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

# Form 10-Q

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

**For the quarterly period ended March 31, 2012**

**Commission File Number: 333-130470**

# Accellent Inc.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Maryland**<br>**(State or other jurisdiction of incorporation or organization)** | **84-1507827**<br>**(I.R.S. Employer Identification Number)** |
| **100 Fordham Road**<br>**Wilmington, Massachusetts**<br>**(Address of registrant's principal executive offices)** | **01887**<br>**(Zip code)** |

**(978) 570-6900**
**Registrant's Telephone Number, Including Area Code:**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ |
| Non-accelerated filer ☒ (Do not check if a smaller reporting company) | Smaller reporting company ☐ |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 11, 2012 1,000 shares of the Registrant's common stock were outstanding. The registrant is a wholly owned subsidiary of Accellent Holdings Corp.

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

**ACCELLENT INC.**
**Unaudited Condensed Consolidated Balance Sheets**
**As of December 31, 2011 and March 31, 2012**
**(in thousands, except share and per share data)**

| | December 31, 2011 | March 31, 2012 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 38,858 | $ 35,149 |
| Accounts receivable, net of allowances of $1,983 and $2,034 as of December 31, 2011 and March 31, 2012, respectively | 54,763 | 62,023 |
| Inventory | 65,962 | 71,193 |
| Prepaid expenses and other current assets | 4,481 | 5,277 |
| Total current assets | 164,064 | 173,642 |
| Property, plant and equipment, net | 126,992 | 124,563 |
| Goodwill | 629,854 | 629,854 |
| Other intangible assets, net | 149,687 | 145,952 |
| Deferred financing costs and other assets, net | 16,825 | 16,195 |
| Total assets | $1,087,422 | $1,090,206 |
| **Liabilities and Stockholder's equity** | | |
| Current liabilities: | | |
| Current portion of long-term debt | $ 22 | $ 22 |
| Accounts payable | 22,580 | 27,142 |
| Accrued payroll and benefits | 8,221 | 12,164 |
| Accrued interest | 19,519 | 19,228 |
| Accrued expenses and other current liabilities | 18,747 | 18,845 |
| Total current liabilities | 69,089 | 77,401 |
| Long-term debt | 712,967 | 713,042 |
| Other liabilities | 38,466 | 39,085 |
| Total liabilities | 820,522 | 829,528 |
| Stockholder's equity: | | |
| Common stock, par value $0.01 per share, 50,000,000 shares authorized; 1,000 shares issued and outstanding at December 31, 2011 and March 31, 2012 | — | — |
| Additional paid-in capital | 638,445 | 638,655 |
| Accumulated other comprehensive (loss) income | (1,266) | (712) |
| Accumulated deficit | (370,279) | (377,265) |
| Total stockholder's equity | 266,900 | 260,678 |
| Total liabilities and stockholder's equity | $1,087,422 | $1,090,206 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

## ACCELLENT INC.
## Unaudited Condensed Consolidated Statements of Operations
## For the three months ended March 31, 2011 and 2012
## (in thousands)

| | Three Months Ended | |
|---|---|---|
| | March 31, 2011 | March 31, 2012 |
| Net sales | $129,889 | $131,578 |
| Cost of sales (exclusive of amortization) | 98,318 | 100,967 |
| Gross profit | 31,571 | 30,611 |
| Operating expenses: | | |
| Selling, general and administrative expenses | 14,112 | 15,050 |
| Research and development expenses | 747 | 474 |
| Restructuring charges | — | 353 |
| Gain on sale of property, plant and equipment | — | (1) |
| Amortization of intangible assets | 3,735 | 3,735 |
| Total operating expenses | 18,594 | 19,611 |
| Income from operations | 12,977 | 11,000 |
| Other (expense) income, net: | | |
| Interest expense, net | (17,249) | (17,242) |
| Other (expense) income, net | (1,934) | 178 |
| Total other (expense) income, net | (19,183) | (17,064) |
| Loss before income taxes | (6,206) | (6,064) |
| Provision for income taxes | 1,965 | 922 |
| Net loss | $ (8,171) | $ (6,986) |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**ACCELLENT INC.**

**Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss)**
**For the three months ended March 31, 2011 and 2012**
**(in thousands)**

| | Three Months Ended | |
|---|---|---|
| | March 31, 2011 | March 31, 2012 |
| Net loss | $ (8,171) | $ (6,986) |
| Other comprehensive income | | |
| Cumulative translation adjustment gains | 2,405 | 554 |
| Comprehensive loss | $ (5,766) | $ (6,432) |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**ACCELLENT INC.**
**Unaudited Condensed Consolidated Statements of Cash Flows**
**For the three months ended March 31, 2011 and 2012**
**(in thousands)**

| | March 31, 2011 | March 31, 2012 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net loss | $ (8,171) | $ (6,986) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 9,441 | 10,083 |
| Amortization of debt discounts and non-cash interest accrued | 720 | 756 |
| Restructuring charges, net of payments | — | (90) |
| Gain on disposal of property and equipment | (1) | (1) |
| Deferred income tax expense | 740 | 738 |
| Non-cash compensation expense | 271 | 63 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (4,148) | (7,115) |
| Inventory | (9,650) | (5,097) |
| Prepaid expenses and other current assets | (1,171) | (783) |
| Accounts payable, accrued expenses and other operating liabilities | 6,967 | 7,389 |
| Net cash used in operating activities | (5,002) | (1,043) |
| **Cash flows from investing activities:** | | |
| Capital expenditures | (5,596) | (2,894) |
| Proceeds from sale of property and equipment | 11 | 20 |
| Net cash used in investing activities | (5,585) | (2,874) |
| **Cash flows from financing activities:** | | |
| Repurchase of parent company stock | — | (43) |
| Payment of deferred financing fees | (369) | — |
| Repayments of long-term debt and capital lease obligations | (6) | (5) |
| Net cash used in financing activities | (375) | (48) |
| **Effect of exchange rate changes** | 206 | 256 |
| **Net decrease in cash** | (10,756) | (3,709) |
| **Cash, beginning of period** | 40,787 | 38,858 |
| **Cash, end of period** | $ 30,031 | $35,149 |
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid for interest | $ 16,795 | $16,803 |
| Cash paid for income taxes | $ 52 | $ 272 |
| **Supplemental disclosure of non-cash investing and financing activities:** | | |
| Property and equipment purchases included in accrued expenses | $ 1,039 | $ 1,166 |
| Deferred financing fees unpaid and included in accounts payable and accrued expenses | $ 201 | $ — |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**ACCELLENT INC.**
**Notes to Unaudited Condensed Consolidated Financial Statements**
**March 31, 2012**

## 1. Summary of significant accounting policies

### *Basis of Presentation*

The unaudited condensed consolidated financial statements include the accounts of Accellent Inc. and its wholly owned subsidiaries (collectively, the "Company"). All intercompany transactions have been eliminated.

We have prepared the accompanying unaudited condensed consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. We have prepared the accompanying unaudited condensed consolidated financial statements on the same basis as the audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, and in the opinion of management, these financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of the interim periods presented. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full fiscal year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

There have been no significant changes in the application of our significant accounting policies that were disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, nor were there any significant changes resulting from the adoption of new accounting pronouncements.

### *Customer Concentration*

During the three months ended March 31, 2011 and 2012, our ten largest customers accounted for approximately 66% and 65% of our consolidated net sales, respectively.

The actual percentage of net sales derived from each customer whose sales represented more than 10% or more of our consolidated net sales was as follows for the periods presented:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2011 | 2012 |
| Customer A | 17% | 16% |
| Customer B | 15% | 15% |
| Customer C | 12% | 10% |

At March 31, 2012, Customers A and B comprised approximately 13% and 11%, respectively, of accounts receivable, net. At December 31, 2011, Customers A and B each comprised approximately 11% of Accounts receivable, net.

## 2. New Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-05, "Comprehensive Income (ASC Topic 220): *Presentation of Comprehensive Income*," ("ASU 2011-05") which amends current comprehensive income guidance. This accounting update eliminates the option to present the components of other comprehensive income (loss) as part of the statement of stockholders' equity. Instead, the Company must report comprehensive income (loss) in either a single continuous statement of comprehensive income (loss) which contains two sections, net income (loss) and other comprehensive income (loss), or in two separate but consecutive statements. The Company adopted the provisions of this standard on January 1, 2012 and elected to present comprehensive income (loss) in a separate statement. The adoption of this standard did not have an impact on the Company's consolidated financial position, results of operations or cash flows.

## 3. Inventories

Inventories consisted of the following at December 31, 2011 and March 31, 2012 (in thousands):

| | December 31, 2011 | March 31, 2012 |
|---|---|---|
| Raw materials | $ 16,056 | $17,532 |
| Work-in-process | 27,420 | 33,053 |
| Finished goods | 22,486 | 20,608 |
| Total | $ 65,962 | $71,193 |

## 4. Goodwill and intangible assets

Goodwill is the amount by which the cost of acquired net assets in a business combination exceeds the fair value of net identifiable assets acquired. Intangible assets include the value ascribed to trade names and trademarks, developed technology and know-how, as well as customer contracts and relationships obtained in connection with business combinations.

The Company has elected October 31st as its annual impairment assessment date for goodwill and the indefinite lived intangible assets and performs additional impairment tests if triggering events occur. No impairment charges were recorded for goodwill and the indefinite lived intangible assets during the three months ended March 31, 2011 and 2012.

The Company reports all amortization expense related to finite lived intangible assets separately within its unaudited condensed consolidated statement of operations. For the three months ended March 31, 2011 and 2012, the Company recorded amortization expense related to intangible assets as follows (in thousands):

| | Three Months Ended | |
|---|---|---|
| | March 31, 2011 | March 31, 2012 |
| Cost of sales | $ 497 | $ 497 |
| Selling, general and administrative | 3,238 | 3,238 |
| Total | $ 3,735 | $ 3,735 |

Intangible assets consisted of the following at December 31, 2011 (in thousands):

| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|---|---|---|---|
| Developed technology and know how | $ 16,991 | $ (12,186) | $ 4,805 |
| Customer contracts and relationships | 197,575 | (82,093) | 115,482 |
| Trade names and trademarks | 29,400 | — | 29,400 |
| Total intangible assets | $243,966 | $ (94,729) | $149,687 |

Intangible assets consisted of the following at March 31, 2012 (in thousands):

| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|---|---|---|---|
| Developed technology and know how | $ 16,991 | $ (12,683) | $ 4,308 |
| Customer contracts and relationships | 197,575 | (85,331) | 112,244 |
| Trade names and trademarks | 29,400 | — | 29,400 |
| Total intangible assets | $243,966 | $ (98,014) | $145,952 |

Estimated intangible asset amortization expense for the remainder of 2012 is approximately $11.2 million. The estimated annual intangible asset amortization expense approximates $14.9 million in 2013, $13.3 million in 2014 and $12.9 million in each of 2015 and 2016.

At December 31, 2011 and March 31, 2012, the remaining weighted-average amortization periods for the Company's finite lived intangible assets were as follows:

| | Remaining weighted - average amortization period | |
|---|---|---|
| **Finite lived intangible asset** | **December 31, 2011** | **March 31, 2012** |
| Developed technology and know how | 2.4 | 2.2 |
| Customer contracts and relationships | 8.9 | 8.7 |
| Total finite lived intangible asset | 8.7 | 8.4 |

## 5. Long-term debt

Long-term debt consisted of the following at December 31, 2011 and March 31, 2012 (in thousands):

| | December 31, 2011 | March 31, 2012 |
|---|---|---|
| Senior secured notes maturing on February 1, 2017, interest at 8.375% | $ 400,000 | $400,000 |
| Senior subordinated notes maturing on November 1, 2017, interest at 10.0% | 315,000 | 315,000 |
| Capital lease obligations | 34 | 29 |
| Total debt | 715,034 | 715,029 |
| Less—unamortized discount | (2,045) | (1,965) |
| Less—current portion | (22) | (22) |
| Long term debt, excluding current portion | $ 712,967 | $713,042 |

The Company maintains an asset backed line of credit (the "ABL Revolver") that provides for up to $75.0 million of borrowing capacity, subject to borrowing base availability. At March 31, 2012, there were no amounts outstanding under the ABL Revolver and the Company's aggregate borrowing capacity was $32.1 million, after giving effect to outstanding letters of credit totaling $12.1 million and the amount of ineligible accounts receivable and inventories, as defined in the credit agreement governing the ABL Revolver.

## 6. Restructuring charges

During the three months ended March 31, 2011 and 2012, the Company undertook no restructuring actions.

In December 2011, the Company's Board of Directors approved a plan of closure with respect to the Company's manufacturing facility in Manchester, England. In April 2012 the facility was closed, and substantially all employees were terminated. All affected employees were provided stay-bonuses as well as one-time termination benefits that were received upon cessation of employment, provided they remained with the Company through the closing date. The total one-time termination benefits totaled approximately $0.6 million and were recorded over each employee's remaining service period as they were required to stay through their termination date to receive the benefits. During the three months ended March 31, 2012, the Company recorded $0.4 million of restructuring costs related to the facility's closure, which are recorded within "Restructuring charges" in the accompanying unaudited condensed consolidated statement of operations for the three months ended March 31, 2012.

The following table summarizes the amounts recorded related to restructuring activities, which are included in the accompanying unaudited condensed consolidated statements of operations for the three months ended March 31, 2012 (in thousands):

| | Employee costs | Other exit costs | Total |
|---|---|---|---|
| Balance, January 1, 2012 | $ 340 | — | $ 340 |
| Restructuring charges | 306 | 47 | 353 |
| Payments | (396) | (47) | (443) |
| Balance at March 31, 2012 | $ 250 | $ — | $ 250 |

## 7. Stock-based compensation

*Employee stock-based compensation*

The Company maintains a 2005 Equity Plan for Key Employees of Accellent Holdings Corp. (the "2005 Equity Plan"), which provides for grants of incentive stock options, nonqualified stock options, restricted stock units and stock appreciation rights. Vesting is determined in the applicable stock option agreement and generally occurs either in equal installments over five years from the date of grant ("Time-Based"), or upon achievement of certain performance targets, over a five-year period ("Performance-Based"). Targets underlying the vesting of Performance-Based shares are generally achieved upon the attainment of a specified level of Adjusted EBITDA, as defined in the indenture governing the Company's senior secured notes, measured each calendar year. The vesting requirements for Performance-Based shares permit a catch-up of vesting should the target not be achieved in a calendar year but achieved in a subsequent calendar year, over the five year vesting period. In addition, in connection with the acquisition of the Company in 2005, the Company exchanged fully vested stock options to acquire common shares of its predecessor entities for 4,901,107 fully vested stock options, or "Roll-Over" options, of Accellent Holdings Corp. which are recorded as a liability until such options are exercised, forfeited, expired or settled.

The table below summarizes the activity relating to the Roll-Over options during the three months ended March 31, 2011 and 2012:

| | March 31, 2011 | | March 31, 2012 | |
|---|---|---|---|---|
| | Liability (in thousands) | Roll-Over Options Outstanding | Liability (in thousands) | Roll-Over Options Outstanding |
| Balance at January 1 | $ 448 | 250,049 | $ 355 | 201,817 |
| Shares repurchased | — | — | (119) | (67,607) |
| Options exercised | — | — | (58) | (33,301) |
| Options forfeited | — | — | (35) | (20,182) |
| Change in fair value | 1 | — | — | — |
| Balance at end of period | $ 449 | 250,049 | $ 143 | 80,727 |

The Company's stock-based compensation expense is based on the fair value of stock-based awards measured at the grant date that is recognized over the relevant service period and includes any adjustments to the fair value of the Company's liability related to the Roll-Over options. For stock based awards the Company estimates the fair value of each award on the date of grant using the Black-Scholes option valuation model. For Roll-Over options, the Company estimates their fair value at each balance sheet date. The Black-Scholes option pricing model incorporates assumptions regarding stock price volatility, the expected life of the option, a risk-free interest rate, dividend yield, and an estimate of the fair value of Accellent Holdings Corp. common stock. The fair value of Accellent Holdings Corp.'s common stock is determined by the Board of Directors of Accellent Holdings Corp. utilizing a market based approach. The volatility of Accellent Holdings Corp.'s common stock is estimated utilizing a weighted average stock price volatility of its publicly traded peer companies, adjusted for the Company's financial performance and the risks associated with the illiquid nature of Accellent Holdings Corp. common stock. The expected life of an option is estimated based on past exercise experience. The Company used the following assumptions as of March 31, 2012 to determine the fair value of the Roll-Over Options:

| | March 31, 2012 |
|---|---|
| Expected term to exercise | 1.7 years |
| Expected volatility | 26.9% |
| Risk-free rate | 0.42% |
| Dividend yield | 0.0% |

During the three months ended March 31, 2011 and March 31, 2012, the Company granted stock options to employees to purchase approximately 165,000 and 415,000 shares, respectively, of Accellent Holdings Corp. common stock. Of the total stock options granted during the three months ended March 31, 2011 and March 31, 2012, 82,500 and 207,500, respectively, were Performance-Based awards. Stock options granted during the three months ended March 31, 2011 and March 31, 2012 had a weighted average grant date fair value of $1.02 and $0.80 per share, respectively.

The following tables summarizes the classification of recorded stock-based compensation in the unaudited condensed consolidated statements of operations and the recorded stock-based compensation by type of award for the three months ended March 31, 2011 and 2012:

*Classification of expense (in thousands):*

| | Three Months Ended | |
|---|---|---|
| | March 31, 2011 | March 31, 2012 |
| Cost of sales | $ 28 | $ 8 |
| Selling, general and administrative | 220 | 32 |
| Total | $ 248 | $ 40 |

*Stock-based compensation related to stock awards by type of award (in thousands):*

| | Three Months Ended | |
|---|---|---|
| | March 31, 2011 | March 31, 2012 |
| Time-based vesting awards | $ 225 | $ 40 |
| Performance-based vesting awards | — | — |
| Restricted stock awards | 22 | — |
| Roll-over options | 1 | — |
| Total expense | $ 248 | $ 40 |

At March 31, 2012, the Company determined that attainment of certain of the targets through 2012 necessary for Performance-Based options to vest is not probable. Accordingly, the Company has not recorded stock-based compensation expense for Performance-Based Stock Awards during the three months ended March 31, 2012.

The total unvested Performance-Based shares and their aggregate fair values were 3,546,885 and 3,815,876 and $4.2 million and $4.3 million at March 31, 2011 and 2012, respectively. The total unvested Time-Based shares and their aggregate fair values were 2,989,353 and 2,639,550 and $3.4 million and $2.8 million at March 31, 2011 and 2012, respectively. The total unvested Restricted Stock awards and their aggregate fair value were 58,667 and $0.2 million at March 31, 2011. No Restricted Stock awards were outstanding at March 31, 2012.

*Non-employee stock-based compensation* During each of the three months ended March 31, 2011 and 2012, the Company recognized approximately $23,000 of non-employee stock-based compensation related to fees paid to members of the Company's Board of Directors. These fees are recorded as a liability and recorded in "Other liabilities" in the unaudited condensed consolidated balance sheets.

## 8. Income taxes

The Company provides for deferred income taxes resulting from temporary differences between financial and taxable income as well as current taxes attributable to the states and foreign jurisdictions in which we are required to pay income taxes. The Company records valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. The Company has not provided for U.S. income taxes on the undistributed earnings of non-U.S. subsidiaries, as these earnings have been permanently reinvested or would be offset by foreign tax credits.

Income tax expense for the three months ended March 31, 2011 was $2.0 million and included $0.7 million of deferred income tax expense for differences in the book and tax treatment of goodwill and $1.3 million in state and foreign income taxes. Income tax expense for the three months ended March 31, 2012 was $0.9 million and included $0.7 million of deferred income taxes for differences in the book and tax treatment of goodwill and $0.2 million in state and foreign income taxes.

The Company believes that it is more likely than not that the Company will not recognize the benefits of its domestic federal and state deferred tax assets. As a result, the Company continues to provide a full valuation allowance on those deferred tax assets. The Company's deferred tax assets are not offset by the tax liabilities related to non-deductible goodwill when determining the need for a valuation allowance. The Company has $31.0 million and $31.7 million of net deferred tax liabilities included in "Other liabilities" in the accompanying unaudited condensed consolidated balance sheets as of December 31, 2011 and March 31, 2012, respectively, relating to goodwill basis differences.

The Company is subject to income taxes in the U.S. Federal jurisdiction, and various state and foreign jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax law and regulations and require significant judgment to apply. The Company is not currently under any examination by U.S. Federal, state and local, or non-U.S. tax authorities. The tax years ended December 31, 2005 through 2011, remain subject to examination by major tax jurisdictions. However, since the Company has net operating loss carryforwards, which may be utilized in future years to offset taxable income, those years may also be subject to review by relevant taxing authorities if utilized, notwithstanding that the statute for assessment may have closed.

## 9. Related party transactions

The Company maintains a management services agreement with its principal equity owner, Kohlberg, Kravis, Roberts & Co., ("KKR") pursuant to which KKR will provide certain structuring, consulting and management advisory services. During the three months ended March 31, 2011 and 2012, the Company incurred management fees and related expenses pursuant to this agreement of $0.3 million in each three month period. As of December 31, 2011 and March 31, 2012, the Company owed KKR $0.3 million for unpaid management fees which are included in "Accrued expenses and other current liabilities" in the accompanying unaudited condensed consolidated balance sheets. The Company has also historically utilized the services of Capstone Consulting LLC ("Capstone"), an entity affiliated with KKR. During the three months ended March 31, 2011 the Company incurred consulting fees and related expenses of $0.1 million with Capstone. No fees or expenses related to Capstone were incurred during the three months ended March 31, 2012. At December 31, 2011 and March 31, 2012 , the Company owed Capstone $0.3 million.

In addition to the above, entities affiliated with KKR Asset Management ("KKR-AM"), an affiliate of KKR, owned approximately $31.2 million principal amount of the Company's Senior Secured Notes and approximately $34.5 million principal amount of the Company's 2017 Subordinated Notes at March 31, 2012. Entities affiliated with KKR-AM, an affiliate of KKR, owned approximately $31.3 million principal amount of the Company's Senior Secured Notes and approximately $27.9 million principal amount of the Company's 2017 Subordinated Notes at December 31, 2011.

The Company sells products to Biomet, Inc., which in September 2007 became privately owned by a consortium of private equity sponsors, including KKR. Net sales resulting from product shipments to Biomet, Inc. during the three months ended March 31, 2011 and 2012 totaled $0.1 million in each period. At December 31, 2011 and March 31, 2012, accounts receivable from Biomet aggregated $0.1 million at each date.

The Company utilizes the services of SunGard Data Systems, Inc. ("SunGard"), a provider of software and information processing solutions, which is privately owned by a consortium of private equity sponsors, including KKR and Bain Capital. The Company maintains an agreement with SunGard to provide information systems hosting services for the Company. The Company incurred approximately $0.1 million and $0.2 million in fees in connection with this agreement during the three month periods ended March 31, 2011 and 2012, respectively.

## 10. Fair value measurements

The Company determines fair value utilizing a fair value hierarchy that ranks the quality and reliability of the information used to determine fair value. In general, fair values determined using Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Fair values determined using Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

The Company uses the Black-Scholes option pricing model to value its liability for Roll-Over option awards. A roll-forward of the change in fair value of this financial instrument and information regarding the inputs used in the Black-Scholes model, that are determined by management, that is used to derive the Roll-Over options fair value, is included in Note 7.

The following tables provide a summary of the financial assets and liabilities recorded at fair value at December 31, 2011 and March 31, 2012:

| | | Fair Value Measurements at December 31, 2011 determined using | | |
|---|---|---|---|---|
| | Total Carrying Value at December 31, 2011 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investment in Available for Sale Security | $ 1,155 | $ 1,155 | $ — | $ — |
| Liability for Roll-Over options | $ 355 | $ — | $ — | $ 355 |

| | | Fair Value Measurements at March 31, 2012 determined using | | |
|---|---|---|---|---|
| | Total Carrying Value at March 31, 2012 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investment in Available for Sale Security | $ 1,155 | $ 1,155 | $ — | $ — |
| Liability for Roll-Over options | $ 143 | $ — | $ — | $ 143 |

For other instruments, the estimated fair value has been determined by the Company using available market information; however, considerable judgment is required in interpreting market data to develop these estimates. The methods and assumptions used to estimate the fair value of each class of financial instruments is as set forth below:

- *Accounts receivable and accounts payable*: The carrying amounts of these items are a reasonable estimate of their fair values at December 31, 2011 and March 31, 2012 based on the short-term nature of these items.
- *Borrowings under the Senior Secured Notes due 2017*—Borrowings under the Senior Secured Notes due 2017 have a fixed rate. The Company intends to carry the Senior Secured Notes until their maturity. At March 31, 2012, the fair value of the Senior Secured Notes due 2017, which is Level 2 in the fair value hierarchy, was approximately 101.25% or $405 million compared to their carrying value of $400 million.

- *Borrowings under the Senior Subordinated Notes due 2017*—Borrowings under the Senior Subordinated Notes due 2017 have a fixed rate. The Company intends to carry the Senior Subordinated Notes until their maturity. At March 31, 2012 the fair value of the Senior Subordinated Notes due 2017, which is Level 2 in the fair value hierarchy, was approximately 84.0% or $264.6 million compared to their carrying value of $315 million.

### 11. Contingencies

The Company is subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these legal matters will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Product liability claims or product recalls with respect to the Company's components or the end-products of the Company's customers into which the Company's components are incorporated, could require the Company to pay significant damages or to spend significant time and money in litigation or responding to investigations or requests for information. Expenditures on litigation or damages, to the extent not covered by insurance, and declines in revenue could impair the Company's earnings and the Company's financial condition. There is no recall or litigation pending or, to the knowledge of the Company, threatened, that the Company expects to have a material effect on the Company's consolidated financial position, results of operations or cash flow.

### 12. Environmental matters

The Pennsylvania Department of Environmental Protection ("DEP") has filed a petition for review with the U.S. Court of Appeals for the District of Columbia Circuit challenging recent amendments to the U.S. Environmental Protection Agency ("EPA") National Air Emissions Standards for hazardous air pollutants from halogenated solvent cleaning operations. These revised standards exempt three industry sectors (aerospace, narrow tube manufacturers and facilities that use continuous web-cleaning and halogenated solvent cleaning machines) from facility emission limits for Trichloroethylene ("TCE") and other degreaser emissions. The EPA has agreed to reconsider the exemption. The Company's Collegeville facility meets current EPA control standards for TCE emissions and is exempt from the new lower TCE emission limit since the Company manufactures narrow tubes. As part of efforts to lower TCE emissions, the Company has begun to implement a process that will reduce the Company's TCE emissions generated by its Collegeville facility. However, this process will not reduce TCE emissions to the levels required should a new standard become law.

At each of December 31, 2011 and March 31, 2012, the Company maintained a reserve for environmental liabilities of approximately $1.8 million. The Company expects to pay $0.1 million during 2012.

### 13. Supplemental guarantor condensed consolidating financial statements

In connection with the Company's borrowing arrangements (refer to Note 5) (collectively the "Notes"), all of its domestic subsidiaries (the "Subsidiary Guarantors") that are 100% owned, guaranteed on a joint and several, full and unconditional basis, the repayment by Accellent Inc. of such Notes. Foreign subsidiaries of Accellent Inc. (the "Non-Guarantor Subsidiaries") have not guaranteed the Notes.

The following tables present the unaudited condensed consolidating statements of operations for the three months ended March 31, 2011 and 2012 the unaudited condensed consolidating balance sheets as of December 31, 2011 and March 31, 2012 , and the unaudited condensed consolidating statements of cash flows for the three months ended March 31, 2011 and 2012, of Accellent Inc. (the "Parent"), the Subsidiary Guarantors and the Non-Guarantor Subsidiaries.

**Unaudited Condensed Consolidating Statements of Operations — Three months ended March 31, 2011 (in thousands):**

| | Parent | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net sales | $ — | $121,145 | $ 9,184 | $ (440) | $ 129,889 |
| Cost of sales (exclusive of amortization) | — | 93,126 | 5,632 | (440) | 98,318 |
| Selling, general and administrative expenses | 22 | 13,300 | 790 | — | 14,112 |
| Research and development expenses | — | 490 | 257 | — | 747 |
| Amortization of intangibles | 3,735 | — | — | — | 3,735 |
| (Loss) income from operations | (3,757) | 14,229 | 2,505 | — | 12,977 |
| Interest expense, net | (17,221) | (28) | — | — | (17,249) |
| Other (expense) income, net | (1) | (161) | (1,772) | — | (1,934) |
| Equity in earnings of affiliates | 12,808 | 400 | — | (13,208) | — |
| Provision for income taxes | — | (1,632) | (333) | — | (1,965) |
| Net (loss) income | $ (8,171) | $ 12,808 | $ 400 | $ (13,208) | $ (8,171) |

**Unaudited Condensed Consolidating Statements of Operations —**
**Three months ended March 31, 2012 (in thousands):**

| | Parent | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net sales | $ — | $121,719 | $ 10,250 | $ (391) | $ 131,578 |
| Cost of sales (exclusive of amortization) | — | 94,227 | 7,131 | (391) | 100,967 |
| Selling, general and administrative expenses | 25 | 14,100 | 925 | — | 15,050 |
| Research and development expenses | — | 255 | 219 | — | 474 |
| Restructuring charges | — | 353 | — | — | 353 |
| Amortization of intangible assets | 3,735 | — | — | — | 3,735 |
| Gain on disposal of property and equipment | — | (1) | — | — | (1) |
| (Loss) income from operations | (3,760) | 12,785 | 1,975 | — | 11,000 |
| Interest expense, net | (17,216) | 677 | (703) | — | (17,242) |
| Other (expense) income, net | — | 797 | (619) | — | 178 |
| Equity in earnings of affiliates | 13,990 | 166 | — | (14,156) | — |
| Provision for income taxes | — | (435) | (487) | — | (922) |
| Net (loss) income | $ (6,986) | $ 13,990 | $ 166 | $ (14,156) | $ (6,986) |

**Unaudited Condensed Consolidating Balance Sheets**
**March 31, 2012 (in thousands):**

| | Parent | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Cash | $ — | $ 28,010 | $ 7,139 | $ — | $ 35,149 |
| Accounts receivable, net | — | 58,228 | 4,282 | (487) | 62,023 |
| Inventories | — | 67,032 | 4,161 | — | 71,193 |
| Prepaid expenses and other current assets | 881 | 4,154 | 242 | — | 5,277 |
| Total current assets | 881 | 157,424 | 15,824 | (487) | 173,642 |
| Property, plant and equipment, net | — | 106,690 | 17,873 | — | 124,563 |
| Intercompany receivables, net | — | 333,236 | 22,625 | (355,861) | — |
| Investment in subsidiaries | 545,817 | 43,137 | 37,187 | (626,141) | — |
| Goodwill | 629,854 | — | — | — | 629,854 |
| Other intangible assets, net | 145,952 | — | — | — | 145,952 |
| Deferred financing costs and other assets, net | 15,634 | 177 | 384 | — | 16,195 |
| Total assets | $1,338,138 | $640,664 | $ 93,893 | $(982,489) | $1,090,206 |
| Current portion of long-term debt | $ — | $ 22 | $ — | $ — | $ 22 |
| Accounts payable | — | 24,814 | 2,815 | (487) | 27,142 |
| Accrued expenses and other current liabilities | 19,228 | 24,552 | 6,457 | — | 50,237 |
| Total current liabilities | 19,228 | 49,388 | 9,272 | (487) | 77,401 |
| Long-term debt | 1,019,914 | 10,018 | 38,971 | (355,861) | 713,042 |
| Other long-term liabilities | 1,131 | 35,441 | 2,513 | — | 39,085 |
| Total liabilities | 1,040,273 | 94,847 | 50,756 | (356,348) | 829,528 |
| Equity | 297,865 | 545,817 | 43,137 | (626,141) | 260,678 |
| Total liabilities and equity | $1,338,138 | $640,644 | $ 93,893 | $(982,489) | $1,090,206 |

**Unaudited Condensed Consolidating Balance Sheets**
**December 31, 2011 (in thousands):**

| | Parent | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Cash | $ — | $ 32,627 | $ 6,231 | $ — | $ 38,858 |
| Accounts receivable, net | — | 52,073 | 3,014 | (324) | 54,763 |
| Inventories | — | 62,528 | 3,434 | — | 65,962 |
| Prepaid expenses and other current assets | 879 | 3,385 | 217 | — | 4,481 |
| Total current assets | 879 | 150,613 | 12,896 | (324) | 164,064 |
| Property, plant and equipment, net | — | 110,251 | 16,741 | — | 126,992 |
| Intercompany receivables, net | — | 300,148 | 21,728 | (321,876) | — |
| Investment in subsidiaries | 493,405 | 42,612 | — | (536,017) | — |
| Goodwill | 629,854 | — | — | — | 629,854 |
| Other intangible assets, net | 149,687 | — | — | — | 149,687 |
| Deferred financing costs and other assets, net | 16,310 | 155 | 352 | 8 | 16,825 |
| Total assets | $1,290,135 | $603,779 | $ 51,717 | $(858,209) | $1,087,422 |
| Current portion of long-term debt | $ — | $ 22 | $ — | $ — | $ 22 |
| Accounts payable | 15 | 21,236 | 1,764 | (435) | 22,580 |
| Accrued expenses and other current liabilities | 19,517 | 21,919 | 4,932 | 119 | 46,487 |
| Total current liabilities | 19,532 | 43,177 | 6,696 | (316) | 69,089 |
| Long-term debt | 1,003,063 | 31,780 | — | (321,876) | 712,967 |
| Other long-term liabilities | 1,321 | 34,736 | 2,409 | — | 38,466 |
| Total liabilities | 1,023,916 | 109,693 | 9,105 | (322,192) | 820,522 |
| Equity | 266,219 | 494,086 | 42,612 | (536,017) | 266,900 |
| Total liabilities and equity | $1,290,135 | $603,779 | $ 51,717 | $(858,209) | $1,087,422 |

**Unaudited Condensed Consolidating Statements of Cash Flows—**
**Three months ended March 31, 2011 (in thousands):**

| | Parent | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net cash (used in) provided by operating activities | $(16,563) | $ 9,101 | $ 2,460 | $ — | $ (5,002) |
| Cash flows from investing activities: | | | | | |
| Purchases of property and equipment | — | (4,607) | (989) | — | (5,596) |
| Proceeds from the sale of property and equipment | — | 11 | — | — | 11 |
| Net cash used in investing activities | — | (4,596) | (989) | — | (5,585) |
| Cash flows from financing activities: | | | | | |
| Principal payments on long-term debt | — | (6) | — | — | (6) |
| Intercompany (advances) receipts | 16,932 | (16,501) | (431) | — | — |
| Payment of deferred financing fees | (369) | — | — | — | (369) |
| Cash flows provided by (used in) financing activities | 16,563 | (16,507) | (431) | — | (375) |
| Effect of exchange rate changes | — | 47 | 159 | — | 206 |
| Net (decrease) increase in cash | — | (11,955) | 1,199 | — | (10,756) |
| Cash, beginning of period | — | 38,392 | 2,395 | — | 40,787 |
| Cash, end of period | $ — | $ 26,437 | $ 3,594 | $ — | $ 30,031 |

**Unaudited Condensed Consolidating Statements of Cash Flows—**
**Three months ended March 31, 2012 (in thousands):**

| | Parent | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net cash (used in) provided by operating activities | $(16,728) | $ 12,900 | $ 2,785 | $ — | $ (1,043) |
| Cash flows from investing activities: | | | | | |
| Purchases of property and equipment | — | (1,714) | (1,180) | — | (2,894) |
| Proceeds from the sale of property and equipment | — | 20 | — | — | 20 |
| Net cash used in investing activities | — | (1,694) | (1,180) | — | (2,874) |
| Cash flows from financing activities: | | | | | |
| Principal payments on long-term debt | — | (5) | — | — | (5) |
| Intercompany (advances) receipts | 16,771 | (15,874) | (897) | — | — |
| Repurchase of parent company stock | (43) | — | — | — | (43) |
| Cash flows provided by (used in) financing activities | 16,728 | (15,879) | (897) | — | (48) |
| Effect of exchange rate changes | — | 56 | 200 | — | 256 |
| Net increase (decrease) in cash | — | (4,617) | 908 | — | (3,709) |
| Cash, beginning of period | — | 32,627 | 6,231 | — | 38,858 |
| Cash, end of period | $ — | $ 28,010 | $ 7,139 | $ — | $ 35,149 |

## 14. Changes in Stockholder's Equity

The following table summarizes the changes in stockholders' equity during the three months ended March 31, 2012:

| | Common Stock | | Additional Paid-In Capital | Accumulated other comprehensive income (loss) | Accumulated (deficit) | Total Equity |
|---|---|---|---|---|---|---|
| | Shares | Amount | | | | |
| **Balance, January 1, 2012** | 1,000 | $ — | $638,445 | $ (1,266) | $ (370,279) | $266,900 |
| Net loss | | — | — | — | (6,986) | (6,986) |
| Cumulative translation adjustment | | — | — | 554 | — | 554 |
| Stock-based compensation and other | | — | 210 | — | — | 210 |
| **Balance at March 31, 2012** | 1,000 | $ — | $638,655 | $ (712) | $ (377,265) | $260,678 |

## 15. Subsequent Events

In May 2012, the Company completed the sale of substantially all of the assets of its facility in Pittsburgh, Pennsylvania in exchange for approximately $8.0 million in cash. The Company does not expect the sale to have a material effect on its financial position, results of operations or cash flows.

The Company has evaluated the period from March 31, 2012, the date of the unaudited condensed consolidated financial statements, through the date of the issuance and filing of the unaudited condensed consolidated financial statements, and has determined that no material subsequent events have occurred, other than noted above, that would affect the information presented in these unaudited condensed consolidated financial statements or require additional disclosure.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Some of the information in this Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this Form 10-Q, including, without limitation, certain statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations," may constitute forward-looking statements. In some cases you can identify these "forward-looking statements" by words like "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of those words and other comparable words. These forward-looking statements involve risks and uncertainties. Our actual results could differ materially from those indicated in these statements as a result of certain factors as more fully discussed under the heading "Risk Factors" contained in our annual report on Form 10-K filed on March 29, 2012 with the Securities and Exchange Commission (File No. 333-130470) for the Company's fiscal year ended December 31, 2011. The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included herein.*

*We undertake no obligation to update publicly or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise.*

*Unless the context otherwise requires, references in this Form 10-Q to "Accellent," "we," "our" and "us" refer to Accellent Inc. and its consolidated subsidiaries.*

### Overview

We believe that we are a leading provider of outsourced precision manufacturing services in our target markets within the medical device industry. We offer our customers design and engineering, precision component manufacturing, device assembly and supply chain management services. We have extensive resources focused on providing our customers with reliable, high quality, cost-efficient, integrated outsourced solutions. Based on discussions with our customers, we believe we often become the sole supplier of manufacturing and engineering services for the products we provide to our customers.

We primarily focus on leading companies in large and growing markets within the medical device industry including cardiology, endoscopy, and orthopaedics. Our customers include many of the leading medical device companies including Abbott Laboratories, Boston Scientific, Johnson & Johnson, Medtronic, Smith & Nephew, St. Jude Medical, Stryker and Zimmer. While sales are aggregated by us to the ultimate parent of a customer, we typically generate diversified revenue streams within these large customers across separate customer divisions and multiple products.

During the three months ended March 31, 2011 and 2012, our 10 largest customers accounted for approximately 66% and 65% of our consolidated net sales, respectively. Three customers each accounted for 10% or more of our consolidated net sales during the three months ended March 31, 2011 and 2012. We expect net sales from our largest customers to continue to constitute a significant portion of our net sales in the future.

The actual percentage of net sales derived from each customer whose sales represented more than 10% or more of our consolidated net sales were as follows for the periods presented:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2011** | **2012** |
| Customer A | 17% | 16% |
| Customer B | 15% | 15% |
| Customer C | 12% | 10% |

**Results of Operations**

The following table sets forth percentages derived from the unaudited condensed consolidated statements of operations for the three months ended March 31, 2011 and 2012, presented as a percentage of net sales.

| | Three Months Ended | |
|---|---|---|
| | March 31, 2011 | March 31, 2012 |
| **STATEMENT OF OPERATIONS DATA:** | | |
| Net sales | 100.0% | 100.0% |
| Cost of sales | 75.7 | 76.7 |
| Gross profit | 24.3 | 23.3 |
| Selling, general and administrative expenses | 10.8 | 11.4 |
| Research and development expenses | 0.6 | 0.4 |
| Restructuring charges | — | 0.3 |
| Amortization of intangibles | 2.9 | 2.8 |
| Income from Operations | 10.0% | 8.4% |

**Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011**

*Net Sales*

Net sales for the three months ended March 31, 2012 were $131.6 million, an increase of $ 1.7 million, or 1.3%, compared to net sales of $129.9 million for the three months ended March 31, 2011. Net sales were impacted by increased sales volume totaling $0.0 million, net of price decreases of $1.1 million, and $1.7 million related to increased sales of platinum resulting primarily from passing through to our customers, increases in precious metal prices which do not benefit gross profit.

*Cost of goods sold and gross profit*

Cost of goods sold was $101.0 million for the three months ended March 31, 2012 compared to $98.3 million for the three months ended March 31, 2011, an increase of $2.7 million, or 2.7%. Cost of goods sold reflects our variable manufacturing and fixed overhead costs necessary to produce product for our customers. The increase in cost of goods sold is primarily attributable to increased material costs resulting from the sales increase related to platinum totaling approximately $0.6 million, increases in material costs totaling approximately $2.1 million related to raw material procurement cost increases and material production costs, lower utilization of our fixed cost infrastructure totaling approximately $0.7 million, all of which were offset by lower variable manufacturing costs totaling approximately $0.7 million attributable to cost reduction and productivity improvement activities.

Gross profit was $30.6 million, or 23.3% of net sales, for the three months ended March 31, 2012 compared to $31.6 million, or 24.3% of net sales for the three months ended March 31, 2011. As a percent of sales, gross profit declined 1.0% during the three months ended March 31, 2012 compared to the three months ended March 31, 2011 primarily due to increases in material costs and lower leverage of our fixed cost infrastructure.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses, or SG&A, were $15.1 million for the three months ended March 31, 2012 compared to $14.1 million for the three months ended March 31, 2011. The $1.0 million increase in SG&A expenses was primarily attributable to one time contractually obligated severance charges recorded during the three months ended March 31, 2012 totaling approximately $0.4 million, increases in salary costs related to both wage inflation and increased headcount totaling approximately $0.5 million and higher sales commission costs during the three months ended March 31, 2012 compared to the three months ended March 31, 2011.

*Research and Development Expenses*

Research and development, or R&D, expenses for the three months ended March 31, 2012 were $0.5 million, $0.2 million lower than the $0.7 million in the three months ended March 31, 2011. R&D expenses represent costs related to the development of new or improved, manufacturing technologies and the decline of $0.2 million is attributable primarily to lower headcount during the three months ended March 31, 2012 compared to the three months ended March 31, 2011.

*Interest Expense, net*

Interest expense, net, was $17.2 million million for each of the three month periods ended March 31, 2012 and March 31, 2011.

*Other (Expense) Income, net*

Included in other (expense) income, net are foreign currency gains and losses. During the three months ended March 31, 2012, we recorded a currency gain of approximately $0.2 million compared to a loss of approximately $2.0 million during the three months ended March 31, 2011. This difference is due to smaller changes in foreign currency exchange rates during the three months ended March 31, 2012 compared to the three months ended March 31, 2011.

*Income Tax Expense*

Income tax expense for the three months ended March 31, 2012 was $0.9 million and included $0.7 million of deferred income tax expense for differences in the book and tax treatment of goodwill and $0.2 million in state and foreign income taxes. Income tax expense for the three months ended March 31, 2011 was $2.0 and included $0.7 million of deferred income tax expense for differences in the book and tax treatment of goodwill and $1.3 million in state and foreign income taxes. The decrease in income tax expense during the three months ended March 31, 2012 compared to the three months ended March 31, 2011 is attributable to changes in the Company's entity structure completed during the three months ended March 31, 2012.

**Liquidity and Capital Resources**

Our principal source of liquidity is our cash flow from operations and borrowings available to us under our $75 million ABL Revolver. At March 31, 2012, we had $12.1 million of letters of credit outstanding and no outstanding loans under the ABL Revolver. As of March 31, 2012, our total indebtedness amounted to $715.0 million.

Cash used in operations was $1.0 million during the three months ended March 31, 2012 compared to $5.0 million during the three months ended March 31, 2011, an improvement of $4.0 million. The decrease in cash used in operations is primarily a result of working capital improvements and a lower net loss. Our net cash invested in working capital and our net loss were $2.4 million and $1.2 million lower, respectively, during the three months ended March 31, 2012 compared to the three months ended March 31, 2011. In addition, aggregate adjustments for non-cash items positively impacted operating cash flows by $0.4 million primarily due to an increase in depreciation costs offset by lower stock compensation.

Cash used in investing activities was $2.9 million during the three months ended March 31, 2012 compared to $5.6 million during the three months ended March 31, 2011. The decrease in cash used for investing activities of $2.7 million is attributable to lower capital asset acquisitions during the three months ended March 31, 2012 compared to the three months ended March 31, 2011 as we completed the build-out of our facility in Penang, Malaysia during 2011.

During the three months ended March 31, 2012, cash used in financing activities was approximately $48,000 compared to $0.4 million during the three months ended March 31, 2011. During the three months ended March 31, 2011 we paid approximately $0.4 million of deferred financing costs related to our refinancing transactions in 2010.

Our planned capital expenditures for 2012 include investments related to new business opportunities, upgrades of our existing equipment infrastructure and information technology enhancements. We expect that these investments will be financed from operating cash flow.

As of March 31, 2012, we have a liability of $1.8 million, of which the Company expects to pay $0.1 million during 2012, for environmental clean up matters. The United States Environmental Protection Agency, or EPA, issued an Administrative Consent Order in July 1988 requiring UTI, our subsidiary, to study and, if necessary, remediate the groundwater and soil beneath and around its plant in Collegeville, Pennsylvania. Since that time, UTI has implemented and is operating successfully a TCE contamination well pumping treatment system approved by the EPA. We expect to pay approximately $0.1 million of ongoing annual operating costs during each of the next five years relating to this remediation effort. Our environmental accrual at March 31, 2012 includes $1.6 million related to our Collegeville location. The remaining environmental accrual, related to our other locations, was $0.2 million at March 31, 2012.

Our ability to make payments on our indebtedness and to fund planned capital expenditures, other expenditures and long-term liabilities, and necessary working capital will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Based on our current level of operations, we believe our cash flow from operations and available borrowings under the ABL Revolver will be adequate to meet our liquidity requirements for the next 12 months. However, no assurance can be given that this will be the case.

*Indebtedness.*

At March 31, 2012, our aggregate debt was approximately $715.0 million substantially all of which is due in 2017. Our debt at March 31, 2012 consisted of our senior secured notes bearing interest at 8.375% (the "Senior Secured Notes") and our senior subordinated notes that bear interest at 10% (the "Senior Subordinated Notes"). In addition, we have a $75 million asset based revolving credit facility. Our revolving credit facility afforded us borrowing capacity of $32.1 million at March 31, 2012. No amounts have been drawn under the facility since it was put in place in January 2010. As of March 31, 2012, we were in compliance with the covenants of our debt agreements.

*Other Key Indicators of Financial Condition and Operating Performance*

EBITDA and Adjusted EBITDA presented in this Quarterly Report on Form 10-Q are supplemental measures of our performance that are not required by, or presented in accordance with generally accepted accounting principles in the United States, or GAAP. EBITDA and Adjusted EBITDA are not measures of our financial performance under GAAP and should not be considered as alternatives to net loss or any other performance measures derived in accordance with GAAP, or as an alternative to cash flow from operating activities as a measure of our liquidity.

EBITDA represents net loss income before net interest expense, income tax expense, depreciation and amortization. Adjusted EBITDA is defined as EBITDA further adjusted to give effect to unusual items, non-cash items and other adjustments, all of which are defined in the indentures governing the Senior Subordinated Notes and the Senior Secured Notes and the credit agreement governing the ABL Revolver. We believe that the inclusion of EBITDA and Adjusted EBITDA in this Quarterly Report on Form 10-Q is appropriate to provide additional information to investors regarding certain thresholds based on Adjusted EBITDA that we may be required to meet in certain cases that are included in the indentures governing the Senior Subordinated Notes and the Senior Secured Notes and the credit agreement governing the ABL Revolver. There are no material differences in the manner in which EBITDA and Adjusted EBITDA were determined in the past under our credit agreement, as amended.

We also present EBITDA because we consider it an important supplemental measure of our performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of high yield issuers, many of which present EBITDA when reporting their results. We believe EBITDA facilitates operating performance comparison from period to period and company to company by backing out differences caused by variations in capital structures, tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation of facilities and equipment (affecting relative depreciation expense).

In determining Adjusted EBITDA, as permitted by the terms of our indebtedness, we eliminate the impact of a number of items. For the reasons indicated herein, you are encouraged to evaluate each adjustment and whether you consider it appropriate. In addition, in evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses similar to the adjustments in the presentation of Adjusted EBITDA. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- they do not reflect our cash expenditures for capital expenditure or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital requirements;
- they do not reflect interest expense, or the cash requirements necessary to service interest or principal payments on our indebtedness;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect cash requirements for such replacements;
- Adjusted EBITDA does not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations, as discussed in our presentation of “Adjusted EBITDA” in this report; and
- other companies, including other companies in our industry, may calculate these measures differently than we do, limiting their usefulness as a comparative measure.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business or reduce our indebtedness. For these purposes, we rely on our GAAP results. For more information, see our unaudited condensed consolidated financial statements and the notes to those statements included elsewhere in this Quarterly Report on Form 10-Q.

The following table sets forth a reconciliation of net loss to EBITDA for the periods indicated:

| | Three Months Ended | |
|---|---|---|
| | March 31, 2011 | March 31, 2012 |
| **RECONCILIATION OF NET LOSS TO EBITDA:** | | |
| Net loss | $ (8,171) | $ (6,986) |
| Interest expense, net | 17,249 | 17,242 |
| Provision for income taxes | 1,965 | 922 |
| Depreciation and amortization | 9,441 | 10,083 |
| **EBITDA** | $20,484 | $21,261 |

The following table sets forth a reconciliation of EBITDA to Adjusted EBITDA for the periods indicated:

| | Three Months Ended | |
|---|---|---|
| | March 31, 2011 | March 31, 2012 |
| EBITDA | $20,484 | $21,261 |
| Adjustments: | | |
| Stock-based compensation - employees | 248 | 40 |
| Stock-based compensation - non-employees | 23 | 23 |
| Employee severance and relocation | 335 | 814 |
| Restructuring charges | — | 353 |
| Executive recruiting costs | 221 | — |
| Plant closure costs | — | 169 |
| Currency loss (gain) | 2,020 | (185) |
| Gain on disposal of property and equipment | — | (1) |
| Other taxes | 190 | 205 |
| Management fees to stockholder | 319 | 335 |
| Adjusted EBITDA | $23,840 | $23,014 |

The differences between Adjusted EBITDA and cash flows used in operating activities are summarized as follows:

| | Three Months Ended | |
|---|---|---|
| | March 31, 2011 | March 31, 2012 |
| Adjusted EBITDA | $ 23,840 | $ 23,014 |
| Net changes in operating assets and liabilities | (8,002) | (5,606) |
| Interest expense, net | (17,249) | (17,242) |
| Cash portion of restructuring charges | — | (443) |
| Deferred tax provision | 740 | 738 |
| Income tax (expense) | (1,965) | (922) |
| Amortization of debt discount and non-cash interest | 720 | 756 |
| Other items, net | (3,086) | (1,338) |
| Net cash (used in) provided by operating activities | $ (5,002) | $ (1,043) |
| Net cash used in investing activities | $ (5,585) | $ (2,874) |
| Net cash (used in) provided by financing activities | $ (375) | $ (48) |

**Off-Balance Sheet Arrangements**

We do not have any "off-balance sheet arrangements" (as such term is defined in Item 303 of Regulation S-K) that are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

**Contractual Obligations and Commitments**

The following table sets forth our long-term contractual obligations as of March 31, 2012 (in thousands):

| | Payment due by Period | | | | |
|---|---|---|---|---|---|
| Contractual Obligations | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Senior Secured Notes (1) | $ 567,500 | $ 33,500 | $ 67,000 | $ 67,000 | $400,000 |
| Senior Subordinated Notes (1) | 504,000 | 31,500 | 63,000 | 63,000 | 346,500 |
| Capital leases (1) | 37 | 22 | 15 | — | — |
| Operating leases | 22,918 | 6,227 | 9,711 | 5,263 | 1,717 |
| Purchase obligations (2) | 40,030 | 40,030 | — | — | — |
| Other obligations (3) | 39,310 | 261 | 898 | 768 | 37,383 |
| Total | $1,173,795 | $111,540 | $140,624 | $136,031 | $785,600 |

(1) Includes interest and principal payments. Interest is determined using the instrument's fixed rate of interest.
(2) Purchase obligations consist of commitments for materials, supplies, machinery and equipment.
(3) Other obligations include share based payment obligations of $0.1 million payable to employees and $1.0 million payable to non-employees, environmental remediation obligations of $1.7 million, accrued compensation and pension benefits of $4.2 million, deferred income taxes of $31.7 million and other obligations of $0.6 million.

**Critical Accounting Policies**

Our unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and rules and regulations of the Securities and Exchange Commission for interim financial reporting. The preparation of our financial statements and related disclosures requires us to make estimates, assumptions and judgments that affect the reported amount of assets, liabilities, revenue, costs and expenses, and related disclosures. We base our estimates and assumptions on historical experience and other factors that we believe to be reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions and conditions. Our most critical accounting policies are listed below:

- Revenue recognition;
- Allowance for doubtful accounts;
- Valuation of goodwill, trade names and trademarks;

- Valuation of long-lived assets;
- Self Insurance reserves;
- Environmental reserves;
- Share Based Payments; and
- Income Taxes

During the three months ended March 31, 2011, there were no significant changes in our critical accounting policies or estimates.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the three months ended March 31 2012, there were no significant changes to our quantitative and qualitative disclosures about market risk. Please refer to Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk included in our Annual Report on Form 10-K for the year ended December 31, 2011 filed with the Securities and Exchange Commission on March 29, 2012 for a more complete discussion of the market risks we encounter.

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

The certifications of our principal executive officer and principal financial officer required in accordance with Rule 13a-15(b) and Rule 15d-15 under the Securities Exchange Act of 1934 and Section 302 of the Sarbanes-Oxley Act of 2002 are attached as exhibits to this Quarterly Report on Form 10-Q. The disclosures set forth in this Item 4 contain information concerning the evaluation of our disclosure controls and procedures, and changes in internal control over financial reporting, referred to in paragraph 4 of the certifications. Those certifications should be read in conjunction with this Item 4 for a more complete understanding of the matters covered by the certifications.

*Evaluation of Disclosure Controls and Procedures*: Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2012. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2012, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

*Changes in internal control over financial reporting:* There were no changes in our internal controls over financial reporting during the three months ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

# PART II. OTHER INFORMATION

## ITEM 1. Legal Proceedings.

The Pennsylvania Department of Environmental Protection (“DEP”) has filed a petition for review with the U.S. Court of Appeals for the District of Columbia Circuit challenging recent amendments to the U.S. Environmental Protection Agency (“EPA”) National Air Emissions Standards for hazardous air pollutants from halogenated solvent cleaning operations. These revised standards exempt three industry sectors (aerospace, narrow tube manufacturers and facilities that use continuous web-cleaning and halogenated solvent cleaning machines) from facility emission limits for TCE and other degreaser emissions. The EPA has agreed to reconsider the exemption. Our Collegeville facility meets current EPA control standards for TCE emissions and is exempt from the new lower TCE emission limit since we manufacture narrow tubes. Nevertheless, we have implemented systems and controls that limit TCE emissions generated by our Collegeville facility. However, these systems and controls will not reduce our TCE emissions to the levels expected to be required should a new standard become law.

We are subject to various other legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these other claims cannot be predicted with certainty, management does not believe that the outcome of any of these legal matters will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

### ITEM 1A. RISK FACTORS

For a discussion of our potential risks or uncertainties, please see Part I, Item 1A, of Accellent Inc.'s 2011 Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 29, 2012. There have been no material changes to the risk factors disclosed in Part I, Item 1A, of Accellent Inc.'s 2011 Annual Report on Form 10-K.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

No unregistered equity securities of the registrant were sold and no repurchases of equity securities were made during the three months ended March 31, 2012.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

Not applicable.

### ITEM 6. EXHIBITS

| Exhibit Number | Description of Exhibits |
|---|---|
| 31.1* | Rule 13a-14(a) Certification of Principal Executive Officer |
| 31.2* | Rule 13a-14(a) Certification of Principal Financial Officer |
| 32.1* | Section 1350 Certification of Principal Executive Officer |
| 32.2* | Section 1350 Certification of Principal Financial Officer |
| Exhibit 101.INS | XBRL Instance Document. |
| Exhibit 101.SCH | XBRL Taxonomy Extension Schema Document. |
| Exhibit 101.CAL | XBRL Taxonomy Calculation Linkbase Document. |
| Exhibit 101.LAB | XBRL Taxonomy Label Linkbase Document. |
| Exhibit 101.PRE | XBRL Taxonomy Presentation Linkbase Document |

* Filed herewith.

## SIGNATURES

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

| | |
|---|---|
| | Accellent Inc. |
| May 15, 2012 | By: /s/ Donald J. Spence<br>Donald J. Spence<br>*President and Chief Executive Officer*<br>*(Principal Executive Officer)* |
| | Accellent Inc. |
| May 15, 2012 | By: /s/ Jeremy A. Friedman<br>Jeremy A. Friedman<br>*Chief Financial Officer*<br>*(Principal Financial Officer)* |

## EXHIBIT INDEX

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| Exhibit 101.PRE | XBRL Taxonomy Presentation Linkbase Document |

* Filed herewith.

**Exhibit 31.1**

**CERTIFICATIONS**

I, Donald J. Spence certify that:

1. I have reviewed this quarterly report on Form 10-Q of Accellent Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and I5d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2012

/s/ Donald J. Spence
Donald J. Spence
Principal Executive Officer

**Exhibit 31.2**

**CERTIFICATIONS**

I, Jeremy A. Friedman certify that:

1. I have reviewed this quarterly report on Form 10-Q of Accellent Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2012

/s/ Jeremy A. Friedman
Jeremy A. Friedman
Principal Financial Officer

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Accellent Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Donald J. Spence, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to ray knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2012

/s/ Donald J. Spence

Donald J. Spence
Principal Executive Officer

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Accellent Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeremy A. Friedman, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2012

/s/ Jeremy A. Friedman
Jeremy A. Friedman
Principal Financial Officer