

NN INC  
Form DEF 14A  
April 09, 2010

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

SCHEDULE 14A  
(Rule 14a-10)

INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. \_\_)

Filed by the Registrant  x

Filed by a Party other than the Registrant  o

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to Rule 14a-12

NN, INC.  
(Name of Registrant as Specified in Its Charter)

Not Applicable  
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:

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o Fee paid previously with preliminary materials:

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement no.:

(3) Filing party:

(4) Date filed:

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**NN, Inc.**

Corporate Office  
2000 Waters Edge  
Drive •  
423-743-9151

Building C, Suite 12 • Johnson City, TN 37604  
fax 423-743-2670

[www.nnbr.com](http://www.nnbr.com)

April 9, 2010

Dear Shareholder:

You are cordially invited to attend the 2010 Annual Meeting of NN, Inc., which will be held on May 20, 2010, at 10:00 a.m., local time, at the Renaissance Suites Charlotte Hotel, 2800 Coliseum Centre Drive, Charlotte, North Carolina 28217.

The business to be conducted at the Annual Meeting is described in the attached Notice of Meeting and Proxy Statement. You are urged to read the Proxy Statement carefully before completing the enclosed proxy card.

To assure your representation at the meeting, please mark, date and sign the proxy card and return it in the enclosed envelope at your earliest convenience, whether or not you plan to attend the meeting. If you attend the Annual Meeting, you may revoke your proxy and vote in person if you so desire. Management will not conduct a formal presentation at this year's meeting.

Sincerely,

/s/Roderick R. Baty  
Roderick R. Baty  
Chairman and Chief Executive Officer

NN, Inc.

2000 Waters Edge Drive, Building C, Suite 12

Johnson City, TN 37604

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual Meeting of Shareholders of NN, Inc., a Delaware corporation, will be held on May 20, 2010, at 10:00 a.m., local time, at Renaissance Suites Charlotte Hotel, 2800 Coliseum Centre Drive, Charlotte, North Carolina 28217, for the following purposes:

- (1) To elect two Class III directors, to serve for a term of three years;
- (2) To ratify the selection of PricewaterhouseCoopers LLP as the Company's registered independent public accounting firm for the fiscal year ending December 31, 2010; and
- (3) To conduct such other business as properly may come before the meeting.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THESE PROPOSALS.

Details regarding these matters are contained in the accompanying Proxy Statement.

Holders of record of Common Stock at the close of business on March 26, 2010, are entitled to notice of and to vote at the Annual Meeting.

Please mark, date and sign the enclosed proxy card and return it in the envelope provided. You may revoke your proxy at any time before the votes are cast at the Annual Meeting in accordance with the instructions given in the accompanying Proxy Statement.

By Order of the Board of Directors,

/s/William C. Kelly, Jr.  
William C. Kelly, Jr.  
Vice President, Secretary, and Chief Administrative Officer

Johnson City, Tennessee  
April 9, 2010

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NN, INC.

PROXY STATEMENT

FOR

2010 ANNUAL MEETING OF SHAREHOLDERS

Proxies are being solicited by the board of directors of NN, Inc. (the "Company"), in connection with the annual meeting of shareholders to be held on May 20, 2010 at the Renaissance Charlotte Suites Hotel, 2800 Coliseum Centre Drive, Charlotte, North Carolina 28217 (the "Annual Meeting"), for the purpose of considering and acting upon the matters set forth in the foregoing Notice of Annual Meeting of Shareholders (the "Notice"). Shareholders of record of the Company's common stock, par value \$0.01 per share ("Common Stock"), as of the close of business on March 26, 2010, will be entitled to vote at the meeting. On March 26, 2010 (the "Record Date"), 16,516,924 shares of Common Stock were issued and outstanding.

The entire cost of this proxy solicitation is being paid by the Company. In addition to solicitation by mail, officers and employees of the Company, without additional remuneration, may solicit proxies by telephone, facsimile transmission or personal contact. Brokerage houses, banks, nominees, fiduciaries and other custodians will be requested to forward soliciting material to the beneficial owners of shares held by them of record and will be reimbursed by the Company for their expenses in so doing.

The mailing address of the Company's executive office is 2000 Waters Edge Drive, Building C, Suite 12, Johnson City, Tennessee 37604. This Proxy Statement and the form of proxy were mailed to shareholders on or about April 9, 2010.

Voting; Quorum; Proxies

Each share of Common Stock outstanding on the Record Date is entitled to one vote on each matter submitted to a vote of shareholders at the Annual Meeting. A quorum for the conduct of business is established when the holders of at least a majority of the outstanding shares of Common Stock entitled to vote in the election of directors is present at the meeting or is represented by proxy. Representatives of the Company will serve as inspectors of election for the Annual Meeting.

Shares represented by a properly executed proxy will be voted at the Annual Meeting in the manner specified. In the absence of specific instructions, shares represented by a properly executed proxy will be voted for each of the nominees for election to the board of directors named herein and for the proposal to ratify the selection of PricewaterhouseCoopers LLP to serve as the Company's registered independent public accounting firm for 2010.

The board of directors does not now intend to bring before the Annual Meeting any matters other than those disclosed in the Notice, and it is not aware of any business that any other persons intend to bring before the Annual Meeting. Should any such matter requiring a vote of the shareholders arise, the enclosed form of proxy confers upon the persons named therein the discretionary authority to vote the shares represented by the proxy as they deem appropriate.

A proxy may be revoked at any time before it is exercised by delivery to the Secretary of the Company of a written revocation or a subsequently dated proxy and will be deemed revoked if the shareholder votes in person at the Annual Meeting.



## Required Vote

Proposal I: Election of Directors. Directors are elected by a plurality of the votes cast in person or by proxy. Abstentions and broker non-votes will not be taken into account in determining the outcome of the election.

Proposal II: Ratification of Registered Independent Public Accounting Firm. To be approved, this matter must receive the affirmative vote of the majority of the shares present in person or by proxy and entitled to vote on the matter. Abstentions will have the effect of “no” votes on this matter. A broker non-vote will not be considered present and will not be entitled to vote on non-routine items and will have no impact on the vote for this proposal.

## Submission of Shareholder Proposals

Any shareholder proposal intended to be presented at next year's Annual Meeting must be received by the Company at its executive offices not later than December 15, 2010 in order to be considered for inclusion in the Company's proxy statement and form of proxy for such meeting. These proposals should be sent to NN, Inc., Attention: Secretary, 2000 Waters Edge Drive, Building C, Suite 12, Johnson City, Tennessee 37604. Proposals of shareholders not intended for inclusion in the Company's 2011 proxy statement must be received by the Company in writing no later than February 28, 2011 in order to preclude the Company's use of its discretionary proxy voting authority to vote on the proposal or nominee if the proponent is present at the 2011 annual meeting.

**PROPOSAL I**  
Election of Directors

The Company's Certificate of Incorporation provides for the division of the board of directors into three classes: Class I, Class II and Class III. Only one class of directors is elected at each annual meeting. Each director so elected serves for a three-year term and until his or her successor is elected and qualified, subject to such director's earlier death, resignation or removal.

Nominees

Two Class III directors will be elected to the board of directors at the Annual Meeting. The Company has nominated for election Richard G. Fanelli and Michael E. Werner, each a current director of the Company. The nominees have both indicated a willingness to continue to serve as directors if elected, but if either of them should decline or be unable to serve, the persons named as proxies intend to vote all shares in favor of the election of such other persons who may be nominated as replacements by the board of directors. The Company takes into account diversity considerations in determining the slate of nominees and believes as a group the nominees bring a diverse range of perspective to the board.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THIS PROPOSAL.**

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**PROPOSAL II**  
Ratification of Selection of Registered Independent Public Accounting Firm

The firm of PricewaterhouseCoopers LLP has been selected by the Audit Committee of the board of directors as the Company's registered independent public accounting firm for 2010. Although it is not required to do so, the Board has determined that it is desirable to seek shareholders' ratification of the selection of PricewaterhouseCoopers LLP. If the shareholders should not ratify the appointment of PricewaterhouseCoopers LLP, the Audit Committee will reconsider the appointment.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THIS PROPOSAL.**

## Information about the Directors

The board of directors consists of 6 directors. The board has determined that each of the directors, with the exception of Mr. Baty, qualifies as “independent” as defined by the Nasdaq rules. In making this determination, the board has concluded that none of these members has a relationship which, in the opinion of the board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. .

The following table sets forth the names of each current director (including the nominees for election), their age, their years of service as a director, the year in which their current term expires and their current positions with the Company. The table is followed by a more detailed biographical description for each director.

Name	Age	Director Since	Term Expires	Positions with the Company
Richard G. Fanelli	71	2005	2010	Director – nominee for re-election
Michael E. Werner	65	1995	2010	Director – nominee for re-election
G. Ronald Morris	73	1994	2011	Director
Steven T. Warshaw	61	1997	2011	Director
Robert M. Aiken, Jr.	67	2003	2012	Director
Roderick R. Baty	56	1995	2012	Chairman of the Board, Chief Executive Officer, President and Director

Richard G. Fanelli retired in 2000 from Enthone-OMI, Inc., where he spent the majority of his career. Enthone-OMI, Inc. is a global specialty chemical company that develops, produces and markets high performance coatings for metals and plastics for the electronics, automotive, aerospace and telecommunications industries. Mr. Fanelli served as President and Chief Executive Officer of Enthone-OMI, Inc. from 1992 to his retirement in 2000. Prior to this position, Mr. Fanelli served as President of Enthone-OMI – Europe from 1991 to 1992. From 1989 to 1991, he served as Executive Vice President and Chief Operating Officer of Enthone-OMI– North America. Prior to this position, Mr. Fanelli held a variety of positions within Enthone-OMI, Inc. including positions in sales and marketing and general management.

Michael E. Werner retired in 2009 from Werner & Associates, a management consulting firm that Mr. Werner co-founded in 1982 specializing in manufacturing companies. During the five years prior to starting his business, 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.

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 retired in 2005 from M Cubed Technologies, a developer and manufacturer of advanced composite materials and ultra-precise electronic components and modules. Mr. Warshaw had served as President and Chief Executive Officer of M Cubed Technologies since July 2002. Prior to this position he served as President of Hexcel Schwebel, a global producer of advanced structural materials, from April 2000 to November 2001. Mr. Warshaw served from February 1999 as Senior Vice President of Photonics, Inc., a global supplier to the semiconductor industry. From 1996 to 1999, he served as President of Olin Microelectronic Materials, a company supplying technologically advanced chemicals, products, and services to semiconductor manufacturers. Mr. Warshaw serves on the board of directors of Park Electrochemical Corp., a publicly held company.

Robert M. Aiken, Jr. retired in December 2003 as President of RMA Consulting, Inc., a management consulting firm he founded in 1998. Prior to this position, Mr. Aiken served as Executive Vice President and Chief Financial Officer of Sunoco, an independent refiner and marketer of petroleum and petrochemical products. Mr. Aiken held this position from 1996 and served as Senior Vice President and Chief Financial Officer from 1990 to 1996. From 1970 to 1990 Mr. Aiken held various financial positions within Sunoco, Inc. Prior to Mr. Aiken joining Sunoco, he held positions with Coopers and Lybrand and earlier with Hershey Foods.

Roderick R. Baty became President and Chief Executive Officer in 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 to fill a vacant seat in August 1995. Prior to joining the Company, Mr. Baty served as President and Chief Operating Officer of Hoover Precision Products from 1990 to January 1995 and as Vice President and General Manager of Hoover Group from 1985 to 1990.

#### Compensation of Directors

Directors who are not employees of the Company are paid an annual retainer of \$25,000 and a fee of \$1,000 for each board meeting attended, \$750 for each committee meeting attended and \$500 for each teleconference meeting attended. Additionally, committee chairs are paid an annual retainer of \$3,250. Directors who are employees of the Company do not receive any compensation for their service as directors. Directors may elect to defer some or all of the compensation they are provided by the Company. Additionally, the Compensation Committee has from time to time granted options to the non-employee directors. The Company also reimburses all directors for out-of-pocket expenses incurred in attending board and committee meetings. Director compensation is reviewed and approved by the Compensation Committee.

The table below provides information about the compensation our directors received during 2009.

Director Compensation Table For 2009

Name	Fees Earned or Paid in Cash (\$)(1)	Stock Awards (\$)	Option Awards (\$)(2)	Non-equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Robert M. Aiken, Jr.	34,230	--	9,240	--	--	--	43,470
Richard G. Fanelli	32,220	--	9,240	--	25,775	--	67,235
G. Ronald Morris	32,100	--	9,240	--	120,655	--	166,995
Steven T. Warshaw	36,180	--	9,240	--	--	--	45,420
Michael E. Werner	32,610	--	9,240	--	24,860	--	66,710

(1) Due to the economic conditions the Company experienced in the fourth quarter of 2008 and throughout most of 2009, the Company's board of directors voluntarily elected to reduce the annual retainer and meeting fees by 20% beginning January 1, 2009. Due to improving economic conditions and cash flows, on November 18, 2009, the Compensation Committee of the board reinstated the board's retainer and the meeting fees to normal levels and

elected to repay in 2010 a portion of the amounts not paid in 2009. Only amounts not paid during the period January 1, 2009 to June 30, 2009 will be repaid.

- (2) Amounts represent the market value, as calculated under U.S. Generally Accepted Accounting Principles related to stock based compensation, of 12,000 shares of stock options awarded Messrs. Aiken, Fanelli, Morris, Warshaw and Werner. On March 25, 2009, the Company awarded 232,000 options to purchase the Company's stock to five non-employee directors and ten executive officers and other key employees. The market value of these shares on the date of grant was \$1.30 per share. The shares granted to non-employee directors vest 100% on the first anniversary of the date of grant and are exercisable at the closing market price of the date of grant. The aggregate amount of vested stock options held by Messrs. Aiken, Fanelli, Morris, Warshaw and Werner on December 31, 2009 was 53,000, 23,000, 66,000, 66,000 and 66,000, respectively.

The following table sets forth information with respect to nonqualified deferred compensation during 2009.

Name	Nonqualified Deferred Compensation For 2009				
	Director Contributions in Last FY (\$)	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY (\$)	Aggregate Withdrawals/Distributions (\$)	Aggregate Balance at Last FYE (\$)
Robert M. Aiken, Jr.	--	--	--	--	--
Richard G. Fanelli	--	--	25,775	--	76,152
G. Ronald Morris	--	--	120,655	--	357,778
Steven T. Warshaw	--	--	--	--	--
Michael E. Werner	--	--	24,860	--	335,079

#### Committees of the Board

**Audit Committee.** The Audit Committee consists of Robert M. Aiken, Jr. who serves as Chairman, G. Ronald Morris and Steven T. Warshaw. All members of the Audit Committee are independent as defined in the Nasdaq rules and Mr. Aiken has been designated as the "audit committee financial expert" as defined by Item 407(d) of Regulation S-K. Among other matters described in its charter, the Audit Committee is responsible for engaging the registered independent public accounting firm to conduct the annual audit of the books and accounts of the Company and for reviewing the effectiveness of the internal auditing, accounting and financial controls of the Company with the registered independent public accounting firm and the Company's internal financial and accounting staff. The Audit Committee originally adopted a written charter in June 2000. This charter, which has been amended, is subject to review and reassessment at least annually. This revised charter is included on the Company's website at [www.nnbr.com](http://www.nnbr.com). The Audit Committee met five times in 2009.

**Compensation Committee.** The Compensation Committee consists of Steven T. Warshaw who serves as Chairman, Michael E Werner and Richard G. Fanelli. All members of the Compensation Committee are independent as defined by Nasdaq rules. The Compensation Committee annually reviews and approves corporate goals and objectives relative to the Chief Executive Officer evaluation, compensation and performance. Additionally, the Compensation Committee is responsible for reviewing and approving the Company's executive compensation policies and practices and supervising the administration of the Company's employee benefit plans, including the NN, Inc. Incentive Plan. In April 2003, the Compensation Committee presented to the board and the board approved a written charter. This charter, which has been amended, is subject to review and reassessment at least annually. This revised charter is included on the Company's website at [www.nnbr.com](http://www.nnbr.com). The functions of the Compensation Committee are discussed in further detail in the section entitled "Report of the Compensation Committee" herein. The Compensation Committee met three times in 2009.

**Governance Committee.** The Governance Committee was formed in 2002. The Committee consists of Richard G. Fanelli who serves as Chairman, Michael E. Werner, and G. Ronald Morris. All members of the Governance Committee are independent as defined by Nasdaq rules.

As provided in its charter, the Governance Committee is responsible for reviewing and recommending qualified candidates for membership on the board of directors. The Committee seeks input from the Chairman of the board, other board members, and professional search firms, if applicable. The Committee will also consider and evaluate any qualified candidates recommended by shareholders. In accordance with the board's governance principles, the Committee seeks to establish a board that will bring to the Company a broad and diverse range of experience,

knowledge and professional judgment. The Committee believes that the board should have collective competency, knowledge and experience with respect to corporate governance, business, finance and accounting, economics, industry knowledge, manufacturing, technology, legal and government affairs, risk management and international operations, among other things.