws of the State of Tennessee, without reference to the conflicts or choice of law principles thereof.

(b) The headings in this Amendment and the usage herein of defined terms are for convenience of reference only, and shall not be construed as amplifying, limiting or otherwise affecting the substantive provisions hereof.

(c) Any reference herein to any instrument, document or agreement, by whatever terminology used, shall be deemed to include any and all amendments, modifications, supplements, extensions, renewals, substitutions and/or replacements thereof as the context may require.

(d) When used herein, (1) the singular shall include the plural, and vice versa, and the use of the masculine, feminine or neuter gender shall include all other genders, as appropriate, (2) "include", "includes" and "including" shall be deemed to be followed by "without limitation" regardless of whether such words or words of like import in fact follow same, and (3) unless the context clearly indicates otherwise, the disjunctive "or" shall include the conjunctive "and".

[Signatures Begin Next Page]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

BORROWER:

NN, INC.,
a Delaware corporation

By: /s/ William C. Kelly, Jr.
Name: William C. Kelly, Jr.
Title: Treasurer

GUARANTORS:

INDUSTRIAL MOLDING GP, LLC,
a Delaware limited liability company

By: /s/ David L. Dyckman
Name: David L. Dyckman
Title: Manager

INDUSTRIAL MOLDING LP, LLC,
a Tennessee limited liability company

By: /s/ William C. Kelly, Jr.
Name: William C. Kelly, Jr.
Title: Manager

[Signatures Continued Next Page]

INDUSTRIAL MOLDING GROUP, L.P.,
a Tennessee limited partnership

By: Industrial Molding GP, LLC, a Delaware limited liability company, its general partner

By: /s/ David L. Dyckman
Name: David L. Dyckman
Title: GP, Manager

DELTA RUBBER COMPANY,
a Connecticut corporation

By: /s/ David L. Dyckman
Name: David L. Dyckman
Title: Vice President

LENDERS:

AMSOUTH BANK, as a Lender and as Administrative Agent

By: /s/ Sarah Dawkins
Name: Sarah Dawkins
Title: Officer

BANK ONE, KENTUCKY, NA, as a Lender and as Co-Agent

By: /s/ Thelma B. Ferguson
Name: Thelma B. Ferguson
Title: First Vice President

[Signatures Continued Next Page]

FIRSTAR BANK, N.A., as a Lender

By: /s/ Russell S. Rogers

Name: Russell S. Rogers

Title: Vice President

SUNTRUST BANK, as a Lender

By: /s/ William E. Edwards, III

Name: William E. Edwards, III

Title: Group Vice President Corporate Banking

FIRST TENNESSEE BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Vincent Hickam

Name: Vincent Hickam

Title: Executive Vice President

EXHIBIT 2.2.5

[FORM OF NOTICE OF BORROWING]

[Date]

AmSouth Bank
AmSouth Center
315 Deaderick Street
Nashville, TN 37237
Attn: Corporate Finance

Ladies and Gentlemen:

Pursuant to that certain Credit Agreement dated as of July 20, 2001, among NN, Inc., a Delaware corporation (the "Borrower"), the Subsidiaries of the Borrower now or hereafter becoming parties thereto, the several lenders who are or become parties thereto (the "Lenders"), AmSouth Bank, as administrative agent for the Lenders (the "Administrative Agent"), and Bank One Kentucky, NA, as co-agent (the "Co-Agent") (as the same heretofore may have been and/or hereafter may be amended, restated, supplemented, extended, renewed, replaced or otherwise modified from time to time, the "Credit Agreement"; capitalized terms used but not defined herein shall have the meanings assigned thereto in the Credit Agreement), [notice is hereby given of the Borrower's] [the Borrower hereby confirms its prior telephonic] request to borrow on _____ __, 200_ from the Lenders on a pro rata basis $_____ as [Base Rate] [LIBOR] [Revolving] [Term] Loans. [The initial Interest Period for such LIBOR Loans is requested to be a _____ month period.] The proceeds of such [Revolving Loans] [Term Loans] are to be deposited in the Borrower's account #_____ maintained with the Administrative Agent.

The undersigned officer of the Borrower hereby certifies that (1) the foregoing [Revolving Loans] [Term Loans] are permitted by, comply with all requirements of and will not violate any provisions of the Credit Agreement, including those set forth in Section 2.2.1 or Section 2.2.2 thereof, and (2) all of the conditions of the Credit Agreement to the making of the foregoing [Revolving Loans] [Term Loans], including those set forth in Section 6.2 thereof, have been satisfied.

NN, INC.

By: _____

Title: _____

Exhibit 21.1

Subsidiaries of the Registrant

Direct Subsidiaries of NN, Inc.	NN Ownership Interest	Jurisdiction of Incorporation or Organization
Industrial Molding GP, LLC	100%	Delaware
The Delta Rubber Company	100%	Connecticut
NN Euroball ApS	54%	Netherlands
NN Mexico, LLC	51%	Delaware

Indirect Subsidiaries of NN, Inc.	Ownership	Jurisdiction of Incorporation or Organization
Industrial Molding LP, LLC	100% owned by Industrial Molding GP, LLC	Tennessee
Industrial Molding Group, L.P.	99% owned by Industrial Molding LP, LLC and 1% owned by Industrial Molding GP, LLC	Tennessee
NN Arte S. De R.L. De D.V.	99% owned by NN Mexico, LLC	Mexico
Kugelfertigung Eltmann GmbH	100% owned by NN Euroball ApS	Germany
Euroball S.p.A.	100% owned by NN Euroball ApS	Italy
NN Euroball Ireland Ltd.	100% owned by Euroball S.p.A.	Ireland

Exhibit 23.2

Independent Auditor's Consent

The Board of Directors
NN, Inc.:

We consent to the use of our report dated February 28, 2002, with respect to the consolidated balance sheets of NN, Inc. as of December 31, 2001 and 2000, and the related consolidated statements of income and comprehensive income, consolidated statements of changes in stockholders' equity, and consolidated statements of cash flows for the years then ended, included and incorporated herein by reference and to the references to our firm under the headings "Experts" and "Selected Consolidated Financial Data" in the prospectus. Our report refers to a change in the Company's method of accounting for derivative instruments and hedging activities in 2001.

/s/ KPMG LLP

Charlotte, North Carolina
July 15, 2002

Exhibit 23.3

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this Registration Statement on Form S-3 of our report dated February 4, 2000 relating to the December 31, 1999 consolidated financial statements of NN, Inc. (formerly known as NN Ball & Roller, Inc.), which appears in NN, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001. We also consent to the references to us under the headings "Experts" and "Selected Consolidated Financial Data" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Charlotte, North Carolina
July 15, 2002