**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**



**FORM 8-K**



**CURRENT REPORT**

**PURSUANT TO SECTION 13 or 15(d)**

**OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of Report (Date of earliest event reported): March 14, 2016**



**GREATBATCH, INC.**

**(Exact name of registrant as specified in its charter)**



|  |  |  |
| --- | --- | --- |
| **Delaware** | **1-16137** | **16-1531026** |
| **(State or Other Jurisdiction** | **(Commission** | **(IRS Employer** |
| **of incorporation)** | **File Number)** | **Identification No.)** |
| **2595 Dallas Parkway, Suite 310, Frisco, Texas** | | **75034** |
| **(Address of principal executive offices)** |  | **(Zip Code)** |

**Registrant’s telephone number, including area code (716) 759-5600**

**Not Applicable**

**(Former name or former address, if changed since last report)**



Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

* Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
* Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
* Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
* Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))



**Item 1.01** **Entry Into a Material Definitive Agreement.**

Effective as of prior to the opening of trading on the New York Stock Exchange on March 14, 2016, Greatbatch, Inc. (the “Company”) completed its previously announced spin-off of Nuvectra Corporation (formerly QiG Group, LLC) (“Nuvectra”) by way of a distribution, through a pro rata dividend, of all the then-outstanding shares of Nuvectra’s common stock, par value $0.001 per share (the “Spin-off”), to holders of the Company’s common stock as of the close of business on March 7, 2016 (the “Record Date”). In connection with the Spin-off, the Company entered into the following agreements with Nuvectra:

* Separation and Distribution Agreement;
* Transition Services Agreement;
* Tax Matters Agreement; and
* Employee Matters Agreement.

A summary of the material terms of these agreements can be found in the section entitled “Our Relationship with Greatbatch after the Spin-off — Agreements Between Greatbatch and Us” in the Information Statement filed as Exhibit 99.1 to Nuvectra’s Amendment No. 5 to the Registration Statement on Form 10 as filed by Nuvectra with the Securities and Exchange Commission on February 24, 2016, which descriptions are incorporated herein by reference. The summary is qualified in its entirety by reference to the Separation and Distribution Agreement, the Transition Services Agreement, the Tax Matters Agreement and the Employee Matters Agreement filed as Exhibits 2.1, 10.1, 10.2 and 10.3, respectively, to this Current Report on Form 8-K, each of which is incorporated herein by reference.

**Item 2.01** **Completion of Acquisition or Disposition of Assets.**

On March 14, 2016, the Company completed the Spin-off of Nuvectra. Nuvectra is now an independent publicly-traded company that commenced “regular way” trading under the symbol “NVTR” on the NASDAQ Global Market on March 14, 2016. Prior to the commencement of trading on March 14, 2016, the stockholders of record of the Company as of the close of business on the Record Date received one share of Nuvectra common stock for every three shares of the Company’s common stock held as of the close of business on the Record Date. In the aggregate, 10,258,278 shares of Nuvectra common stock were distributed to the Company’s stockholders in the Spin-off. The Company did not issue fractional shares of Nuvectra’s common stock in the Spin-off. The Company’s stockholders received cash in lieu of fractional shares.

**Item 8.01** **Other Events.**

On March 14, 2016, the Company issued a press release announcing the completion of the Spin-off. A copy of the Company’s press release is attached hereto as Exhibit 99.1.

**Item 9.01** **Financial Statements and Exhibits.**

1. **Pro Forma Financial Information.**

Unaudited pro forma consolidated combined financial information of the Company giving effect to the Spin-off required by Article 11 of Regulation S-X is attached hereto as Exhibit 99.2.

1. **Exhibits**

|  |  |  |  |
| --- | --- | --- | --- |
| **Exhibit** |  |  |  |
| **Number** | **Description of Exhibit** | | |
|  |  |  |  |
| 2.1 | Separation and Distribution Agreement, dated March 14, 2016, between Greatbatch, Inc. and QiG Group, LLC\* | | |
| 10.1 | Transition Services Agreement, dated March 14, 2016, between Greatbatch, Inc. and QiG Group, LLC | | |
| 10.2 | Tax Matters Agreement, dated March 14, 2016, between Greatbatch, Inc. and QiG Group, LLC | | |
| 10.3 | Employee Matters Agreement, dated March 14, 2016, between Greatbatch, Inc. and QiG Group, LLC | | |
| 99.1 | Press Release issued by Greatbatch, Inc., dated March 14, 2016 | | |
| 99.2 | Unaudited pro forma consolidated combined financial information | | |

* Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby undertakes to furnish copies of any of the omitted schedules and exhibits upon request by the Securities and Exchange Commission.

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**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.

Date: March 18, 2016 **GREATBATCH, INC.**

By: /s/ Michael Dinkins



Michael Dinkins

Executive Vice President & Chief Financial Officer

|  |  |  |  |
| --- | --- | --- | --- |
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* Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby undertakes to furnish copies of any of the omitted schedules and exhibits upon request by the Securities and Exchange Commission.

**Exhibit 2.1**

***EXECUTION VERSION***

SEPARATION AND DISTRIBUTION AGREEMENT

between

GREATBATCH, INC.

and

QIG GROUP, LLC

(to be converted into Nuvectra Corporation)

dated as of March 14, 2016

|  |  |  |  |  |
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**SEPARATION AND DISTRIBUTION AGREEMENT**

This **SEPARATION AND DISTRIBUTION AGREEMENT** is entered into as of March 14, 2016, between Greatbatch, Inc., a Delaware corporation (“Greatbatch”), and QiG Group, LLC, a Delaware limited liability company (“QiG”), which in connection with the transactions contemplated hereby will be converted into Nuvectra Corporation, a Delaware corporation (“Nuvectra”). Greatbatch and Nuvectra are sometimes referred to herein individually as a “Party,” and collectively as the “Parties.” References to Nuvectra are deemed to include, for all periods prior to the Nuvectra Conversion (defined below), QiG. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in Article I hereof.

**RECITALS**

**WHEREAS**, Nuvectra is a direct Subsidiary of GB Ltd. and an indirect Subsidiary of Greatbatch;

**WHEREAS**, the Board of Directors of Greatbatch has determined that it would be appropriate and in the best interests of Greatbatch and its stockholders toseparate the Nuvectra Business from the Greatbatch Business;

**WHEREAS**, it is the intention of the Parties that following the Separation and prior to the Distribution, QiG will be converted from a Delaware limited liabilitycompany into a Delaware corporation in accordance with the Delaware Limited Liability Company Act (the “Nuvectra Conversion”);

**WHEREAS**, in furtherance thereof, the Board of Directors of Greatbatch has determined that, following the Separation, it would be appropriate and in the bestinterests of Greatbatch and its stockholders for Greatbatch to distribute (the “Distribution”) on a pro rata basis to the holders of outstanding shares of common stock, par value $0.001 per share, of Greatbatch (“Greatbatch Common Stock”) all of the outstanding shares of common stock, par value $0.001 per share, of Nuvectra (“Nuvectra Common Stock”) owned by Greatbatch as of the Distribution Date immediately prior to the Distribution Time;

**WHEREAS**, for U.S. federal income tax purposes, the Separation and Distribution together are intended to qualify as a reorganization under Sections 355 and368 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”); and

**WHEREAS**, the Parties intend in this Agreement, including the Schedules hereto, to set forth the principal arrangements between them regarding the Separationand the Distribution.

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**NOW, THEREFORE**, in consideration of the foregoing and the covenants and agreements set forth below and other good and valuable consideration, thereceipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, the Parties hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 *Definitions*. As used in this Agreement, the following terms shall have the meanings set forth in this Section 1.1:

“AAA” has the meaning set forth in Section 5.3(a).

“AAA Rules” has the meaning set forth in Section 5.3(a).

“Affiliate” means, with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the specified Person. For this purpose “control” of a Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through ownership of voting securities, by contract or otherwise.

“Agreement” has the meaning set forth in the preamble to this Agreement and includes all Schedules attached hereto or delivered pursuant hereto.

“Ancillary Agreements” has the meaning set forth in Section 2.5.

“Arbitration Act” means the United States Arbitration Act, 9 U.S.C. §§ 1 *et seq*.

“Arbitration Demand Notice” has the meaning set forth in Section 5.3(a).

“Assets” means all rights, properties or assets, whether real, personal or mixed, tangible or intangible, of any kind, nature and description, whether accrued, contingent or otherwise, and wheresoever situated and whether or not carried or reflected, or required to be carried or reflected, on the books of any Person.

“Business Day” means a day other than a Saturday, a Sunday or a day on which banking institutions located in the State of New York are authorized or obligated by applicable Law or executive order to close.

“Code” has the meaning set forth in the recitals to this Agreement.

“Confidential Information” has the meaning set forth in Section 6.8(a).

“Consent” means any consents, waivers or approvals from, or notification requirements to, any third parties, including any notices or reports to be submitted to, filings to be made with, or consents, registrations, approvals, permits or authorizations to be obtained from, any Governmental Authority.

“Contract” means any written, oral, implied or other contract, agreement, covenant, lease, license, guaranty, indemnity, representation, warranty, assignment, sales order, purchase order, power of attorney, instrument or other commitment, assurance, undertaking or arrangement that is binding on any Person or entity or any part of its property under applicable Law.

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“Covered Matter” has the meaning set forth in Section 6.9(k).

“D&O Policy” means the directors and officers insurance policy or policies (including any agreements related to such policies) of the Greatbatch Group existing and in effect as of the Distribution Date.

“Dispute” has the meaning set forth in Section 5.1.

“Distribution” has the meaning set forth in the recitals to this Agreement.

“Distribution Agent” has the meaning set forth in Section 4.1.

“Distribution Date” means the date on which the Distribution occurs, such date to be determined by, or under the authority of, the Board of Directors of Greatbatch in its sole and absolute discretion.

“Distribution Multiple” means the number determined by the Greatbatch Board of Directors in its sole discretion at the time of its approval of the Distribution as the number of shares of Nuvectra Common Stock to be distributed in respect of each share of Greatbatch Common Stock, which number will be multiplied by the number of shares of Greatbatch Common Stock outstanding on the Record Date to determine the number of shares of Nuvectra Common Stock to be issued and outstanding immediately prior to the Distribution Time.

“Distribution Time” means the time at which the Distribution is effective on the Distribution Date.

“Employee Matters Agreement” means the Employee Matters Agreement, dated the date hereof, by and between Greatbatch and Nuvectra.

“Escalation Notice” has the meaning set forth in Section 5.2(a).

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“GB Ltd.” means Greatbatch Ltd., a New York corporation and a wholly owned subsidiary of Greatbatch and the parent corporation of QiG.

“Good Faith Judgment” shall mean (a) the good faith judgment of the General Counsel of Greatbatch or Nuvectra, as the case may be, in office immediately after the Distribution Time, or (b) the good faith judgment of a successor General Counsel of Greatbatch or Nuvectra in office after the Distribution Time, as the case may be, or (c) the good faith judgment of the chief executive officer or chief financial officer of either Greatbatch or Nuvectra, as applicable, following his consultation with outside counsel or other advisors.

“Greatbatch” has the meaning set forth in the preamble to this Agreement.

“Greatbatch Assets” means all Assets of Greatbatch, Nuvectra, and their respective Subsidiaries, excluding the Nuvectra Assets.

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“Greatbatch Books and Records” means the corporate books and records (whether in hard copy or electronic format and including all minute books, corporate charters and bylaws or comparable constitutive documents, records of share issuances and related corporate records) of the Greatbatch Group and such other books and records, including operating, accounting, engineering, corporate department and any other written record, whether in hard copy or electronic format, to the extent they relate to the Greatbatch Business, the Greatbatch Assets, or the Greatbatch Liabilities, excluding the Nuvectra Books and Records. Notwithstanding the foregoing, “Greatbatch Books and Records” shall not include any Tax Returns or other information, documents or materials relating to Taxes. For the avoidance of doubt, no Information meeting the definition of “Greatbatch Books and Records” shall be deemed not to be Greatbatch Books and Records because it is provided (or made available) by any member of the Greatbatch Group to any member of the Nuvectra Group after the Distribution Time in connection with the provision of services pursuant to the Transition Services Agreement, or because it is generated, maintained or held by any member of the Nuvectra Group in connection with the provision of services pursuant to the Transition Services Agreement after the Distribution Time. Furthermore, Nuvectra and Greatbatch each acknowledge and agree that the Greatbatch Books and Records described in the immediately preceding sentence shall belong solely to Greatbatch and shall not, as between the Parties, be considered Privileged Information of Nuvectra.

“Greatbatch Business” means the business and operations conducted by the Greatbatch Group other than the Nuvectra Business.

“Greatbatch Common Stock” has the meaning set forth in the recitals to this Agreement.

“Greatbatch Group” means Greatbatch and the Subsidiaries of Greatbatch, other than the Nuvectra Group.

“Greatbatch Indemnitees” has the meaning set forth in Section 3.3.

“Greatbatch Intellectual Property” means all intellectual property rights, including the Greatbatch Marks, patents, copyrights, design rights, rights in know-how, trade secrets and other rights of a similar nature subsisting anywhere in the world, in each case whether registered or unregistered, and including all applications for the registration of the same, owned or used by any member of the Greatbatch Group or the Nuvectra Group on or prior to the Distribution Date, excluding the Nuvectra Intellectual Property.

“Greatbatch Liabilities” means all Liabilities of Greatbatch and its Subsidiaries, whether arising prior to, on or after the Distribution Date, other than the Nuvectra Liabilities.

“Greatbatch Marks” means trade names, registered and unregistered trademarks, service marks, domain names and e-mail addresses used on or in connection with the Greatbatch Business or the Nuvectra Business, including any such names, marks, domain names and e-mail addresses that incorporate the terms “Greatbatch” or any related trademarks or trade names, or any translations or derivatives thereof, or any terms of a confusingly similar nature, and all goodwill embodied in the foregoing, excluding the Nuvectra Marks.

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“Governmental Authority” shall mean any U.S. federal, state, local or non-U.S. court, government, department, commission, board, bureau, agency, official or other regulatory, administrative or governmental authority.

“Group” means either the Greatbatch Group or the Nuvectra Group.

“Indebtedness” of any specified Person means (a) all obligations of such specified Person for borrowed money or arising out of any extension of credit to or for the account of such specified Person (including reimbursement or payment obligations with respect to surety bonds, letters of credit, bankers’ acceptances and similar instruments), (b) all obligations of such specified Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such specified Person upon which interest charges are customarily paid, (d) all obligations of such specified Person under conditional sale or other title retention agreements relating to Assets purchased by such specified Person, (e) all obligations of such specified Person issued or assumed as the deferred purchase price of property or services, (f) all Liabilities secured by (or for which any Person to which any such liability is owed has an existing right, contingent or otherwise, to be secured by) any mortgage, lien, pledge or other encumbrance on property owned or acquired by such specified Person (or upon any revenues, income or profits of such specified Person therefrom), whether or not the obligations secured thereby have been assumed by the specified Person or otherwise become Liabilities of the specified Person, (g) all capital lease obligations of such specified Person, (h) all securities or other similar instruments convertible or exchangeable into any of the foregoing, but excluding daily cash overdrafts associated with routine cash operations, and (i) any liability of others of a type described in any of the preceding clauses (a) through (h) in respect of which the specified Person has incurred, assumed or acquired a liability by means of a guaranty, excluding any obligations related to Taxes.

“Indemnifiable Loss” has the meaning set forth in Section 3.5(a).

“Indemnifying Party” has the meaning set forth in Section 3.5(a).

“Indemnitee” has the meaning set forth in Section 3.5(a).

“Indemnity Payment” has the meaning set forth in Section 3.5(a).

“Information” means information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data.

“Information Statement” means the information statement and any related documentation to be provided to holders of Greatbatch Common Stock in connection with the Distribution, including any amendments or supplements thereto.

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“Insurance Policies” means any insurance policies (including any agreements related to such policies) together with all rights, benefits and privileges thereunder; provided, however, that any D&O Policies shall not constitute Insurance Policies.

“Insurance Proceeds” means those monies:

1. received by an insured Person from any insurer, insurance underwriter, mutual protection and indemnity club or other risk collective; or
2. paid on behalf of an insured Person by any insurer, insurance underwriter, mutual protection and indemnity club or other risk collective on behalf of the insured; in any such case net of any out-of-pocket costs or expenses incurred in the collection thereof.

“Intercompany Agreement” means any Contract between any member of the Nuvectra Group, on the one hand, and any member of the Greatbatch Group, on the other hand, entered into prior to the Distribution Time, excluding any Contract to which a Person other than Greatbatch, Nuvectra or a member of the Greatbatch Group or Nuvectra Group is a party.

“Internal Transactions” means the transactions set forth in Schedule I.

“Law” means any law, statute, ordinance, code, rule, regulation, order, writ, proclamation, judgment, injunction or decree of any Governmental Authority.

“Liabilities” means any and all Indebtedness, liabilities and obligations (other than Taxes), whether accrued, fixed or contingent, mature or inchoate, known or unknown, reflected on a balance sheet or otherwise, including those arising under any Law, Proceeding or any judgment of any court of any kind or any award of any arbitrator of any kind, and those arising under any Contract.

“License Agreements” means (i) that certain restricted license agreement dated as of the date hereof between GB Ltd. and Nuvectra, (ii) that certain unrestricted license agreement dated as of the date hereof between GB Ltd. and Nuvectra and (iii) that certain license agreement dated as of the date hereof between GB Ltd. and NeuroNexus Technologies, Inc.

“Losses” shall mean any and all damages, losses, deficiencies, Liabilities, obligations, penalties, judgments, settlements, claims, payments, interest costs, fines and expenses incurred in the investigation or defense thereof or the enforcement of rights hereunder, other than Taxes, including the costs and expenses of any and all Proceedings, and settlements and compromises relating thereto, and attorneys’, accountants’, consultants’ and other professionals’ fees and expenses.

“Nuvectra” has the meaning set forth in the preamble to this Agreement.

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“Nuvectra Assets” means only the following Assets of Greatbatch, Nuvectra and their respective Groups:

1. all of the outstanding classes of capital stock or other equity interests of the members of the Nuvectra Group that are owned beneficially or of record by Nuvectra or any member of the Nuvectra Group as of the Distribution Time;
2. all Assets reflected on the Nuvectra Pro Forma Balance Sheet or any subledger thereto that are owned by Greatbatch, Nuvectra or any other member of their respective Groups as of the Distribution Time;
3. all Assets expressly contributed, assigned, transferred, conveyed or delivered to Nuvectra or any other member of the Nuvectra Group pursuant to the Ancillary Agreements;
4. all Assets owned by Greatbatch, Nuvectra or any member of their respective Groups as of the Distribution Time that were acquired or created after the date of the Nuvectra Pro Forma Balance Sheet and that are of a nature or type that would have resulted in them being reflected on a pro forma condensed combined balance sheet of Nuvectra and its Subsidiaries and the notes or subledgers thereto as of the Distribution Time (were the balance sheet, notes and subledgers to be prepared as of that time) on a basis consistent with the determination of the Assets reflected on the Nuvectra Pro Forma Balance Sheet or any subledger thereto, including Assets allocated to Nuvectra in accordance with the definition of “Separation” herein; and
5. the Nuvectra Intellectual Property.

“Nuvectra Books and Records” means the corporate books and records (whether in hard copy or electronic format and including all minute books, corporate charters and bylaws or comparable constitutive documents, records of share issuances and related corporate records) of or any member of the Nuvectra Group and such other books and records, whether in hard copy or electronic format, to the extent they exclusively relate to the Nuvectra Business, the Nuvectra Assets or the Nuvectra Liabilities, including, without limitation, all such books and records exclusively relating to Persons who are employees of any member of the Nuvectra Group as of the Distribution Time, the purchase of materials, supplies and services, dealings with customers of the Nuvectra Business, and all files relating to any Proceeding the liability with respect to which is a Nuvectra Liability. Notwithstanding the foregoing, “Nuvectra Books and Records” shall not include any Tax Returns or other information, documents or materials relating to Taxes. For the avoidance of doubt, no Information meeting the definition of “Nuvectra Books and Records” shall be deemed not to be Nuvectra Books and Records because it is provided (or made available) by any member of the Nuvectra Group to any member of the Greatbatch Group after the Distribution Date in connection with the provision of services by any member of the Greatbatch Group pursuant to the Transition Services Agreement, or because it is generated, maintained or held in connection with the provision of services by any member of the Greatbatch Group pursuant to the Transition Services Agreement after the Distribution Date. Furthermore, Nuvectra and Greatbatch each acknowledge and agree that the Nuvectra Books and Records described in the immediately preceding sentence shall belong solely to Nuvectra and shall not, as between the Parties, be considered Privileged Information of Greatbatch.

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“Nuvectra Business” means the business and operations conducted by the Nuvectra Group as of the Distribution Date, as such business and operations are described in the Information Statement.

“Nuvectra Common Stock” has the meaning set forth in the recitals to this Agreement.

“Nuvectra Conversion” has the meaning set forth in the recitals to this Agreement.

“Nuvectra Group” means Nuvectra and each Person that is a Subsidiary of Nuvectra immediately prior to the Distribution Time.

“Nuvectra Indemnitees” has the meaning set forth in Section 3.4.

“Nuvectra Intellectual Property” means the Nuvectra Marks and the patents, copyrights, design rights, rights in know-how, trade secrets and other rights of a similar nature, including all applications for the registration of the same set forth on Schedule 1.1(d).

“Nuvectra Liabilities” shall mean (without duplication):

1. all Liabilities reflected on the Nuvectra Pro Forma Balance Sheet or any subledger thereto that remain outstanding as of the Distribution Time;
2. all other Liabilities that are incurred or accrued by Greatbatch, Nuvectra or any of their respective Subsidiaries after the date of the Nuvectra Pro Forma Balance Sheet and that remain outstanding as of the Distribution Time that are of a nature or type that would have resulted in the Liabilities being reflected on a pro forma condensed combined balance sheet of Nuvectra and its Subsidiaries and the notes or subledgers thereto as of the Distribution Time (were the balance sheet, notes or subledgers to be prepared as of that time) on a basis consistent with the determination of the Liabilities reflected on the Nuvectra Pro Forma Balance Sheet or any subledger thereto;
3. all Liabilities delegated or allocated to, or assumed by, Nuvectra or any other member of the Nuvectra Group under this Agreement, any Ancillary Agreement or any Surviving Agreement; and
4. except as otherwise expressly provided in this Agreement or one or more Ancillary Agreements, all Liabilities arising out of the Nuvectra Assets or the operation of the Nuvectra Business (including all Liabilities arising out of the use by any member of the Nuvectra Group of any of the Greatbatch Intellectual Property), whether prior to, on or after the Distribution Date and whether or not such Liabilities arise out of, result from or relate to any service or function used by Nuvectra at facilities or locations shared with any member of the Greatbatch Group or any service or function performed by any member of the Greatbatch Group for (but not exclusively for) Nuvectra.

For the avoidance of doubt: (A) Liabilities that are Nuvectra Liabilities pursuant to the definition set forth in clause (iv) of the immediately preceding sentence shall not be excluded from the definition of Nuvectra Liabilities simply because such Nuvectra Liabilities are attributable to, relate to, arose out of or resulted from operations or Assets no longer owned by

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Greatbatch, any other member of the Greatbatch Group or Nuvectra as of the Distribution Time (e.g., previously sold, disposed or lost operations or Assets); (B) the designation in this Agreement of any Liability as a Nuvectra Liability shall be binding on the Nuvectra Group, notwithstanding that such Liability may arise out of, directly or indirectly, the negligence, gross negligence, strict liability or other legal fault of any one or more members of the Greatbatch Group; and (C) except as expressly set forth in this Agreement or an Ancillary Agreement, the designation in this Agreement of Liabilities as Nuvectra Liabilities or Greatbatch Liabilities is only for purposes of allocating responsibility for such Liabilities as between the Parties and their respective Groups and shall not affect any obligations to, or give rise to any rights of, any third parties.

“Nuvectra Marks” means trade names, trademarks, service marks, domain names and e-mail addresses used in connection with the Nuvectra Business that are listed on Schedule 1.1(e), and all goodwill embodied in the foregoing.

“Nuvectra Pro Forma Balance Sheet” means the unaudited condensed combined pro forma balance sheet of Nuvectra and its Subsidiaries as of January 1, 2016 included in the Information Statement.

“NYSE” means the New York Stock Exchange.

“Party” has the meaning set forth in the preamble to this Agreement.

“Person” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, a union, an unincorporated organization or a governmental entity or any department, agency or political subdivision thereof.

“Prior Transfer” means (i) a transfer prior to the date of this Agreement of any Nuvectra Asset from Greatbatch or any other member of the Greatbatch Group to Nuvectra or any other member of the Nuvectra Group, (ii) an assumption prior to the date of this Agreement by Nuvectra or any other member of the Nuvectra Group of any of the Nuvectra Liabilities from Greatbatch or any other member of the Greatbatch Group, (iii) a transfer prior to the date of this Agreement of any Greatbatch Asset from Nuvectra or any other member of the Nuvectra Group to Greatbatch or any other member of the Greatbatch Group, or (iv) an assumption prior to the date of this Agreement by Greatbatch or any other member of the Greatbatch Group of any of the Greatbatch Liabilities from Nuvectra or any other member of the Nuvectra Group.

“Privilege” has the meaning set forth in Section 6.5(a).

“Privileged Information” has the meaning set forth in Section 6.5(a).

“Proceedings” means any claim, demand, action, suit, litigation, dispute, audit, inquiry, order, writ, injunction, judgment, assessment, decree, grievance, arbitral action, investigation or other proceeding by or before any Governmental Authority.

“Record Date” means the close of business on the date to be determined by the Board of Directors of Greatbatch as the record date for determining stockholders of Greatbatch entitled to receive shares of Nuvectra Common Stock on the Distribution Date pursuant to Section 4.2.

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“Record Holders” has the meaning set forth in Section 4.1.

“Registration Statement” means the registration statement on Form 10 of Nuvectra with respect to the registration under the Exchange Act of the Nuvectra Common Stock, including any amendments or supplements thereto.

“SEC” means the United States Securities and Exchange Commission.

“Separation” means:

1. the transfer to Nuvectra or any other member of the Nuvectra Group of all rights, titles and interests of Greatbatch or any other member of the Greatbatch Group in any Nuvectra Assets that are held by Greatbatch or any member of the Greatbatch Group;
2. the assumption by Nuvectra or any other member of the Nuvectra Group of any Nuvectra Liabilities that were incurred by, or as to which there exists any obligation of Greatbatch or any other member of the Greatbatch Group;
3. the transfer to Greatbatch or any other member of the Greatbatch Group of all rights, titles and interests of Nuvectra or any other member of the Nuvectra Group in any Greatbatch Assets that are held by Nuvectra or any other member of the Nuvectra Group;
4. the assumption by Greatbatch or any other member of the Greatbatch Group of any Greatbatch Liabilities that were incurred by, or as to which there exists any obligation of Nuvectra or any other member of the Nuvectra Group; and
5. the issuance by Nuvectra to GB Ltd., for subsequent distribution to Greatbatch, of a number of shares of Nuvectra Common Stock, such that the number of shares of Nuvectra Common Stock issued and outstanding immediately before the Distribution Time will equal the product of (A) the Distribution Multiple and (B) the number of shares of Greatbatch Common Stock issued and outstanding as of the Record Date.

“Shared Person” has the meaning set forth in Section 4.3.

“Spin-off Agreements” has the meaning set forth in Section 2.5.

“Subsidiary” means, with respect to any specified Person, any corporation, partnership, limited liability company, joint venture or other organization, whether incorporated or unincorporated, of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such specified Person or by any one or more of its Subsidiaries, or by such specified Person and one or more of its Subsidiaries.

“Supply Agreements” means the Supply Agreement and the Product Component Framework Agreement, each dated as of the date hereof, by and between GB Ltd. and Nuvectra.

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“Surviving Agreements” has the meaning set forth in Section 3.2.

“Taxes” has the meaning set forth in the Tax Matters Agreement.

“Tax Returns” has the meaning set forth in the Tax Matters Agreement.

“Tax Matters Agreement” means the Tax Matters Agreement, dated the date hereof, by and between Greatbatch and Nuvectra.

“Third Party Claim” has the meaning set forth in Section 3.7(a).

“Transition Services Agreement” means the Transition Services Agreement, dated the date hereof, between Greatbatch, as service provider, and Nuvectra, as service receiver.

Section 1.2 *Interpretation*. In this Agreement, unless the context clearly indicates otherwise:

1. words used in the singular include the plural and words used in the plural include the singular;
2. if a word or phrase is defined in this Agreement, its other grammatical forms, as used in this Agreement, shall have a corresponding meaning;
3. reference to any gender includes the other gender and the neuter;
4. the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation”;
5. the words “shall” and “will” are used interchangeably and have the same meaning;
6. the word “or” shall have the inclusive meaning represented by the phrase “and/or”;
7. relative to the determination of any period of time, “from” means “from and including,” “to” means “to but excluding” and “through” means “through

and including”;

1. all references to a specific time of day in this Agreement shall be based upon Eastern Standard Time or Eastern Daylight Savings Time, as applicable, on the date question;
2. whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified;
3. accounting terms used herein shall have the meanings historically ascribed to them by Greatbatch and its Subsidiaries, including Nuvectra and its Subsidiaries, in its and their internal accounting and financial policies and procedures in effect immediately prior to the date of this Agreement;

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1. reference to any Article, Section or Schedule means such Article or Section of, or such Schedule to, this Agreement, as the case may be, and references in any Section or definition to any clause means such clause of such Section or definition;
2. the words “this Agreement,” “herein,” “hereunder,” “hereof,” “hereto” and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Section or other provision of this Agreement;
3. the term “commercially reasonable efforts” means efforts which are commercially reasonable to enable a Party, directly or indirectly, to satisfy a condition to or otherwise assist in the consummation of a desired result and which do not require the performing Party to expend funds or assume Liabilities other than expenditures and Liabilities which are customary and reasonable in nature and amount in the context of a series of related transactions similar to the Separation;
4. reference to any agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and by this Agreement;
5. reference to any Law (including statutes and ordinances) means such Law (including any and all rules and regulations promulgated thereunder) as amended, modified, codified or reenacted, in whole or in part, and in effect at the time of determining compliance or applicability;
6. references to any Person include such Person’s successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement; a reference to such Person’s “Affiliates” shall be deemed to mean such Person’s Affiliates following the Distribution and any reference to a third party shall be deemed to mean a Person who is not a Party or an Affiliate of a Party;
7. if there is any conflict between the provisions of the main body of this Agreement and the Schedules hereto, the provisions of the main body of this Agreement shall control unless explicitly stated otherwise in such Schedule;
8. if there is any conflict between the provisions of this Agreement and any Ancillary Agreement, the provisions of such Ancillary Agreement shall control (but only with respect to the subject matter thereof and that Ancillary Agreement) unless explicitly stated otherwise therein;
9. the titles to Articles and headings of Sections contained in this Agreement, in any Schedule and in the table of contents to this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of or to affect the meaning or interpretation of this Agreement; and
10. any portion of this Agreement obligating a Party to take any action or refrain from taking any action, as the case may be, shall mean that such Party shall also be obligated to cause its relevant Subsidiaries to take such action or refrain from taking such action, as the case may be.

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ARTICLE II

SEPARATION AND RELATED TRANSACTIONS

Section 2.1 *The Separation*. Each of Greatbatch and Nuvectra will use commercially reasonable efforts to take, or cause to be taken, any actions, including the transfer of Assets, the assumption of Liabilities, and the Internal Transactions, necessary to effect the Separation on or prior to the Distribution Date. As of and after the Distribution Time, the Nuvectra Group will, as between the Nuvectra Group and the Greatbatch Group, be responsible for all Nuvectra Liabilities, regardless of when or where such Nuvectra Liabilities arose or arise, or whether the facts on which they are based occurred prior to or subsequent to the date hereof, regardless of where or against whom such Nuvectra Liabilities are asserted or determined or whether asserted or determined prior to, at or after the date hereof, and regardless of whether arising from or alleged to arise from negligence, recklessness, violation of statute or Law, fraud or misrepresentation, breach of contract or other theory, by any member of the Greatbatch Group or the Nuvectra Group or any of their respective directors, officers, employees, agents, Subsidiaries or Affiliates. As of and after the Distribution Time, Greatbatch and the Greatbatch Group will, as between the Greatbatch Group and the Nuvectra Group, be responsible for all Greatbatch Liabilities, regardless of when or where such Greatbatch Liabilities arose or arise, or whether the facts on which they are based occurred prior to or subsequent to the date hereof, regardless of where or against whom such Greatbatch Liabilities are asserted or determined or whether asserted or determined prior to, at or after the date hereof, and regardless of whether arising from or alleged to arise from negligence, recklessness, violation of statute or Law, fraud or misrepresentation, breach of contract or other theory, by any member of the Greatbatch Group or the Nuvectra Group or any of their respective directors, officers, employees, agents, Subsidiaries or Affiliates. Each of Greatbatch and Nuvectra agrees on behalf of itself and each of its Subsidiaries and Affiliates as of the Distribution Time that the provisions of the Tax Matters Agreement shall exclusively govern the allocation of Tax Items (as defined in the Tax Matters Agreement).

Section 2.2 *Charter and Bylaws*. At the Distribution Time, the Certificate of Incorporation and the By-laws of Nuvectra shall be substantially in the forms of Schedule 2.2(a) and Schedule 2.2(b), respectively.

Section 2.3 *Instruments of Transfer and Assumption*. Greatbatch and Nuvectra agree that (i) transfers of Assets required to be transferred by this Agreement shall be effected by delivery by the transferring entity to the transferee of such good and sufficient instruments of contribution, conveyance, assignment and transfer, in form and substance reasonably satisfactory to Greatbatch and Nuvectra, as shall be necessary, in each case, to vest in the designated transferee all of the title and ownership interest of the transferor in and to any such Asset, and (ii) to the extent necessary, the assumption of the Liabilities contemplated pursuant to Section 2.1 shall be effected by delivery by the transferee to the transferor of such good and sufficient instruments of assumption, in form and substance reasonably satisfactory to Greatbatch and Nuvectra, as shall be necessary for the assumption by the transferee of such Liabilities. Greatbatch and Nuvectra agree that, to the extent that the documents described in clause (i) and clause (ii) of the immediately preceding sentence have not previously been delivered in connection with any Prior Transfers, the documents relating to such Prior Transfers shall be

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delivered by the appropriate Party or Subsidiary thereof. Each Party also agrees to deliver to the other Party such other documents, instruments and writings as may be reasonably requested by the other Party in connection with the transactions contemplated hereby or by Prior Transfers.

Section 2.4 *No Representations or Warranties*. Except as expressly set forth in this Agreement or in an Ancillary Agreement, Nuvectra and Greatbatch understand and agree that (a) no member of the Greatbatch Group is making any representation or warranty of any kind whatsoever, express or implied, to Nuvectra or any member of the Nuvectra Group in any way as to the Nuvectra Business, the Nuvectra Assets, the Nuvectra Liabilities or the Nuvectra Intellectual Property and

1. no member of the Nuvectra Group is making any representation or warranty of any kind whatsoever, express or implied, to Greatbatch or any member of the Greatbatch Group in any way as to the Greatbatch Business, the Greatbatch Assets, the Greatbatch Liabilities or the Greatbatch Intellectual Property. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING (X) THE TRANSFERS, LICENSES AND ASSUMPTIONS REFERRED TO IN THIS ARTICLE II (INCLUDING PRIOR TRANSFERS) HAVE BEEN, OR WILL BE, MADE WITHOUT ANY REPRESENTATION OR WARRANTY OF ANY NATURE, EXPRESS OR IMPLIED, AT COMMON LAW, BY STATUTE OR OTHERWISE, RELATING TO (A) THE VALUE OR FREEDOM FROM ENCUMBRANCE OF, ANY ASSETS, (B) THE CONDITION OR SUFFICIENCY OF ANY ASSETS (INCLUDING ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, MARKETABILITY, TITLE, VALUE, FREEDOM FROM ENCUMBRANCE OR OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS, OR THE PRESENCE OR ABSENCE OF ANY HAZARDOUS MATERIALS IN OR ON, OR DISPOSED OR DISCHARGED FROM, SUCH ASSETS), (C) THE NON-INFRINGEMENT OF ANY PATENT OR OTHER INTELLECTUAL PROPERTY RIGHT OF ANY THIRD PARTY,

(D) ANY OTHER MATTER CONCERNING ANY ASSETS OR (E) AS TO THE LEGAL SUFFICIENCY TO CONVEY TITLE TO ANY ASSETS, AND (Y) THE INSTRUMENTS OF TRANSFER OR ASSUMPTION REFERRED TO IN THIS ARTICLE II SHALL NOT INCLUDE ANY REPRESENTATIONS AND WARRANTIES OTHER THAN AS SPECIFICALLY PROVIDED HEREIN. GREATBATCH AND NUVECTRA HEREBY ACKNOWLEDGE AND AGREE THAT ALL ASSETS TRANSFERRED OR LICENSED PURSUANT TO THIS ARTICLE II AND ALL ASSETS INCLUDED IN PRIOR TRANSFERS ARE BEING OR WERE TRANSFERRED “AS IS, WHERE IS.” To the extent that the instruments of transfer and assumption with respect to any Prior Transfers are inconsistent with this Section 2.4, Nuvectra and the Greatbatch Group agree that the inconsistent provisions of such instruments are hereby amended and superseded by the provisions of this Section 2.4. To the extent reasonably requested by a member of the Greatbatch Group or Nuvectra, each Party will, or will cause its Subsidiaries to, execute any documents necessary to evidence such amendment.

Section 2.5 *Agreements*. Prior to the Distribution Time, Greatbatch and Nuvectra shall execute and deliver (or shall cause their appropriate Subsidiaries to execute and deliver, as applicable) the agreements between them designated as follows:

1. the Transition Services Agreement;
2. the Employee Matters Agreement;

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1. the Tax Matters Agreement;
2. the License Agreements (collectively, items (i) through (iv) of this Section 2.5, the “Spin-off Agreements”);
3. the Supply Agreements; and
4. such other written agreements, documents or instruments as the Parties may agree are necessary or desirable and which are delivered in connection with this Agreement (collectively, items (i) through (vi) of this Section 2.5, the “Ancillary Agreements”).

Section 2.6 *Transfers Not Effected Prior to the Distribution Time*.

* 1. To the extent that any transfers contemplated by this Article II shall not have been consummated as of the Distribution Time, the Parties shall cooperate to effect such transfers as promptly following the Distribution Time as shall be practicable. Nothing herein shall be deemed to require the transfer of any Assets or the assumption of any Liabilities that by their terms or operation of Law cannot be transferred or assumed; provided, however, that the Nuvectra Group and the Greatbatch Group shall cooperate and use their respective commercially reasonable efforts to obtain any necessary Consents for the transfer of all Assets and the assumption of all Liabilities contemplated to be transferred or assumed pursuant to this Article II and shall, even in the absence of necessary Consents, transfer the equitable ownership of Assets when such a transfer is permitted. In the event that any such transfer of Assets or assumption of Liabilities has not been consummated effective as of the Distribution Time (or such earlier time as any such Asset may have been acquired or Liability assumed), the Party retaining such Asset or Liability shall thereafter hold such Asset in trust for the use and benefit of the Party entitled thereto (at the expense of the Party entitled thereto) and retain such Liability for the account of the Party by whom such Liability is to be assumed pursuant hereto, and take such other action as may be reasonably requested by the Party to which such Asset is to be transferred, or by whom such Liability is to be assumed, as the case may be, in order to place such Party, insofar as reasonably possible, in the same position as would have existed had such Asset or Liability been transferred or assumed as contemplated hereby. As and when any such Asset becomes transferable or such Liability can be assumed, such transfer or assumption shall be effected forthwith. Subject to the foregoing, the Parties agree that, as of the Distribution Time (or such earlier time as any such Asset may have been acquired or Liability assumed), each Party shall be deemed to have acquired complete and sole beneficial ownership over all of the Assets, together with all rights, powers and privileges incident thereto, and shall be deemed to have assumed in accordance with the terms of this Agreement all of the Liabilities, and all duties, obligations and responsibilities incident thereto, which such Party is entitled to acquire or required to assume pursuant to the terms of this Agreement.
  2. Beginning one year after the Distribution Date, if any Asset remains subject to an arrangement described in Section 2.6(a), the beneficial owner may

1. direct the Party acting as trustee to transfer the Asset to the beneficial owner, at the sole risk of such beneficial owner (who will thereafter indemnify the trustee/transferor from all Losses and Liabilities arising as a result of such transfer), (ii) direct the Party acting as trustee to sell or liquidate the subject Asset for the account of, and at the sole risk and expense of, such beneficial owner, who shall be entitled to receive all of the net proceeds of such sale or liquidation or (iii) continue the arrangement described in Section 2.6(a).

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ARTICLE III

MUTUAL RELEASES; INDEMNIFICATION

Section 3.1 *Release of Pre-Distribution Claims*.

1. Except as provided in Section 3.1(c), effective as of the Distribution Time, Nuvectra does hereby, for itself and each other member of the Nuvectra Group, their respective, successors and assigns, and all Persons who at any time prior to the Distribution Time have been stockholders, members, managers, directors, officers, agents or employees of any member of the Nuvectra Group (in each case, in their respective capacities as such), remise, release and forever discharge Greatbatch, each member of the Greatbatch Group and their respective Affiliates, successors and assigns, and all stockholders, directors, officers, agents or employees of any member of the Greatbatch Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever to Nuvectra and each member of the Nuvectra Group, whether at law or in equity (including any right of contribution), whether arising under any Contract, by operation of Law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed at or before the Distribution Time, including in connection with the transactions and all other activities to implement any Prior Transfers, the Separation and the Distribution.
2. Except as provided in Section 3.1(c), effective as of the Distribution Time, Greatbatch does hereby, for itself and each other member of the Greatbatch Group, their respective, successors and assigns, and all Persons who at any time prior to the Distribution Time have been stockholders, members, managers, directors, officers, agents or employees of any member of the Greatbatch Group (in each case, in their respective capacities as such), remise, release and forever discharge Nuvectra, each member of the Nuvectra Group and their respective Affiliates, successors and assigns, and all stockholders, directors, officers, agents or employees of any member of the Nuvectra Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever to Greatbatch and each other member of the Greatbatch Group, whether at law or in equity (including any right of contribution), whether arising under any Contract, by operation of Law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed at or before the Distribution Time, including in connection with the transactions and all other activities to implement any Prior Transfers, the Separation and the Distribution.
3. Nothing contained in Section 3.1(a) or (b) shall impair any right of any Person to enforce this Agreement, any Ancillary Agreement, any Surviving Agreement or any agreements, arrangements, commitments or understandings that are specified in, or contemplated to continue pursuant to, this Agreement, any Ancillary Agreement or any Surviving Agreement. Nothing contained in Section 3.1(a) or (b) shall release any Person from:
   1. any Liability, contingent or otherwise, assumed, transferred, assigned or allocated to the Group of which such Person is a member in accordance with, or any other Liability of any member of that Group under, this Agreement, any Ancillary Agreement or any Surviving Agreement;

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* 1. any Liability that such Person may have with respect to indemnification or contribution pursuant to this Agreement, any Ancillary Agreement or any Surviving Agreement for claims brought against the Parties by third Persons, which Liability shall be governed by the provisions of this Article III and, if applicable, the appropriate provisions of the Ancillary Agreements or the Surviving Agreements;
  2. any unpaid accounts payable or receivable arising from or relating to the sale, provision or receipt of goods, payment for goods, property or services purchased, obtained or used by any member of the Greatbatch Group from any member of the Nuvectra Group, or by any member of the Nuvectra Group from any member of the Greatbatch Group, including pursuant to any Surviving Agreement or other agreement entered into in the ordinary course of business prior to the Distribution Date; and
  3. any Liability, including any Liability that qualifies as a Covered Matter, the release of which would result in the release of any Person, including under any Insurance Policy or D&O policy, other than an Indemnitee; provided, however, that the Parties agree not to bring suit or permit any member of their respective Group to bring suit against any Indemnitee with respect to such Liability.

1. Nuvectra shall not make, and shall not permit any member of the Nuvectra Group to make, any claim or demand, or commence any Proceeding asserting any claim or demand, including any claim of contribution or indemnification, against Greatbatch or any member of the Greatbatch Group, or any other Person released pursuant to Section 3.l (a), with respect to any Liabilities released pursuant to Section 3.1(a). Greatbatch shall not make, and shall not permit any other member of the Greatbatch Group to make, any claim or demand, or commence any Proceeding asserting any claim or demand, including any claim of contribution or any indemnification, against Nuvectra or any other member of the Nuvectra Group, or any other Person released pursuant to Section 3.1(b), with respect to any Liabilities released pursuant to Section 3.1(b).
2. It is the intent of each of Greatbatch and Nuvectra by virtue of the provisions of this Section 3.1 to provide for a full and complete release and discharge of all Liabilities existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed at or before the Distribution Time, between or among Nuvectra or any other member of the Nuvectra Group, on the one hand, and Greatbatch or any other member of the Greatbatch Group, on the other hand (including any Contracts existing or alleged to exist between or among any such members at or before the Distribution Time), except as expressly set forth in Section 3.l(c). At any time, at the reasonable request of the other Party, each Party shall cause each member of its respective Group to, execute and deliver releases reflecting the provisions hereof.

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Section 3.2 *Termination of Intercompany Agreements*. Without limiting the generality of Section 3.l(e) and subject to the provisions of Section 3.l(c), each of the Parties agrees that, except for this Agreement and the Ancillary Agreements (including any amounts owed with respect to such agreements) and except for those agreements set forth in Schedule 3.2 (the “Surviving Agreements”), all Intercompany Agreements and all other intercompany arrangements and course of dealings, whether or not in writing and whether or not binding or in effect immediately prior to the Distribution Time shall terminate immediately prior to the Distribution Time unless the Parties thereto otherwise agree in writing after the date of this Agreement.

Section 3.3 *Indemnification by Nuvectra*. In addition to any provision in any of the Spin-off Agreements requiring indemnification, Nuvectra will, except as provided in Sections 3.5 and 3.6, indemnify, defend and hold harmless Greatbatch, each member of the Greatbatch Group and their respective Affiliates, successors and assigns, and all stockholders, members, managers, directors, officers, agents or employees of any member of the Greatbatch Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns (collectively, the “Greatbatch Indemnitees”) from and against any and all Losses of the Greatbatch Indemnitees relating to, arising out of or resulting from any of the following (without duplication):

1. the failure of Nuvectra or any other member of the Nuvectra Group or any other Person to pay, perform or otherwise promptly discharge any Nuvectra Liabilities in accordance with their respective terms, whether prior to, at or after the Distribution Time;
2. the Nuvectra Business or any Nuvectra Asset or Nuvectra Liability;
3. any breach by Nuvectra or any other member of the Nuvectra Group of any provision of this Agreement, any of the other Spin-off Agreements or any of the Surviving Agreements, subject (in the case of each of the Spin-off Agreements and the Surviving Agreements) to any limitations of liability provisions and other provisions applicable to any such breach set forth therein; and
4. any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all Information contained in the Registration Statement or the Information Statement, solely with respect to Information provided by Nuvectra in writing to Greatbatch expressly for inclusion in the Registration Statement or the Information Statement;

in each case, regardless of when or where the loss, claim, accident, occurrence, event or happening giving rise to the Loss took place, or whether any such loss, claim, accident, occurrence, event or happening is known or unknown, or reported or unreported and regardless of whether such loss, claim, accident, occurrence, event or happening giving rise to the Loss existed prior to, on or after the Distribution Date or relates to, arises out of or results from actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to, on or after the Distribution Date.

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Section 3.4 *Indemnification by Greatbatch*. In addition to any provision in any of the Spin-off Agreements requiring indemnification, Greatbatch will, except as provided in Sections 3.5 and 3.6, indemnify, defend and hold harmless Nuvectra, each member of the Nuvectra Group and their respective Affiliates, successors and assigns, and all shareholders, directors, officers, agents or employees of any member of the Nuvectra Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns (collectively, the “Nuvectra Indemnitees”) from and against any and all Losses of the Nuvectra Indemnitees relating to, arising out of or resulting from any of the following (without duplication):

1. the failure of Greatbatch or any other member of the Greatbatch Group or any other Person to pay, perform or otherwise promptly discharge any Greatbatch Liabilities in accordance with their respective terms, whether prior to, at or after the Distribution Time;
2. the Greatbatch Business or any Greatbatch Asset or Greatbatch Liability;
3. any breach by Greatbatch or any other member of the Greatbatch Group of any provision of this Agreement, any of the other Spin-off Agreements or any of the Surviving Agreements, subject (in the case of each of the Spin-off Agreements and the Surviving Agreements) to any limitations of liability provisions and other provisions applicable to any such breach set forth therein; and
4. any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, solely with respect to information provided by Greatbatch in writing to Nuvectra expressly for inclusion in the Registration Statement or the Information Statement;

in each case, regardless of when or where the loss, claim, accident, occurrence, event or happening giving rise to the Loss took place, or whether any such loss, claim, accident, occurrence, event or happening is known or unknown, or reported or unreported and regardless of whether such loss, claim, accident, occurrence, event or happening giving rise to the Loss existed prior to, on or after the Distribution Date or relates to, arises out of or results from actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to, on or after the Distribution Date.

Section 3.5 *Indemnification Obligations Net of Insurance Proceeds*.

1. Any Loss subject to indemnification or reimbursement pursuant to this Article III (an “Indemnifiable Loss”) will be net of Insurance Proceeds actually recovered on account of such Loss. Accordingly, the amount that either Party (an “Indemnifying Party”) is required to pay to any Person entitled to indemnification hereunder (an “Indemnitee”) will be reduced by any Insurance Proceeds theretofore actually recovered by or on behalf of the Indemnitee on account of the related Loss. If an Indemnitee receives a payment (an “Indemnity Payment”) required by this Agreement from an Indemnifying Party in respect of any Loss and subsequently receives Insurance Proceeds on account of such Loss, then the Indemnitee will pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payments received

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over the amount of the Indemnity Payments that would have been due after taking into account the Insurance Proceeds received on account thereof. The Indemnitee shall use and cause its Affiliates to use commercially reasonable efforts to recover any proceeds of Insurance Policies to which the Indemnitee is directly or indirectly entitled with respect to any Indemnifiable Loss. Except as set forth in Section 3.5(b), the existence of a claim by an Indemnitee for insurance or against a third party in respect of any Indemnifiable Loss shall not, however, delay any payment pursuant to the indemnification provisions contained in this Article III and otherwise determined to be due and owing by an Indemnifying Party; rather, the Indemnifying Party shall make payment in full of such amount so determined to be due and owing by it against a concurrent written assignment by the Indemnitee to the Indemnifying Party of the portion of the claim of the Indemnitee for such insurance or against such third party equal to the amount of such payment. The Indemnitee shall use and cause its Affiliates to use commercially reasonable efforts to assist the Indemnifying Party in recovering or to recover on behalf of the Indemnifying Party, any Insurance Proceeds to which the Indemnifying Party is directly or indirectly entitled with respect to any Indemnifiable Loss as a result of such assignment. The Indemnitee shall make available to the Indemnifying Party and its counsel all employees, books and records, communications, documents, items or matters within its knowledge, possession or control that are necessary, appropriate or reasonably deemed relevant by the Indemnifying Party with respect to the recovery of such Insurance Proceeds; provided, however, that subject to Section 6.5 hereof, nothing in this sentence shall be deemed to require a Party to make available books and records, communications, documents or items which (i) in such Party’s Good Faith Judgment could result in a waiver of any Privilege with respect to a third party even if Nuvectra and Greatbatch cooperated to protect such Privilege as contemplated by this Agreement, or

1. such Party is not permitted to make available because of any Law or any confidentiality obligation to a third party, in which case such Party shall use commercially reasonable efforts to seek a waiver of or other relief from such confidentiality restriction. Unless the Indemnifying Party has made payment in full of any Indemnifiable Loss, such Indemnifying Party shall use and cause its Affiliates to use commercially reasonable efforts to recover any Insurance Proceeds to which it or such Affiliate is entitled with respect to any Indemnifiable Loss.
   1. Notwithstanding anything set forth in Section 3.5(a), in the case of any Indemnifiable Loss for which it is reasonably likely that an Nuvectra Indemnitee may have a direct or indirect right of recovery of Insurance Proceeds as a Covered Matter under an insurance program maintained by Greatbatch or any member of the Greatbatch Group, then prior to asserting a claim for indemnification under Section 3.4, such Nuvectra Indemnitee shall notify Greatbatch of such Covered Matter and such insurance claim so that Greatbatch may report such claim to the insurance carrier in accordance with Section 6.9(k). To the extent that an Nuvectra Indemnitee actually obtains recovery in respect of any such Indemnifiable Losses pursuant to this Section 3.5(b), such Nuvectra Indemnitee shall use the funds provided by such recovery to pay or otherwise satisfy such Indemnifiable Losses and the amount that Greatbatch may be required to pay to any Nuvectra Indemnitee with respect to such Indemnifiable Loss under this Article III shall be reduced by the amount of such Insurance Proceeds actually paid to the Nuvectra Indemnitee. The Nuvectra Indemnitee shall use and cause its Affiliates to use commercially reasonable efforts to assist in recovering any Insurance Proceeds to which the Nuvectra Indemnitee is directly or indirectly entitled with respect to any Indemnifiable Loss. The Nuvectra Indemnitee shall make available to the insurance carrier and its counsel all employees, books and records, communications, documents, items or matters within its

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knowledge, possession or control that are necessary, appropriate or reasonably deemed relevant by the Indemnifying Party with respect to the recovery of such Insurance Proceeds; provided, however, that subject to Section 6.5 hereof, nothing in this sentence shall be deemed to require a Party to make available books and records, communications, documents or items which (i) in such Party’s Good Faith Judgment could result in a waiver of any Privilege with respect to a third party even if Nuvectra and Greatbatch cooperated to protect such Privilege as contemplated by this Agreement, or (ii) such Party is not permitted to make available because of any Law or any confidentiality obligation to a third party, in which case such Party shall use commercially reasonable efforts to seek a waiver of or other relief from such confidentiality restriction.

1. An insurer who would otherwise be obligated to pay any claims shall not be relieved of the responsibility with respect thereto or, solely by virtue of the indemnification provisions hereof, have any subrogation rights with respect thereto, it being expressly understood and agreed that no insurer or any other third party shall be entitled to a “windfall” (i.e., a benefit it would not be entitled to receive in the absence of the indemnification provisions set forth in this Agreement) by virtue of the indemnification provisions hereof.

Section 3.6 *Indemnification Obligations Net of Taxes*. The Parties intend that any Loss subject to indemnification or reimbursement pursuant to this Article III will be net of Taxes. Accordingly, the amount which an Indemnifying Party is required to pay to an Indemnitee will be adjusted to reflect any tax benefit to the Indemnitee from the underlying Loss and to reflect any Taxes imposed upon the Indemnitee as a result of the receipt of such payment. Such an adjustment will first be made at the time that the Indemnity Payment is made and will further be made, as appropriate, to take into account any change in the liability of the Indemnitee for Taxes that occurs in connection with the final resolution of an audit by a taxing authority. For purposes of this Section 3.6, the value of any tax benefit to the Indemnitee from the underlying Loss shall be an amount equal to the product of (a) the amount of any present or future deduction allowed or allowable to the Indemnitee by the Code, or other applicable Law, as a result of such Loss and (b) the highest statutory rate applicable under Section 11 of the Code, or other applicable Law. Unless otherwise required by applicable Law, the Parties will characterize any Indemnity Payment made pursuant to this Agreement or any Spin-off Agreement in the same manner as if such payment were a contribution made by Greatbatch to Nuvectra or as a distribution made by Nuvectra to Greatbatch, as the case may be, immediately before the Distribution Time.

Section 3.7 *Procedures for Indemnification of Third Party Claims*.

1. If an Indemnitee shall receive notice or otherwise learn of the assertion by a Person (including any Governmental Authority) who is not a member of the Nuvectra Group or a member of the Greatbatch Group of any claims or of the commencement by any such Person of any Proceeding (each such claim or Proceeding being a “Third Party Claim”) with respect to which an Indemnifying Party may be obligated to provide indemnification to such Indemnitee pursuant to Section 3.3 or

3.4, or any other Section of this Agreement or any Spin-off Agreement, such Indemnitee shall promptly give such Indemnifying Party written notice thereof, and in any event within 10 days after such Indemnitee received notice of such Third Party Claim. Any such notice shall describe the Third Party Claim in reasonable detail. Notwithstanding the foregoing, the failure of any Indemnitee or other Person to give notice as provided in this Section 3.7(a) shall not relieve the applicable Indemnifying Party of its obligations under this Article III, except to the extent that such Indemnifying Party is actually prejudiced by such failure.

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* 1. If the Indemnifying Party does not dispute its potential liability to the Indemnitee, the Indemnifying Party may elect to defend (and to settle or compromise in accordance with the applicable provisions of this Section 3.7), at such Indemnifying Party’s own expense and by such Indemnifying Party’s own counsel, any Third Party Claim. Within 30 days after the receipt of notice from an Indemnitee in accordance with Section 3.7(a) (or sooner, if the nature of such Third Party Claim so requires), the Indemnifying Party shall notify the Indemnitee of its election whether the Indemnifying Party will assume responsibility for defending such Third Party Claim. The failure to give such notice of election within the 30-day period shall be deemed a rejection of the opportunity to assume responsibility. After notice from an Indemnifying Party to an Indemnitee of its election to assume the defense of a Third Party Claim, such Indemnitee shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise or settlement thereof, but the fees and expenses of such counsel shall be at the expense of such non-defending Person, except that the Indemnifying Party shall be liable for the fees and expenses of counsel employed by the Indemnitee (i) for any period during which the Indemnifying Party has not assumed the defense of such Third Party Claim (other than during any period in which the Indemnitee shall have failed to give notice of the Third Party Claim in accordance with Section 3.7(a)) or (ii) to the extent that such engagement of counsel is as a result of actual or potential differing defenses or conflicts of interests that make joint representation inappropriate, as reasonably determined in the Good Faith Judgment of the Indemnitee.
  2. Notwithstanding anything to the contrary in this Section 3.7, (i) Greatbatch will have the right to assume the defense of, and/or settle or compromise (or seek to settle or compromise or reject any proposed settlement or compromise), any Third Party Claim based upon any disclosure or omission with respect to Greatbatch’s QiG operating segment in any of Greatbatch’s reports filed pursuant to the Exchange Act or any financial statements or financial data with respect to Greatbatch’s QiG operating segment contained therein asserted in whole or in part against any member of the Greatbatch Group or any of their respective current or former officers, directors, employees or Affiliates and (ii) Greatbatch will have the right to settle or compromise such Third Party Claim without the consent of Nuvectra if such settlement or compromise provides for an unconditional and irrevocable release of all affected Nuvectra Indemnitees with respect to all Liabilities relating to the subject matter of such Third Party Claim without any admission of wrong-doing and does not involve any monetary damages (including monetary fines or penalties) or injunctive relief to be imposed upon Nuvectra or any member of the Nuvectra Group.
  3. An Indemnifying Party’s defense of any Third Party Claim pursuant to Section 3.7(b) or (c) includes the right to compromise, settle or consent to the entry of any judgment or determination of liability concerning such Third Party Claim; provided, however, that, except as provided in Section 3.7(c), the Indemnifying Party shall not compromise, settle or consent to the entry of judgment or determination of liability concerning any Third Party Claim without prior written approval of the Indemnitee (which may not be unreasonably withheld, conditioned or delayed) if the terms or conditions of such compromise, settlement or consent would,

1. impose injunctive relief on the Indemnitee or any of its Affiliates, (ii) require the

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payment or performance by the Indemnitee of any amount other than the expenditure of an immaterial sum of money or (iii) in the reasonable judgment of the Indemnitee, have a material adverse financial impact or a material adverse effect upon the ongoing operations of the Indemnitee (taken together with its Subsidiaries). If the Indemnitee unreasonably withholds a consent required by this Section 3.7(d) to the terms of a compromise or settlement of a Third Party Claim, proposed to the Indemnitee by the Indemnifying Party, the Indemnifying Party’s obligation to indemnify the Indemnitee for such Third Party Claim, if any, shall not exceed the total amount that had been proposed in such compromise or settlement offer plus the amount of all expenses incurred by the Indemnitee with respect to such Third Party Claim through the date on which such compromise or settlement was requested. Notwithstanding any other provision of this Section 3.7, unless otherwise specifically agreed to by the Parties in writing (which agreement may not be unreasonably withheld, conditioned or delayed), neither Party shall enter into any compromise or settlement or consent to the entry of any judgment which does not include as an unconditional and irrevocable term thereof the giving by the third party of a release of both the Indemnitee and the Indemnifying Party from all further Liabilities concerning such Third Party Claim.

1. If the Party having the right to elect to defend a particular Third Party Claim pursuant to Section 3.7(b) or (c) elects, or is deemed to have elected, not to defend a particular Third Party Claim, the other Party may defend such Third Party Claim without any prejudice to its rights to indemnification from the Indemnifying Party pursuant to this Article III. In such case, (i) such other Party shall have the right to compromise, settle or consent to the entry of any judgment with respect to such Third Party Claim as provided in Section 3.7(d) without the consent of the Indemnifying Party and (ii) the amount of such compromise, settlement or judgment shall be determinative of the amount of the Loss (but such compromise, settlement or judgment shall not necessarily be determinative of which party hereunder is entitled to indemnification).
2. The Indemnifying Party shall bear all costs and expenses of defending any Third Party Claim; provided, however, that (i) if both Parties may be Indemnifying Parties with respect to such Third Party Claim but only one Party is defending such Third Party Claim, the non-defending Party shall reimburse the defending Party promptly upon demand by the defending Party for the non-defending Party’s proportionate share, allocated based on each Party’s proportionate responsibility for the Indemnifiable Loss pursuant to this Agreement, of all out-of-pocket costs and expenses reasonably incurred in connection with the defending Party’s defense of such Third Party Claim, and (ii) if both Parties may be Indemnifying Parties with respect to such Third Party Claim and both Parties are defending such Third Party Claim, the Parties shall effect such reimbursements necessary so that each Party bears its proportionate share, allocated based on each Party’s proportionate responsibility for the Indemnifiable Loss pursuant to this Agreement, of all out-of-pocket costs and expenses reasonably incurred in connection with the defense of such Third Party Claim.
3. The non-defending or co-defending Party shall make available to the defending Party and its counsel all employees, books and records, communications, documents, items or matters within its knowledge, possession or control that are necessary, appropriate or reasonably deemed relevant by the defending Party with respect to such defense; provided, however, that subject to Section 6.5 hereof, nothing in this Section 3.7(g) shall be deemed to

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require a Party to make available books and records, communications, documents or items which (i) in such Party’s Good Faith Judgment could result in a waiver of any Privilege with respect to a third party even if Nuvectra and Greatbatch cooperated to protect such Privilege as contemplated by this Agreement, or (ii) such Party is not permitted to make available because of any Law or any confidentiality obligation to a third party, in which case such Party shall use commercially reasonable efforts to seek a waiver of or other relief from such confidentiality restriction.

1. With respect to any Third Party Claim in which both Parties are, or reasonably may be expected to be, named as parties, or that otherwise implicates both Parties to a material degree, the Parties shall reasonably cooperate with respect to such Third Party Claim and maintain a joint defense in a manner that will preserve applicable Privileges.
2. Upon final judgment, determination, settlement or compromise of any Third Party Claim, and unless otherwise agreed by the Parties in writing, the Indemnifying Party shall pay promptly on behalf of the Indemnitee, or to the Indemnitee in reimbursement of any amount theretofore required to be paid by it, all amounts required to be paid by the Indemnifying Party pursuant to this Article III with respect to such claim as determined by such final judgment, determination, settlement or compromise.
3. Notwithstanding anything to the contrary in this Section 3.7 but subject to Section 3.7(d), the Parties agree that (i) except for the Proceedings set forth on Schedule 3.7(j)(i), Greatbatch shall continue to control the defense of Proceedings pending on the date hereof and arising out of the Greatbatch Business and the Nuvectra Business, (ii) Nuvectra shall control the defense of the Proceedings pending on the date hereof and arising out of the Nuvectra Business set forth on Schedule 3.7(j)(i) and (iii) the Parties shall jointly manage in accordance with Section 3.7(h) the defense of the Proceedings set forth on Schedule 3.7(j)(ii).

Section 3.8 *Additional Matters*.

1. Any claim on account of a Loss which does not result from a Third Party Claim shall be asserted by written notice given by the Indemnitee to the Indemnifying Party. Any such notice shall describe the claim in reasonable detail. Such Indemnifying Party shall have a period of 30 days after the receipt of such notice within which to respond thereto. If such Indemnifying Party does not respond within such 30-day period, such Indemnifying Party shall be deemed to have refused to accept responsibility to make payment. If such Indemnifying Party does not respond within such 30-day period or rejects such claim in whole or in part, such Indemnitee shall be free to pursue such remedies as may be available to such Party as contemplated by this Agreement and the Spin-off Agreements.
2. In the event of payment by or on behalf of any Indemnifying Party to any Indemnitee in connection with any Third Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnitee in respect of any rights, defenses or claims of such Indemnitee relating to such Third Party Claim. Such Indemnitee shall cooperate with such Indemnifying Party as may reasonably be required in connection with the prosecution of any subrogated right, defense or claim, and its reasonable out-of-pocket costs and expenses in connection therewith shall be reimbursed by the Indemnifying Party.

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1. In the event of an Proceeding involving a Third Party Claim in which the Indemnitee is a named defendant, if either the Indemnitee or Indemnifying Party shall so request, the Parties shall endeavor to cause the Indemnitee not to remain a named defendant, if reasonably practicable.
2. Except as expressly provided herein, the indemnity obligations under this Article III shall apply notwithstanding any investigation made by or on behalf of any Indemnitee and shall apply without regard to whether the Loss for which indemnity is claimed hereunder is based on strict liability, absolute liability or any other theory of liability or arises as an obligation for contribution.
3. THE PARTIES UNDERSTAND AND AGREE THAT THE RELEASE FROM LIABILITIES AND INDEMNIFICATION AND CONTRIBUTION OBLIGATIONS HEREUNDER AND UNDER THE SPIN-OFF AGREEMENTS ARE INTENDED TO APPLY REGARDLESS OF CAUSE AND MAY INCLUDE RELEASE FROM LIABILITIES, INDEMNIFICATION AND CONTRIBUTION FOR LOSSES RESULTING FROM, OR ARISING OUT OF, DIRECTLY OR INDIRECTLY, AND IN WHOLE OR IN PART, AN INDEMNITEE’S OWN NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT OR ACTIVE OR PASSIVE), STRICT LIABILITY OR OTHER LEGAL FAULT.

Section 3.9 *Contribution*. If the indemnification provided for in this Article III is unavailable to an Indemnitee in respect of any Losses for which indemnification is provided for herein, then the Indemnifying Party, in lieu of indemnifying such Indemnitee, shall contribute to the Losses paid or payable by such Indemnitee as a result of such Indemnifiable Loss in such proportion as is appropriate to reflect the relative fault of Nuvectra and each other member of the Nuvectra Group, on the one hand, and Greatbatch and each other member of the Greatbatch Group, on the other hand, in connection with the circumstances which resulted in such Indemnifiable Loss. For purposes of this Section 3.9, with respect to any Indemnifiable Loss relating to matters covered by Sections 3.3(d) or 3.4(d) or otherwise relating to misstatements or omissions under securities or antifraud Laws, the relative fault of a member of the Nuvectra Group, on the one hand, and of a member of the Greatbatch Group, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact (i) relates to a member of the Nuvectra Group or a member of the Greatbatch Group and (ii) relates to information that was supplied by a member of the Nuvectra Group or a member of the Greatbatch Group.

Section 3.10 *Remedies Cumulative*. The remedies provided in this Article III shall be cumulative and, subject to the provisions of Article V, shall not preclude assertion by any Indemnitee of any other rights or the seeking of any and all other remedies against any Indemnifying Party.

Section 3.11 *Survival of Indemnities*. The rights and obligations of each of Greatbatch and Nuvectra and their respective Indemnitees under this Article III shall survive the Distribution Date indefinitely, unless a specific survival or other applicable period is expressly set forth herein, and shall survive the sale or other transfer by any Party or any of its Subsidiaries of any Assets or businesses or the assignment by it of any Liabilities.

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Section 3.12 *Limitation of Liability*. EXCEPT TO THE EXTENT SPECIFICALLY PROVIDED IN ANY SPIN-OFF AGREEMENT, IN NO EVENT SHALL ANY MEMBER OF THE NUVECTRA GROUP OR ANY MEMBER OF THE GREATBATCH GROUP OR THEIR RESPECTIVE DIRECTORS, OFFICERS AND EMPLOYEES BE LIABLE FOR ANY EXEMPLARY, PUNITIVE, SPECIAL, INDIRECT, CONSEQUENTIAL, REMOTE OR SPECULATIVE DAMAGES (INCLUDING IN RESPECT OF LOST PROFITS OR REVENUES), HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING NEGLIGENCE AND GROSS NEGLIGENCE) ARISING IN ANY WAY OUT OF ANY PROVISION OF THIS AGREEMENT, WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES; PROVIDED, HOWEVER, THAT THE FOREGOING LIMITATIONS SHALL NOT LIMIT EACH PARTY’S INDEMNIFICATION OBLIGATIONS FOR LIABILITIES TO THIRD PARTIES AS SET FORTH IN THIS ARTICLE III OR ANY SPIN-OFF AGREEMENT.

Section 3.13 *Spin-off Agreements.* Notwithstanding anything to the contrary in this Agreement, to the extent any Spin-off Agreement contains any indemnification obligation relating to any Greatbatch Liability, Greatbatch Asset, Nuvectra Liability or Nuvectra Asset contributed, assumed, retained, licensed, transferred, delivered or conveyed pursuant to such Spin-off Agreement, the indemnification obligations contained herein shall not apply to such Greatbatch Liability, Greatbatch Asset, Nuvectra Liability or Nuvectra Asset and, in lieu thereof, the indemnification obligations set forth in such Spin-off Agreement shall govern instead with respect to such Greatbatch Liability, Greatbatch Asset, Nuvectra Liability or Nuvectra Asset.

ARTICLE IV

THE DISTRIBUTION

Section 4.1 *Delivery to Distribution Agent*. Subject to Section 4.3, on or prior to the Distribution Date, Greatbatch will authorize Computershare Trust Company N.A., as settlement and distribution agent (the “Distribution Agent”), for the benefit of holders of record of Greatbatch Common Stock on the Record Date (the “Record Holders”) to effect the book-entry transfer of all of the outstanding shares of Nuvectra Common Stock owned by Greatbatch as of the Distribution Date and will order the Distribution Agent to effect the Distribution at the Distribution Time in the manner set forth in Section 4.2. No investment decision or action by any such holder of Greatbatch Common Stock shall be necessary for such stockholder (or such stockholder’s designated transferee or transferees) to receive the applicable number of shares of Nuvectra Common Stock.

Section 4.2 *Mechanics of the Distribution*.

1. On the Distribution Date, Greatbatch will direct the Distribution Agent to distribute, effective as of the Distribution Time, to each Record Holder a number of shares of Nuvectra Common Stock equal to the number of shares of Greatbatch Common Stock held by such Record Holder multiplied by the Distribution Multiple, except that the Distribution Agent will not issue any fractional shares of Nuvectra Common Stock and will distribute cash in lieu of fractional shares as provided in Section 4.2(b). All such shares of Nuvectra Common Stock to be so distributed shall be distributed as uncertificated shares registered in book-entry form through

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the direct registration system. No certificates therefor shall be distributed. Nuvectra shall cause the Distribution Agent to deliver an account statement to each holder of Nuvectra Common Stock reflecting such holder’s ownership thereof. All of the shares of Nuvectra Common Stock distributed in the Distribution will be validly issued, fully paid and non-assessable.

1. Greatbatch will direct the Distribution Agent to determine, as soon as is practicable after the Distribution Date, the number of fractional shares, if any, of Nuvectra Common Stock allocable to each Record Holder entitled to receive Nuvectra Common Stock in the Distribution and to promptly aggregate all the fractional shares and sell the shares obtained thereby, in open market transactions or otherwise, at the then-prevailing trading prices, and to cause to be distributed to each Record Holder, in lieu of any fractional share, each Record Holder’s ratable share of the proceeds of the sale, after making appropriate deductions of the amounts required to be withheld for federal income tax purposes and after deducting an amount equal to all brokerage charges, commissions and transfer taxes attributed to the sale. The Distribution Agent, in its sole discretion, will determine the timing and method of selling such shares and the selling price of such shares. Neither Greatbatch nor Nuvectra will pay any interest on the proceeds from the sale of such shares.
2. Any Nuvectra Common Stock or cash in lieu of fractional shares with respect to Nuvectra Common Stock that remains unclaimed by any Record Holder on the first anniversary of the Distribution Date will be delivered by the Distribution Agent to Nuvectra. Nuvectra will hold, or have the Distribution Agent hold on its behalf, the Nuvectra Common Stock or cash for the account of the Record Holders and any Record Holder will look only to Nuvectra for the Nuvectra Common Stock or cash, if any, in lieu of fractional shares, subject in each case to applicable escheat or other abandoned property Laws.
3. Notwithstanding the foregoing provisions of this Section 4.2, the rights of holders of Greatbatch restricted stock awards, restricted stock units, performance stock units or stock options shall be as provided in the Employee Matters Agreement.

Section 4.3 *Conditions Precedent to Consummation of the Separation and the Distribution*. Neither the Separation, the Distribution nor the related transactions set forth in this Agreement or in any of the Ancillary Agreements will become effective unless the following conditions have been satisfied or waived by Greatbatch, in its sole and absolute discretion, at or before the Distribution Time:

1. Nuvectra shall have mailed or caused to be mailed to the Record Holders the Information Statement.
2. Greatbatch will have received an opinion from a third party tax advisor, dated the Distribution Date, in form and substance acceptable to Greatbatch, substantially to the effect that, for U.S. federal income tax purposes, the Separation and Distribution together should qualify as a reorganization under Sections 355 and 368 of the Code;
3. Greatbatch will have received an opinion, in form and substance acceptable to it, of Stout Risius Ross, Inc. as to the solvency of Nuvectra following the

Separation;

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1. the Registration Statement will have become effective, and no stop order suspending the effectiveness of the Registration Statement shall be in effect or, to the knowledge of either Greatbatch or Nuvectra, threatened by the SEC, and the Information Statement or a notice of the Internet availability thereof shall have been mailed to the stockholders of Greatbatch;
2. the actions and filings necessary or appropriate under applicable federal or state securities and blue sky Laws and any comparable laws under any foreign jurisdictions in connection with the Distribution will have been taken and, if applicable, become effective;
3. Greatbatch will have established a Record Date and shall have delivered not less than 10 days’ advance notice thereof to NYSE in compliance with Exchange Act Rule 10b-17 and applicable NYSE listing rules;
4. the Nasdaq Stock Market will have approved the Nuvectra Common Stock for listing, subject to official notice of issuance;
5. this Agreement and each of the Ancillary Agreements will have been executed and delivered by each of the Parties hereto and thereto and no party to this Agreement or any of the Ancillary Agreements will have materially breached this Agreement or any Ancillary Agreement, as applicable;
6. this Agreement and each of the Ancillary Agreements entered into prior to the Distribution will not have been terminated and will not violate, conflict with or result in a breach (with or without the passage of time) of any Law or any material agreements of Greatbatch;
7. all material Consents required to be received before the Distribution may take place will have been received and be in full force and effect;
8. the lenders under any credit agreement to which Greatbatch or GB Ltd. is a party shall have consented to or otherwise approved the Separation and the Distribution (if such consent or approval is required) and, if applicable, released any liens or pledge encumbering the Nuvectra Common Stock;
9. no preliminary or permanent injunction or other order, decree, or ruling issued by a Governmental Authority, and no statute (as interpreted through orders or rules of any Governmental Authority duly authorized to effectuate the statute), rule, regulation or executive order promulgated or enacted by any Governmental Authority will be in effect preventing, or materially limiting the benefits of, the Separation or the Distribution, and no other event outside Greatbatch’s control will have occurred or failed to occur that prevents the completion of the Separation or the Distribution;
10. the Internal Transactions will have been completed and be effective;
11. each Person who is an officer or director of any member of the Nuvectra Group and also an officer or director of any member of the Greatbatch Group (a “Shared Person”) and who is to continue as an officer or director of any member of the Nuvectra Group

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after the Distribution Date has resigned, at or prior to the Distribution Time, from each of such Person’s positions with each member of the Greatbatch Group and each such Shared Person who is to continue as an officer or director of any member of the Greatbatch Group after the Distribution Date has resigned, at or prior to the Distribution Time, from each of such Person’s positions with each member of the Nuvectra Group; and

1. no other events or developments will have occurred that in the judgment of the Board of Directors of Greatbatch, in its sole and absolute discretion, would result in the Separation or the Distribution having a material adverse effect on Greatbatch or its stockholders.

Each of the conditions set forth in this Section 4.3 is for the benefit of Greatbatch, and Greatbatch may, in its sole and absolute discretion, determine whether to waive any condition, in whole or in part. Any determination made by Greatbatch concerning the satisfaction or waiver of any or all of the conditions in this Section 4.3 will be conclusive and binding on the Parties. The satisfaction of those conditions will not create any obligation on the part of Greatbatch to Nuvectra or any other Person to effect the Separation or the Distribution or in any way limit Greatbatch’s right of termination as set forth in Section 7.2 or alter the consequences of any termination from those specified in Section 7.2.

ARTICLE V

ARBITRATION; DISPUTE RESOLUTION

Section 5.1 *General*. Except as otherwise specifically provided in any Spin-off Agreement, the procedures for negotiation and binding arbitration set forth in this Article V shall apply to any dispute, controversy or claim (whether sounding in contract, tort or otherwise) that arises out of or relates to this Agreement or any Spin-off Agreement, any breach or alleged breach hereof or thereof, the transactions contemplated hereby or thereby (including all actions taken in furtherance of the transactions contemplated hereby or thereby on or prior to the date hereof), or the construction, interpretation, enforceability or validity hereof or thereof (a “Dispute”). Each Party agrees on behalf of itself and each member of its respective Group that the procedures set forth in this Article V shall be the sole and exclusive remedy in connection with any Dispute and irrevocably waives any right to commence any Proceeding in or before any Governmental Authority, except (i) as expressly provided in Section 5.7(b), (ii) as provided for under the Arbitration Act, and (iii) as required by applicable Law. Each Party, on behalf of itself and each member of its respective Group, irrevocably waives any right to any trial by jury and any right to any trial in a court with respect to any Dispute. As used in the following provisions of this Article V, any reference to “party” or “parties” shall mean and refer to a party or parties involved in a Dispute.

Section 5.2 *Negotiation*.

1. It is the intent of the Parties to use their respective commercially reasonable efforts to resolve expeditiously any Dispute that may arise on a mutually acceptable negotiated basis. In furtherance of the foregoing, any party involved in a Dispute may deliver a notice (an “Escalation Notice”) demanding an in-person meeting involving senior management level representatives of the parties (or if the parties agree, of the appropriate strategic business

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unit within such entity). A copy of any such Escalation Notice shall be given to the General Counsel, or, if one does not exist, the Chief Executive Officer, of each party involved in the Dispute (which copy shall state that it is an Escalation Notice pursuant to this Agreement). Any agenda, location or procedures for such discussions or negotiations between the Parties may be established by the parties from time to time; provided, however, that the Parties shall use their commercially reasonable efforts to meet within 30 days of delivery of the Escalation Notice.

1. The parties may, by mutual consent, select a mediator to aid the parties in their discussions and negotiations. Any opinion expressed by the mediator shall be strictly advisory and shall not be binding on the parties to the dispute, nor shall any opinion expressed by the mediator be admissible in any arbitration proceedings. Costs of any mediation shall be borne equally by the parties involved in the Dispute, except that each party involved in the Dispute shall be responsible for its own expenses. Mediation is not a prerequisite to a demand for arbitration under Section 5.3.

Section 5.3 *Demand for Arbitration*.

Any Dispute that has not been resolved in accordance with Section 5.1 and Section 5.2, and as to which an Arbitration Notice is provided in accordance with the immediately following sentence, shall be resolved by final and binding arbitration pursuant to the then current Commercial Arbitration Rules (the “AAA Rules”) of the American Arbitration Association (“AAA”), except as modified by the provisions of this Article V. At any time after 30 days from the delivery of an Escalation Notice, any party involved in the related Dispute (regardless of whether such party delivered the Escalation Notice) may deliver a notice demanding arbitration of such Dispute (an “Arbitration Demand Notice”). In the event that any party involved in a Dispute shall deliver an Arbitration Demand Notice to another party, such other party may itself deliver an Arbitration Demand Notice to such first party with respect to any related Dispute without the requirement of delivering an Escalation Notice. No party involved in a Dispute may assert that the failure to resolve any matter during any discussions or negotiations, the course of conduct during the discussions or negotiations or the failure to agree on a mutually acceptable time, agenda, location or procedures for the meeting, in each case, as contemplated by Section 5.2, is a prerequisite to a demand for arbitration under this Section 5.3. In the event that any party delivers an Arbitration Demand Notice with respect to any Dispute that is the subject of any then pending arbitration proceeding or of a previously delivered Arbitration Demand Notice, all such Disputes shall be resolved in the arbitration proceeding for which an Arbitration Demand Notice was first delivered unless the arbitrators in their sole discretion determine that it is impracticable or otherwise inadvisable to do so.

Section 5.4 *Arbitrators*.

1. The party delivering the Arbitration Demand Notice shall, within five days of the date of such notice, notify the AAA and the other parties in writing describing in reasonable detail the nature of the Dispute. The arbitration shall be conducted before three neutral arbitrators. Each party shall, within 20 days of the date of the Arbitration Demand Notice, select one arbitrator. The parties shall mutually agree upon a third arbitrator. If the third arbitrator is not selected within 30 days of the date of the Arbitration Demand Notice, the two arbitrators already selected shall select the third arbitrator. In the event that any arbitrator is or

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becomes unable to serve, his or her replacement will be selected in the same manner described above. The extent, if any, to which testimony previously given shall be repeated or as to which any replacement arbitrator elects to rely on the stenographic record (if there is one) of such testimony shall be determined by the arbitrators. The vote of two of the three arbitrators shall be required for any decision under this Article V.

1. The arbitrators will set a time for the hearing of the matter, which will commence no later than 180 days (or the soonest Business Day thereafter) after the date of appointment of the third arbitrator pursuant to Section 5.4(a) above, and which hearing will be no longer than 15 days. The arbitrators shall use their best efforts to reach a final decision and render the same in writing to the parties not later than 60 days after the last hearing date, unless otherwise agreed by the parties in writing. Failure of the arbitrators to do so, however, shall not be a basis for challenging the decision. An arbitrator dissenting from a decision or portion thereof may issue a dissent from the decision or portion thereof in writing, stating the reasons therefor.
2. The place of any arbitration hereunder will be Dallas, Texas, unless otherwise agreed by the Parties.

Section 5.5 *Hearings*. Within the time period specified in Section 5.4(b), the matter shall be presented to the arbitrators at a hearing by means of written submissions of memoranda and verified witness statements, filed simultaneously, and responses, if necessary in the judgment of the arbitrators or both the Parties. Live direct and cross-examination will be permitted upon request of any party. The arbitrators shall actively manage the arbitration with a view to achieving a just, speedy and cost-effective resolution of the Dispute. The arbitrators may, in their discretion, set time and other limits on the presentation of each party’s case, its memoranda or other submissions, and refuse to receive any proffered evidence, which the arbitrators, in their discretion, find to be cumulative, unnecessary, irrelevant or of low probative value. The decision of the arbitrators will be final and binding on the parties, and judgment thereon may be had and will be enforceable in any court having jurisdiction over the parties. Arbitration awards will bear interest at an annual rate of nine (9%) per annum, subject to any maximum amount permitted by applicable Law. To the extent that the provisions of this Agreement and the AAA Rules conflict, the provisions of this Agreement shall govern.

Section 5.6 *Discovery and Certain Other Matters*.

1. Any party involved in a Dispute subject to this Article V may request limited document production from the other party or parties of specific and expressly relevant documents, with the reasonable expenses of the producing party incurred in such production paid by the requesting party. Any such discovery shall be conducted expeditiously and shall not cause the hearing provided for in Section 5.5 to be adjourned except upon consent of all parties involved in the applicable Dispute or upon an extraordinary showing of cause demonstrating that such adjournment is necessary to permit discovery essential to a party to the proceeding. Interrogatories or other forms of discovery (other than the document production and depositions set forth above) shall not occur except by consent of the parties involved in the applicable Dispute. Disputes concerning the scope of document production or depositions and enforcement of the document production or deposition requests will be determined by written agreement of

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the parties involved in the applicable Dispute or, failing such agreement, will be referred to the arbitrators for resolution. All discovery requests will be subject to the parties’ rights (and the rights of any witness) to claim any applicable Privilege. The arbitrators will adopt procedures to protect the proprietary rights of the parties and to maintain the confidential treatment of the arbitration proceedings (except as may be required by Law). Subject to the foregoing, the arbitrators shall have the power to issue subpoenas to compel the production of documents relevant to the dispute, controversy or claim.

1. The arbitrators shall have full power and authority to determine issues of arbitrability but shall otherwise be limited to interpreting or construing the applicable provisions of this Agreement or any Spin-off Agreement, and will have no authority or power to limit, expand, alter, amend, modify, revoke or suspend any condition or provision of this Agreement or any Spin-off Agreement; it being understood, however, that the arbitrators will have full authority to implement the provisions of this Agreement or any Spin-off Agreement, and to fashion appropriate remedies for breaches of this Agreement (including interim or permanent injunctive relief); provided, however, that the arbitrators shall not have (i) any authority in excess of the authority a court having jurisdiction over the parties and the Dispute would have absent these arbitration provisions or (ii) any right or power to award exemplary, punitive, special, indirect, consequential, remote or speculative damages (including in respect of lost profits or revenues) or treble damages (provided, however, that this clause (ii) shall not limit the award of any such damages to the extent they are included in any Liabilities to third parties as to which the provisions of this Article V are applicable). It is the intention of the Parties that in rendering a decision the arbitrators should give effect to the applicable provisions of this Agreement and the Spin-off Agreements and follow applicable Law (it being understood and agreed that this sentence shall not give rise to a right of judicial review of the arbitrators’ award).
2. If a party fails or refuses to appear at and participate in an arbitration hearing after due notice, the arbitrators may hear and determine the controversy upon evidence produced by the appearing party. Any decision rendered under such circumstances shall be as valid and enforceable as if the parties had appeared and participated fully at all stages.
3. Without limiting the generality of Section 6.6, each party shall bear its own expenses in connection with any arbitration under this Article V; provided, however, that the parties shall share equally the fees and expenses of the third arbitrator.

Section 5.7 *Certain Additional Matters*.

1. Any arbitration award shall be an award with a holding in favor of or against a party and shall include findings as to facts, issues or conclusions of Law (including with respect to any matters relating to the validity or infringement of patents or patent applications) and shall include a statement of the reasoning on which the award rests. The award must also be in adequate form so that a judgment of a court may be entered thereupon. Judgment upon any arbitration award hereunder may be entered in any court having jurisdiction thereof. Any award shall not be vacated or appealed except on the bases of (i) the award being procured by fraud or corruption, (ii) an arbitrator being partial or corrupt, (iii) the arbitrators wrongfully refusing to postpone a hearing or hear evidence, or (iv) the arbitrators exceeding the scope of the power granted to them in this Agreement.

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1. Regardless of whether an Escalation Notice has been delivered, at any time prior to the time at which arbitrators are appointed pursuant to Section 5.4, any party may seek one or more temporary restraining orders or other injunctive relief in a court of competent jurisdiction if necessary in order to preserve and protect the status quo. Neither the request for, nor the grant or denial of, any such temporary restraining order or other injunctive relief shall be deemed a waiver of the right or obligation to arbitrate as set forth herein, and the arbitrators may dissolve, continue or modify any such order after their appointment. Any such temporary restraining order or other injunctive relief shall remain in effect until the first to occur of the expiration of the order in accordance with its terms or the dissolution thereof by the arbitrators.
2. Except as required by applicable Law, the parties shall hold, and shall cause their respective officers, directors, employees, agents and other representatives to hold, the existence, content and result of discussions, negotiations, mediation or arbitration under this Article V in confidence in accordance with the provisions of Section 6.8 and except as may be required in order to enforce any award. Each of the parties shall request that any mediator or arbitrator comply with such confidentiality requirement.

Section 5.8 *Continuity of Service and Performance*. Unless otherwise agreed in writing, the parties will continue to provide service and honor all other commitments under this Agreement and each Spin-off Agreement during the course of dispute resolution pursuant to the provisions of this Article V with respect to all matters not subject to such Dispute.

Section 5.9 *Law Governing Arbitration Procedures*. The interpretation of the provisions of this Article V, only insofar as they relate to the agreement to arbitrate and any procedures pursuant thereto, shall be governed by the Arbitration Act and other applicable U.S. federal Law. In all other respects, the interpretation of this Agreement shall be governed as set forth in Section 7.10.

ARTICLE VI

COVENANTS AND OTHER MATTERS

Section 6.1 *Other Agreements*. In addition to the specific agreements, documents and instruments annexed to this Agreement, Greatbatch and Nuvectra agree to execute or cause to be executed by the appropriate Parties and deliver, as appropriate, such other agreements, instruments and other documents as may be reasonably requested by either Party and necessary or desirable in order to effect the purposes of this Agreement and the Ancillary Agreements.

Section 6.2 *Further Instruments*. Subject to Section 2.3, at the request of Nuvectra or Greatbatch and without payment of any further consideration, the other Party will execute and deliver, and will cause the applicable members of its Group to execute and deliver, to the requesting Party and the applicable members of its Group such other instruments of transfer, conveyance, assignment, substitution and confirmation and to make all filings with, and to obtain all Consents of, any Governmental Authority or any other Person under any permit, license, agreement, indenture or other instrument, and to take such other actions as the requesting Party may reasonably deem necessary or desirable in order more effectively to transfer, convey and assign to the requesting Party and the members of its Group and confirm the requesting Party’s

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and its Group members’ title to all of the Assets, rights and other things of value contemplated to be transferred to the requesting Party and the members of its Group pursuant to this Agreement, the Ancillary Agreements, any documents referred to therein and any Prior Transfers, to put the requesting Party and the applicable members of its Group in actual possession and operating control thereof and to permit the requesting Party and the applicable members of its Group to exercise all rights with respect thereto (including rights under the Surviving Agreements and the Contracts and other arrangements as to which the Consent of any third party to the transfer thereof shall not have previously been obtained), free and clear of any security interest, if and to the extent it is practicable to do so. At the request of Nuvectra or Greatbatch and without payment of any further consideration, the other Party will execute and deliver, and will cause the applicable members of its Group to execute and deliver, to the requesting Party and the applicable members of its Group all instruments, assumptions, novations, undertakings, substitutions or other documents and take such other action as the requesting Party may reasonably deem necessary or desirable in order to have the other Party fully and unconditionally assume and discharge the Liabilities contemplated to be assumed by such Party under this Agreement, any Ancillary Agreement, any document in connection herewith or the Prior Transfers and to relieve the Nuvectra Group or the Greatbatch Group, as applicable, of any Liability or obligation with respect thereto and evidence the same to third parties. Neither Greatbatch nor Nuvectra (nor any members of their respective Groups) shall be obligated, in connection with the foregoing, to expend money other than reasonable out-of-pocket expenses, attorneys’ fees and recording or similar fees. Furthermore, each Party, at the request of the other Party, shall execute and deliver such other instruments and do and perform such other acts and things as may be necessary or desirable for effecting completely the consummation of the transactions contemplated hereby or by the Prior Transfers.

Section 6.3 *Provision of Books and Records*. Subject to the provisions of this Section 6.3, Greatbatch shall use commercially reasonable efforts to deliver or make available or cause to be delivered or made available to Nuvectra all Nuvectra Books and Records in the possession or control of the Greatbatch Group, and Nuvectra shall use commercially reasonable efforts to deliver or make available or cause to be delivered or made available to Greatbatch all Greatbatch Books and Records in the possession or control of Nuvectra. The foregoing shall be limited by, and subject to, the following:

1. To the extent any document can be subdivided without unreasonable effort or cost into two portions, one of which constitutes a Nuvectra Book and Record and the other of which constitutes a Greatbatch Book and Record, such document shall be so subdivided and the appropriate portions shall be delivered or made available to the Parties. To the extent any document cannot be so separated without unreasonable effort or cost, Greatbatch shall retain such document and upon reasonable request by Nuvectra, deliver a complete copy thereof to Nuvectra.
2. Each Party may retain copies of books and records delivered or made available to the other, subject to holding in confidence in accordance with Section 6.8 Information contained in such books and records.
3. Without limiting the generality of the first sentence of this Section 6.3, for a period beginning on the Distribution Date and continuing for five years

following the

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Distribution Date, if either Greatbatch or Nuvectra identifies any Greatbatch Books and Records then in the possession of a member of the Nuvectra Group or any Nuvectra Books and Records then in the possession of a member of the Greatbatch Group, as applicable, Greatbatch or Nuvectra, as the case may be, shall or shall cause any such Greatbatch Books and Records or Nuvectra Books and Records to be conveyed, assigned, transferred and delivered, or otherwise made available, to the entity identified by Nuvectra or Greatbatch, as the case may be, as the appropriate transferee.

1. Each Party may refuse to furnish any Information if so doing, in such Party’s Good Faith Judgment, could result in a waiver of any Privilege with respect to a third party even if Nuvectra and Greatbatch cooperated to protect such Privilege as contemplated by this Agreement.
2. Neither Party shall be required to deliver or make available to the other books and records or portions thereof which are subject to any applicable Law or confidentiality agreements which would by their terms prohibit such delivery; provided, however, if requested by the other Party, such Party shall use commercially reasonable efforts to seek a waiver of or other relief from such confidentiality restriction.
3. To the extent any Nuvectra Books and Records or Greatbatch Books and Records are subject to restrictions or limitations set forth the Employee Matters Agreement, such restrictions and limitations shall apply to such Nuvectra Books and Records or Greatbatch Books and Records, notwithstanding any provisions of this Agreement.

Section 6.4 *Agreement For Exchange of Information*.

1. Subject to any limitations or restrictions pursuant to any applicable Law or except as otherwise agreed in writing, or as otherwise provided in any Ancillary Agreement, from and after the Distribution Date each of Greatbatch and Nuvectra agrees to provide or make available, or cause to be provided or made available, to each other as soon as reasonably practicable after written request therefor, any Information in the possession or under the control of such Party that can be retrieved without unreasonable disruption to its business and that the requesting Party reasonably needs (i) to comply with reporting, disclosure, filing or other requirements, requests or Laws imposed on the requesting Party (including under applicable securities Laws) by a Governmental Authority having jurisdiction over the requesting Party, (ii) for use in any pending or threatened judicial, regulatory, arbitration, mediation or other proceeding or investigation or in order to satisfy audit requirements (whether in connection with audits conducted by independent accounting firms, internal audits, or audits conducted by third parties entitled to do so by Contract, including customers and vendors), or in connection with accounting, claims, regulatory, litigation or other similar requirements, except in the case of a Dispute subject to Article V brought by a Party against the other Party (which shall be governed by such discovery rules as may be applicable under Article V), (iii) to comply with its obligations under this Agreement, any Ancillary Agreement or any Contract with a third party that is not an Affiliate, employee or agent of the requesting Party, or (iv) for any other significant business need as mutually determined in the Good Faith Judgment of the Parties; provided, however, that in the event that either Party determines that any such provision (or making available) of Information is reasonably likely to be commercially detrimental or violate any Law

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or Contract or waive any Privilege, the Parties shall take all reasonable measures to permit compliance with such obligations in a manner that avoids any such harm or consequence; provided, however, that this Section 6.4(a) shall not limit any Party’s ability to implement such Party’s records retention policies, as such policies may be amended from time to time (including the record destruction provisions thereof).

1. [Reserved].
2. Any Information owned by a Party that is provided or made available to a requesting Party pursuant to this Section 6.4 shall be deemed to remain the property of the Party providing or making available such Information. Unless specifically set forth herein, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such Information.
3. The Party requesting the Information under this Section 6.4 will reimburse the other Party for the reasonable out-of-pocket costs of gathering, compiling and copying the Information.
4. Except as otherwise agreed in writing, or as otherwise provided in any Ancillary Agreement, each Party will use commercially reasonable efforts to retain in accordance with such Party’s record retention policies in effect from time to time (which will comply with all applicable Laws) all significant Information in the Party’s possession or under its control relating to the business, Assets or Liabilities of the other Party’s Group, and, before destroying or disposing of any Information relating to the business, Assets or Liabilities of the other Party’s Group, (i) the Party proposing to dispose of or destroy the Information will use commercially reasonable efforts to provide no less than 90 days’ prior written notice to the other Party, specifying the Information proposed to be destroyed or disposed of and (ii) if, before the scheduled date for the destruction or disposal, the other Party requests in writing that any of the Information proposed to be destroyed or disposed of be delivered or made available to the other Party, the Party proposing to dispose of or destroy the Information will promptly arrange for the delivery or making available of the requested Information to or at a location specified by, and at the expense of, the requesting Party; provided, however, that each Party may destroy or dispose of any Information that the other Party has previously copied.
5. Except as otherwise provided for herein or in any Ancillary Agreement, neither Party shall have any liability to the other Party or any member of such other Party’s Group in the event that any Information exchanged or provided pursuant to this Section 6.4 is found to be inaccurate or incomplete (including by misstatement or omission), in the absence of willful misconduct or fraud by the Party providing such Information.
6. The rights and obligations granted under this Section 6.4 are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange or confidential treatment of Information set forth in this Agreement and any Ancillary Agreement.
7. Each Party shall, except in the case of a dispute subject to Article V brought by a Party against the other Party (which shall be governed by such discovery rules as may be applicable under Article V or otherwise), use commercially reasonable efforts to make

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available to the other Party, upon written request, (i) the former, current and future directors, officers, employees, other personnel and agents of such Party’s Group for fact finding, consultation and interviews and as witnesses to the extent such Persons may reasonably be required in connection with any Proceedings (other than Proceedings in which both Greatbatch or any other member of the Greatbatch Group, on the one hand, and Nuvectra or any other member of the Nuvectra Group, on the other hand, as the case may be, are parties and may be adverse to one another in such Proceeding) in which the requesting Party may from time to time be involved relating to the conduct of the Nuvectra Business or the Greatbatch Business and (ii) any books, records or other documents within its control or which it otherwise has the ability to make available, to the extent that any such Person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in connection with any judicial proceeding or other proceeding in which the requesting Party may from time to time be involved, regardless of whether such judicial proceeding or other proceeding is a matter with respect to which indemnification may be sought hereunder. The requesting Party shall bear all costs and expenses in connection therewith.

Section 6.5 *Preservation of Legal Privileges; Attorney Representation*.

1. Greatbatch and Nuvectra recognize that they and their respective Affiliates possess and will possess information and advice that has been previously developed but is or may become legally protected from disclosure under legal privileges, such as the attorney-client privilege or work product exemption and other concepts of legal privilege (“Privilege”). Each Party recognizes that it shall be jointly entitled to the Privilege with respect to such privileged information and that each shall be entitled to maintain and use for its own benefit all such information and advice, but both Parties shall ensure that such information is maintained so as to protect the Privilege with respect to the other Party’s interest. Greatbatch and Nuvectra agree that their respective rights and obligations to maintain, preserve, assert or waive any or all Privileges belonging to either Party with respect to the Nuvectra Business or the Greatbatch Business shall be governed by the provisions of this Section 6.5. With respect to matters relating to the Greatbatch Business, Greatbatch shall have sole authority in perpetuity to determine whether to assert or waive any or all Privileges, and Nuvectra shall take no action (or permit any other member of the Nuvectra Group to take action) without the prior written consent of Greatbatch that could, in Greatbatch’s Good Faith Judgment, result in any waiver of any Privilege that could be asserted by Greatbatch or any other member of the Greatbatch Group under applicable Law and this Agreement. With respect to matters relating to the Nuvectra Business, Nuvectra shall have sole authority in perpetuity to determine whether to assert or waive any or all Privileges, and Greatbatch shall take no action (or permit any other member of the Greatbatch Group to take action) without the prior written consent of Nuvectra that could, in Nuvectra’s Good Faith Judgment, result in any waiver of any Privilege that could be asserted by Nuvectra or any other member of the Nuvectra Group under applicable Law and this Agreement. The rights and obligations created by this Section 6.5 shall apply to all Information as to which Greatbatch or Nuvectra or their respective Groups would be entitled to assert or has asserted a Privilege without regard to the effect, if any, of the Separation and the Distribution (“Privileged Information”). Privileged Information of Greatbatch includes (i) any and all Privileged Information existing prior to the Distribution regarding the Greatbatch Business but which after the Distribution is in the possession of the Nuvectra Group; (ii) all communications subject to a

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Privilege occurring prior to the Distribution between counsel for Greatbatch or any other member of the Greatbatch Group (including in-house counsel and former in-house counsel who are employees of Nuvectra) and any person who, at the time of the communication, was an employee of the Greatbatch or any of its Subsidiaries, regardless of whether such employee is or becomes an employee of the Nuvectra Group; and (iii) all Privileged Information generated, received or arising after the Distribution that refers or relates to Privileged Information generated, received or arising prior to the Distribution. Privileged Information of Nuvectra includes (i) any and all Privileged Information existing prior to the Distribution regarding the Nuvectra Business but which after the Distribution is in the possession of Greatbatch or any other member of the Greatbatch Group; (ii) all communications subject to a Privilege occurring prior to the Distribution between counsel for Nuvectra or any other member of the Nuvectra Group (including in-house counsel and former in-house counsel who are employees of the Greatbatch Group) and any person who, at the time of the communication, was an employee of the Nuvectra Group, regardless of whether such employee is or becomes an employee of the Greatbatch Group; and (iii) all Privileged Information generated, received or arising after the Distribution that refers or relates to Privileged Information generated, received or arising prior to the Distribution. Notwithstanding the foregoing, to the extent that the Joint Defense and Common Interest Agreement, dated March 14, 2016, entered into by and between GB Ltd. and Nuvectra contains terms or requirements that differ from the those set forth in this Section 6.5, the terms or requirements of such Joint Defense and Common Interest Agreement will govern.

1. Upon receipt by Greatbatch or Nuvectra, as the case may be, of any subpoena, discovery or other request from any third party that calls for the production or disclosure of Privileged Information of the other or if Greatbatch or Nuvectra, as the case may be, obtains knowledge that any current or former employee of Greatbatch or Nuvectra, as the case may be, has received any subpoena, discovery or other request from any third party that actually or arguably calls for the production or disclosure of Privileged Information of the other, Greatbatch or Nuvectra, as the case may be, shall promptly notify the other of the existence of the request and shall provide the other a reasonable opportunity to review the Privileged Information and to assert any rights it may have under this Section 6.5 or otherwise to prevent the production or disclosure of Privileged Information. Greatbatch or Nuvectra, as the case may be, will not produce or disclose to any third party any of the other’s Privileged Information under this Section 6.5 unless (i) the other has provided its express written consent to such production or disclosure, or (ii) a court of competent jurisdiction has entered an order not subject to interlocutory appeal or review finding that the Information is not entitled to protection from disclosure under any applicable Privilege, doctrine or rule.
2. Greatbatch’s transfer of Nuvectra Books and Records and other Information to Nuvectra, Greatbatch’s agreement to permit Nuvectra to obtain Information existing prior to the Distribution, Nuvectra’s transfer of Greatbatch Books and Records and other Information to Greatbatch, and Nuvectra’s agreement to permit Greatbatch to obtain Information existing prior to the Distribution are made in reliance on Greatbatch’s and Nuvectra’s respective agreements, as set forth in Section 6.8 and this Section 6.5, to maintain the confidentiality of such Privileged Information and to take the steps provided herein for the preservation of all Privileges that may belong to or be asserted by Greatbatch or Nuvectra, as the case may be. The access to Privileged Information being granted pursuant to Section 6.3 hereof, the agreement to provide witnesses and individuals pursuant to Section 6.4(h) hereof and the disclosure to

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Nuvectra and Greatbatch of Privileged Information relating to the Nuvectra Business or the Greatbatch Business pursuant to this Agreement in connection with the Separation and the Distribution shall not be asserted by Greatbatch or Nuvectra to constitute, or otherwise be deemed, a waiver of any Privilege that has been or may be asserted under this Section 6.5 or otherwise. Nothing in this Agreement shall operate to reduce, minimize or condition the rights granted to Greatbatch and Nuvectra in, or the obligations imposed upon Greatbatch and Nuvectra by, this Section 6.5.

Section 6.6 Payment of Expenses. From and after the Distribution Date, except as otherwise provided in this Agreement or in any Ancillary Agreement, each Party will bear its own expenses in connection with the Separation, the Distribution and the other transactions contemplated by this Agreement; provided, however, that Greatbatch agrees that it is responsible for the payment of legal fees and expenses of Norton Rose Fulbright LLP incurred for services rendered prior to the Distribution Date on behalf of Nuvectra in connection with the Separation and the Distribution regardless of whether such fees are invoiced or submitted to Greatbatch following the Distribution Date.

Section 6.7 [Reserved.]

Section 6.8 *Confidentiality*.

1. Greatbatch and Nuvectra shall hold and shall cause the members of the Greatbatch Group and the Nuvectra Group, respectively, to hold, and shall each cause their respective officers, employees, agents, consultants and advisors to hold, in strict confidence and not to disclose or release without the prior written consent of the other Party, any and all Confidential Information (as defined herein); provided, however, that the Parties may disclose, or may permit disclosure of, Confidential Information (i) to their respective auditors, attorneys, lenders, investors, financing sources, financial advisors, bankers and other appropriate consultants and advisors who have a need to know such information and are informed of their obligation to hold such information confidential to the same extent as is applicable to the Parties and in respect of whose failure to comply with such obligations, Greatbatch or Nuvectra, as the case may be, will be responsible or (ii) to the extent any member of the Greatbatch Group or the Nuvectra Group is compelled to disclose any such Confidential Information by judicial or administrative process or, in the opinion of legal counsel, by other requirements of Law. Notwithstanding the foregoing, in the event that any demand or request for disclosure of Confidential Information is made pursuant to clause (ii) above, Greatbatch or Nuvectra, as the case may be, shall promptly notify the other of the existence of such request or demand and shall provide the other a reasonable opportunity to seek an appropriate protective order or other remedy, which both Parties will cooperate in seeking to obtain. In the event that such appropriate protective order or other remedy is not obtained, the Party whose Confidential Information is required to be disclosed shall or shall cause the other Party to furnish, or cause to be furnished, only that portion of the Confidential Information that is legally required to be disclosed. As used in this Section 6.8, “Confidential Information” shall mean all confidential and proprietary Information (including proprietary Information relating to the ages, birth dates, social security numbers, health-related matters or other confidential matters concerning employees or former employees) of one Party which, prior to or following the Distribution Time, has been disclosed by Greatbatch or members of the Greatbatch Group, on the one hand, or

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Nuvectra or members of the Nuvectra Group, on the other hand, in written, oral (including by recording), electronic, or visual form to, or otherwise has come into the possession of, the other, including pursuant to the access provisions of Section 6.4 hereof or any other provision of this Agreement or by virtue of employees of the Greatbatch Group becoming employees of Nuvectra as a result of the transactions contemplated hereby; except to the extent that such Information can be shown to have been (i) in the public domain or generally available to the public through no fault of such Party (or, in the case of Greatbatch, any other member of the Greatbatch Group or, in the case of Nuvectra, any other member of the Nuvectra Group), (ii) later lawfully acquired from other sources by the Party (or, in the case of Greatbatch, any other member of the Greatbatch Group or, in the case of Nuvectra, any other member of the Nuvectra Group) to which it was furnished, which sources are not themselves bound by a confidentiality obligation or other contractual, legal or fiduciary obligation of confidentiality with respect to such Confidential Information or

1. independently developed or generated without reference to or use of the respective Confidential Information of the other Party.
   1. Notwithstanding anything to the contrary set forth herein, (i) Greatbatch and the other members of the Greatbatch Group, on the one hand, and Nuvectra and the other members of the Nuvectra Group, on the other hand, shall be deemed to have satisfied their obligations hereunder with respect to Confidential Information if they exercise the same degree of care (but no less than a reasonable degree of care) as they take to preserve confidentiality for their own similar Information and (ii) confidentiality obligations provided for in any agreement between Greatbatch or any other member of the Greatbatch Group or Nuvectra or any other member of the Nuvectra Group, on the one hand, and any employee of Greatbatch or any other member of the Greatbatch Group, or Nuvectra or any other member of the Greatbatch Group, on the other hand, shall remain in full force and effect. Confidential Information of Greatbatch or any other member of the Greatbatch Group, on the one hand, or Nuvectra or any other member of the Nuvectra Group, on the other hand, in the possession of and used by the other as of the Distribution Time may continue to be used by such Person in possession of the Confidential Information in and only in the operation of the Greatbatch Business or the Nuvectra Business, as the case may be, and may be used only so long as the Confidential Information is maintained in confidence and not disclosed in violation of Section 6.8(a). Such continued right to use may not be transferred to any third party unless the third party purchases all or substantially all of the business and Assets of Greatbatch or Nuvectra, or any Asset of Greatbatch or Nuvectra in which the relevant Confidential Information is used or employed, in one transaction or in a series of related transactions, and such prospective purchaser executes a written agreement with Nuvectra or Greatbatch, as the case may be (which agreement shall be fully and directly enforceable by Nuvectra or Greatbatch, respectively), in which such Party agrees to be bound in perpetuity by the terms of this Section 6.8.

Section 6.9 *Insurance*.

1. The Parties intend by this Agreement that, to the extent that the terms of any applicable Insurance Policy or D&O Policy provide for coverage for a Covered Matter, Nuvectra, each other member of the Nuvectra Group and each of their respective directors, officers and employees will be successors in interest and will have and be fully entitled to continue to exercise all rights that any of them may have as of the Distribution Time (with respect to events occurring or claimed to have occurred before the Distribution Time) as a

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Subsidiary, Affiliate, division, director, officer or employee of Greatbatch before the Distribution Time under any Insurance Policy or D&O Policy with respect to that Covered Matter, including any rights that Nuvectra, any other member of the Nuvectra Group or any of their respective directors, officers, or employees may have as an insured or additional named insured, Subsidiary, Affiliate, division, director, officer or employee to avail itself, himself or herself of any policy of insurance or any agreements related to the policies in effect before the Distribution Time, with respect to events occurring before the Distribution Time.

1. For a period of six years from and after the Distribution Date, Greatbatch shall use commercially reasonable efforts to maintain in full force and effect a directors and officers insurance policy substantially similar to the D&O Policy and to otherwise maintain the rights of Nuvectra, the other members of the Nuvectra Group and their respective directors, officers, and employees under the D&O Policy.
2. For a period of six years from and after the Distribution Date, Nuvectra agrees, on its own behalf and on behalf of each other member of the Nuvectra Group, that Greatbatch and each other member of the Greatbatch Group shall be named as an additional insured under Nuvectra’s or any member of the Nuvectra Group’s commercial general liability policies, products liability policies, and excess liability policies. Nuvectra and any member of the Nuvectra Group further agrees that such insurance will be primary and non-contributory in regard to the interest of these additional insureds and that any insurance maintained by these additional insureds is excess. Nuvectra and any member of the Nuvectra Group will provide not only certificates of insurance naming Greatbatch and any member of the Greatbatch Group as additional insureds but will also provide actual copies of the relevant declaration pages and endorsements naming Greatbatch and any member of the Greatbatch Group as additional insureds.
3. After the Distribution Time, Greatbatch (and each other member of the Greatbatch Group) and Nuvectra (and each other member of the Nuvectra Group) shall not, without the consent of Nuvectra or Greatbatch, respectively (such consent not to be unreasonably withheld, conditioned or delayed), provide any insurance carrier with a release or amend, modify or waive any rights under any Insurance Policy or D&O Policy if such release, amendment, modification or waiver thereunder would materially adversely affect any rights of any member of the Group of the other Party with respect to insurance coverage otherwise afforded to such other Party for Covered Matters or other pre-Distribution claims; provided, however, that the foregoing shall not (i) preclude any member of any Group from presenting any claim or from exhausting any policy limit, (ii) require any member of any Group to pay any premium or other amount or to incur any Liability or (iii) subject to the obligations of Greatbatch in Section 6.9(b) and of Nuvectra in Section 6.9(c), require any member of any Group to renew, extend or continue any policy in force.
4. The provisions of this Agreement are not intended to relieve any insurer of any Liability under any policy.
5. No member of the Greatbatch Group or any Greatbatch Indemnitee will have any Liabilities whatsoever as a result of the Insurance Policies or D&O Policies as in effect at any time before the Distribution Time, including as a result of (i) the level or scope of any

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insurance, (ii) the creditworthiness of any insurance carrier, (iii) the terms and conditions of any policy, or (iv) the adequacy or timeliness of any notice to any insurance carrier with respect to any claim or potential claim.

1. Except to the extent otherwise provided in Section 6.9(b), in no event will Greatbatch, any other member of the Greatbatch Group or any Greatbatch Indemnitee have any Liability or obligation whatsoever to any member of the Nuvectra Group if any Insurance Policy or D&O Policy is terminated or otherwise ceases to be in effect for any reason, is unavailable or inadequate to cover any Liability of any member of the Nuvectra Group for any reason whatsoever or is not renewed or extended beyond the current expiration date.
2. This Agreement is not intended as an attempted assignment of any policy of insurance or as a contract of insurance and will not be construed to waive any right or remedy of any members of the Greatbatch Group in respect of any insurance policy or any other contract or policy of insurance.
3. Nothing in this Agreement will be deemed to restrict any member of the Nuvectra Group from acquiring at its own expense any other insurance policy in respect of any Liabilities or covering any period.
4. To the extent that any Insurance Policy or D&O Policy provided for the reinstatement of policy limits, and both Greatbatch and Nuvectra desire to reinstate such limits, the cost of reinstatement will be shared by Greatbatch and Nuvectra as the Parties may agree. If either Party, in its sole discretion, determines that such reinstatement would not be beneficial, that Party shall not contribute to the cost of reinstatement and will not make any claim thereunder nor otherwise seek to benefit from the reinstated policy limits.
5. For purposes of this Agreement, “Covered Matter’’ shall mean any matter, whether arising before or after the Distribution Time, with respect to which any Nuvectra Indemnitee may seek to exercise any right under any Insurance Policy or D&O Policy pursuant to this Section 6.9. If Nuvectra receives notice or otherwise learns of any Covered Matter, Nuvectra shall promptly give Greatbatch written notice thereof. Any such notice shall describe the Covered Matter in reasonable detail. With respect to each Covered Matter, Greatbatch shall have sole responsibility for reporting the claim to the insurance carrier and will provide a copy of such report to Nuvectra. If Greatbatch or another member of the Greatbatch Group fails to notify Nuvectra within 10 days that it has submitted an insurance claim with respect to a Covered Matter, Nuvectra shall be permitted to submit (on behalf of the applicable Nuvectra Indemnitee) such insurance claim.
6. Each of Nuvectra and Greatbatch will share such information as is reasonably necessary in order to permit the other Party to manage and conduct its insurance matters in an orderly fashion and provide the other Party with any assistance that is reasonably necessary or beneficial in connection such Party’s insurance matters.

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ARTICLE VII

MISCELLANEOUS

Section 7.1 *Authority*. Each of the Parties represents to the other that (a) it has the corporate or other requisite power and authority to execute, deliver and perform this Agreement and the Ancillary Agreements, (b) the execution, delivery and performance of this Agreement and the Ancillary Agreements by it have been duly authorized by all necessary corporate or other actions, (c) it has duly and validly executed and delivered this Agreement and the Ancillary Agreements to be executed and delivered on or prior to the Distribution Time, and (d) this Agreement and such Ancillary Agreements are legal, valid and binding obligations, enforceable against it in accordance with their respective terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting creditors’ rights generally and general equity principles.

Section 7.2 *Termination*. This Agreement and each of the Ancillary Agreements may be terminated at any time prior to the Distribution Time by and in the sole discretion of Greatbatch without the approval of Nuvectra. In the event of termination pursuant to this Section, neither Party shall have any Liability of any kind to the other Party.

Section 7.3 *Entire Agreement*. This Agreement, the Ancillary Agreements and the Schedules referenced herein or therein or attached hereto or thereto, constitute the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersede all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof.

Section 7.4 *Binding Effect; No Third-Party Beneficiaries; Assignment*. This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns; and, except as provided in Article III and Section 6.9, nothing in this Agreement, express or implied, is intended to confer upon any Person except the Parties and their respective Groups any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement. This Agreement may not be assigned by either Party, except with the prior written consent of the other Party.

Section 7.5 *Amendment*. No change or amendment may be made to this Agreement except by an instrument in writing signed on behalf of both of the Parties.

Section 7.6 *Failure or Indulgence Not Waiver; Remedies Cumulative*. No failure or delay on the part of either Party in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty, covenant or agreement contained herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement or the Schedules attached hereto are cumulative to, and not exclusive of, any rights or remedies otherwise available. Greatbatch shall be permitted to set-off any unpaid amount owed by Nuvectra under this Agreement, any of the Ancillary Agreements or any of the Surviving Agreements against any amounts owed by Greatbatch or any member of the Greatbatch Group to Nuvectra or any member of its Group under this Agreement, any Ancillary Agreement or any Surviving Agreement.

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Section 7.7 *Notices*. Unless otherwise expressly provided herein, all notices, claims, certificates, requests, demands and other communications hereunder shall be in writing and shall be deemed to be duly given (i) when personally delivered or (ii) if mailed by registered or certified mail, postage prepaid, return receipt requested, on the date the return receipt is executed or the letter is refused by the addressee or its agent or (iii) if sent by overnight courier which delivers only upon the signed receipt of the addressee, on the date the receipt acknowledgment is executed or refused by the addressee or its agent or (iv) if sent by facsimile or electronic mail, on the date confirmation of transmission is received (provided, however, that a copy of any notice delivered pursuant to this clause (iv) shall also be sent pursuant to clause (i),

1. or (iii)), addressed to the attention of the addressee’s General Counsel at the address of its principal executive office or to such other address or facsimile number for a Party as it shall have specified by like notice.

Section 7.8 *Counterparts; Facsimile Signatures*. This Agreement, including the Schedules hereto and the other documents referred to herein, may be executed in multiple counterparts, each of which when executed shall be deemed to be an original but all of which together shall constitute one and the same agreement. Delivery of an executed signature page to this Agreement, and any of the other agreements, documents and instruments contemplated hereby, by facsimile transmission shall be as effective as delivery of a manually signed counterpart hereof or thereof

Section 7.9 *Severability*. If any term or other provision of this Agreement or the Schedules attached hereto is determined by a non-appealable decision by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the court, administrative agency or arbitrator shall interpret this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible. If any sentence in this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only as broad as is enforceable.

Section 7.10 *Governing Law*. This Agreement shall be governed by, and construed and enforced in accordance with, the substantive laws of the State of Delaware, without regard to any conflicts of law provisions thereof that would result in the application of the laws of any other jurisdiction.

Section 7.11 *Specific Performance*. Except as may be provided otherwise in any Ancillary Agreement, in the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement or any Ancillary Agreement, the Party or the Parties who are or are to be thereby aggrieved shall have the right to specific performance and injunctive or other equitable relief of their rights under this Agreement or such Ancillary

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Agreement, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. The Parties agree that the remedies at law for any breach or threatened breach, including monetary damages, are inadequate compensation for any loss, and waive any defense in any Proceeding for specific performance that a remedy at law would be adequate. Any requirements for the securing or posting of any bond with such remedy are waived.

Section 7.12 *Construction*. This Agreement and the Ancillary Agreements shall be construed as if jointly drafted by Nuvectra and Greatbatch and no rule of construction or strict interpretation shall be applied against either Party. The Parties represent that this Agreement is entered into with full consideration of any and all rights which the Parties may have. The Parties have relied upon their own knowledge and judgment and upon the advice of the attorneys of their choosing. The Parties have had access to independent legal advice, have conducted such investigations they and their counsel thought appropriate, and have consulted with such other independent advisors as they and their counsel deemed appropriate regarding this Agreement and their rights and asserted rights in connection therewith. The Parties are not relying upon any representations or statements made by any other Party, or such other Party’s employees, agents, representatives or attorneys, regarding this Agreement, except to the extent such representations are expressly set forth or incorporated in this Agreement. The Parties are not relying upon a legal duty, if one exists, on the part of the other Party (or such other Party’s employees, agents, representatives or attorneys) to disclose any information in connection with the execution of this Agreement or its preparation, it being expressly understood that neither Party shall ever assert any failure to disclose information on the part of the other Party as a ground for challenging this Agreement.

Section 7.13 *Performance*. Each Party shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any Group member or Affiliate of such Party.

Section 7.14 *Limited Liability*. Notwithstanding any other provision of this Agreement, no individual who is a stockholder, director, employee, officer, members, manager, agent or representative of Greatbatch or Nuvectra, in such individual’s capacity as such, shall have any liability in respect of or relating to the covenants or obligations of Greatbatch or Nuvectra, as applicable, under this Agreement or any Spin-off Agreement or in respect of any certificate delivered with respect hereto or thereto and, to the fullest extent legally permissible, each of Greatbatch and Nuvectra, for itself and its respective stockholders, directors, employees, officers, managers, members, agents and representatives, waives and agrees not to seek to assert or enforce any such liability that any such Person otherwise might have pursuant to applicable Law.

Section 7.15 *Exclusivity of Tax Matters*. Notwithstanding any other provision of this Agreement (other than Sections 2.1, 3.6, 4.3(b) and Article V), the provisions of the Tax Matters Agreement shall exclusively govern all matters related to Taxes.

***[Signature Page Follows]***

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**WHEREFORE**, the Parties have signed this Separation and Distribution Agreement effective as of the date first set forth above.

GREATBATCH, INC.

|  |  |
| --- | --- |
| By: | /s/ Thomas J. Hook |
| Name: | Thomas J. Hook |
| Title: | President and Chief Executive Officer |

QIG GROUP, LLC

(to be converted into Nuvectra Corporation)

|  |  |
| --- | --- |
| By: | /s/ Scott F. Drees |
| Name: | Scott F. Drees |
| Title: | Chief Executive Officer |

**Exhibit 10.1**

***EXECUTION VERSION***

TRANSITION SERVICES AGREEMENT

BETWEEN

GREATBATCH, INC.

and

QIG GROUP, LLC

(to be converted into NUVECTRA CORPORATION)

Dated March 14, 2016

|  |  |  |  |  |
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Schedule A – Schedule of Transition Services and Fees

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**TRANSITION SERVICES AGREEMENT**

This **TRANSITION SERVICES AGREEMENT** (together with Schedule A hereto, this “Agreement”) is entered into as of March 14, 2016, by and between Greatbatch, Inc., a Delaware corporation (“GB”), and QiG Group, LLC, a Delaware limited liability company (to be converted into Nuvectra Corporation, a Delaware corporation) (“Nuvectra”).

**WHEREAS**, the Board of Directors of GB has determined that it would be appropriate and desirable for GB to distribute (the “Distribution”) on a pro rata basisto the holders of outstanding shares of common stock, par value $0.001 per share, of GB all of the outstanding shares of common stock, par value $0.001 per share, of Nuvectra owned by GB;

**WHEREAS**, in order to effectuate the foregoing, GB and Nuvectra have entered into a Separation and Distribution Agreement, dated as of the date hereof (the“Separation Agreement”), which provides, among other things, upon the terms and subject to the conditions thereof, for the separation of the respective businesses of GB and Nuvectra and the Distribution, and the execution and delivery of certain other agreements, including this Agreement, in order to facilitate and provide for the foregoing; and

**WHEREAS**, in order to provide for an orderly transition under the Separation Agreement, it will be advisable for GB to provide to Nuvectra those servicesdescribed herein for a period of time.

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants and agreements herein contained, and for other good and valuableconsideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 *Definitions*. As used in this Agreement, the following terms shall have the meanings set forth below:

“Additional Transition Services” has the meaning set forth in Section 2.3.

“Agreement” has the meaning set forth in the preamble.

“Distribution” has the meaning set forth in the recitals.

“Force Majeure Event” has the meaning set forth in Section 10.1.

“GB” has the meaning set forth in the preamble.

“IT Guidelines” has the meaning set forth in Section 2.1(c).

“Nuvectra” has the meaning set forth in the preamble.

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“Schedule A” means the Schedule A attached hereto.

“Separation Agreement” has the meaning set forth in the recitals.

“Service Coordinator” has the meaning set forth in Section 2.2.

“Transition Services” has the meaning set forth in Section 2.1(a).

“Tax” has the meaning set forth in Section 4.4.

Capitalized terms used but not otherwise defined in this Agreement shall have the respective meanings assigned to such terms in the Separation Agreement.

ARTICLE II

TRANSITION SERVICES

Section 2.1 *Transition Services*.

1. Upon the terms and subject to the conditions of this Agreement, GB, acting directly or through its Affiliates and its and their respective employees, agents, contractors or independent third parties designated by any of them, agrees to use commercially reasonable efforts to provide or to cause to be provided services to the Nuvectra Group as set forth in Schedule A (including any Additional Transition Services provided in accordance with Section 2.3 hereof, all such services are collectively referred to herein as the “Transition Services”).
2. At all times during the performance of the Transition Services, all Persons performing such Transition Services (including agents, temporary employees, independent third parties and consultants) shall be construed as being independent from the Nuvectra Group, and such Persons shall not be considered or deemed to be employees of any member of the Nuvectra Group nor entitled to any employee benefits of Nuvectra as a result of this Agreement. The responsibility of such Persons is to perform the Transition Services in accordance with this Agreement and, as necessary, to advise the applicable member of the Nuvectra Group in connection therewith, and such Persons shall not be responsible for decision-making on behalf of any member of the Nuvectra Group. Such Persons shall not be required to report to management of any member of the Nuvectra Group nor be deemed to be under the management or direction of any member of the Nuvectra Group. Nuvectra acknowledges and agrees that, except as may be expressly set forth herein as a Transition Service (including any Additional Transition Services provided in accordance with Section 2.3 hereof) or otherwise expressly set forth in the Agreement or any other Ancillary Agreement, no member of the GB Group shall be obligated to provide, or cause to be provided, any service or goods to any member of the Nuvectra Group.
3. Notwithstanding anything to the contrary in this Agreement, GB and other members of the GB Group shall not be required to perform Transition Services hereunder or take any actions relating thereto that conflict with or violate any applicable law, contract, license, authorization, certification or permit, GB’s Code of Business Conduct and Ethics or other corporate governance policies, or GB’s information technology security and data transfer guidelines (the “IT Guidelines”), as each may be amended from time to time.

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(d) Nuvectra, for itself and the other members of the Nuvectra Group, acknowledges and agrees to abide by the IT Guidelines during the term of this

Agreement.

Section 2.2 *Service Coordinators*. Each party will nominate in writing a representative to act as the primary contact with respect to the provision of the Transition Services and the resolution of disputes under this Agreement (each such person, a “Service Coordinator”). The initial Service Coordinators shall be Timothy G. McEvoy and Chris Hanna (or their respective designees) for each of GB and Nuvectra, respectively. The Service Coordinators shall meet as expeditiously as possible to resolve any dispute hereunder; and any dispute that is not resolved by the Service Coordinators within 30 days shall be resolved in accordance with the dispute resolution procedures set forth in Article V of the Separation Agreement. Each party hereto may treat an act of a Service Coordinator of the other party hereto which is consistent with the provisions of this Agreement as being authorized by such other party without inquiring behind such act or ascertaining whether such Service Coordinator had authority to so act; provided, however, that no such Service Coordinator shall have authority to amend this Agreement. GB and Nuvectra shall advise each other promptly (in any case no more than five Business Days) in writing of any change in their respective Service Coordinators, setting forth the name of the replacement, and stating that the replacement Service Coordinator is authorized to act for such party in accordance with this Section 2.2.

Section 2.3 *Additional Transition Services*. Nuvectra may request additional Transition Services (the “Additional Transition Services”) from GB by providing written notice to GB, which GB in its sole discretion may decline to provide. If GB undertakes to provide the Additional Transition Services, the parties shall negotiate in good faith regarding a written agreement as to the nature, cost, duration and scope of such Additional Transition Services, GB and Nuvectra shall supplement in writing Schedule A to include such Additional Transition Services. Except where the context otherwise indicates or requires, any such Additional Transition Services shall be deemed to be “Transition Services” under this Agreement.

Section 2.4 *Third Party Transition Services*. GB shall have the right to hire third-party subcontractors to provide all or part of any Transition Service hereunder to the extent it reasonably determines it requires the use of third-party subcontractors in providing any such Transition Service; provided, however, that GB shall be responsible for the costs of such third-party contractor. If Nuvectra requests Transition Services outside the scope of this Agreement, then GB will notify Nuvectra that such Transition Services are outside the scope and GB shall have the right to hire third-party subcontractors and Nuvectra will be responsible for the costs of such third-party subcontractors; provided that no failure by GB to notify Nuvectra that such Transition Services are outside the scope of this Agreement will affect Nuvectra’s responsibility for the cost of such third party subcontractors.

Section 2.5 *Standard of Performance; Limitation of Liability*.

1. The Transition Services to be provided hereunder shall be performed with the same general degree of care, at the same general level and at the same general degree of accuracy and responsiveness, as when performed for the GB Group (including, for this purpose, Nuvectra and its subsidiaries) prior to the date of this Agreement. While GB agrees to use commercially reasonable efforts in providing the Transition Services, it is understood and agreed that GB and

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the members of the GB Group are not professional providers of the types of services included in the Transition Services and that GB personnel performing Transition Services have other responsibilities and will not be dedicated full-time to performing Transition Services hereunder. GB also represents that it shall, and shall cause its Affiliates to, comply at all times during the term of this Agreement with all applicable laws and regulations relating in any way to the Transition Services. GB shall, if required, obtain and maintain all material permits, approvals and licenses necessary or appropriate to perform its duties and obligations (including all Transition Services) under this Agreement and shall at all times comply (or in the case of any providers of Transition Services who are contractors or independent third parties, to use commercially reasonable efforts to cause them to comply) with the terms and conditions of such permits, approvals and licenses.

1. In the event GB or any member of the GB Group fails to provide, or cause to be provided, the Transition Services in accordance with the standard of service set forth in Section 2.5(a) or Section 2.5(c), Nuvectra may object to any amounts invoiced for such Transition Services in accordance with Section 4.2; provided, however, that in the event GB defaults in the manner described in Section 7.1(c), Nuvectra shall have the further rights set forth in Section 7.1(c).
2. EXCEPT AS EXPRESSLY SET FORTH IN THIS SECTION 2.5, NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESSED OR IMPLIED (INCLUDING THE WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR CONFORMITY TO ANY REPRESENTATION OR DESCRIPTION), ARE MADE BY GB OR ANY MEMBER OF THE GB GROUP WITH RESPECT TO THE TRANSITION SERVICES UNDER THIS AGREEMENT AND, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ALL SUCH REPRESENTATIONS OR WARRANTIES ARE HEREBY WAIVED AND DISCLAIMED. NUVECTRA (ON ITS OWN BEHALF AND ON BEHALF OF EACH OTHER MEMBER OF THE NUVECTRA GROUP) HEREBY EXPRESSLY WAIVES ANY RIGHT NUVECTRA OR ANY MEMBER OF THE NUVECTRA GROUP MAY OTHERWISE HAVE FOR ANY LOSSES, TO ENFORCE SPECIFIC PERFORMANCE OR TO PURSUE ANY OTHER REMEDY AVAILABLE IN CONTRACT, AT LAW OR IN EQUITY IN THE EVENT OF ANY NON-PERFORMANCE, INADEQUATE PERFORMANCE, FAULTY PERFORMANCE OR OTHER FAILURE OR BREACH BY GB OR ANY MEMBER OF THE GB GROUP UNDER OR RELATING TO THIS AGREEMENT, NOTWITHSTANDING THE NEGLIGENCE OR GROSS NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT OR ACTIVE OR PASSIVE) OF GB OR ANY MEMBER OF THE GB GROUP OR ANY THIRD PARTY SERVICE PROVIDER AND WHETHER DAMAGES ARE ASSERTED IN CONTRACT OR TORT, UNDER FEDERAL, STATE OR NON U.S. LAWS OR OTHER STATUTE OR OTHERWISE; PROVIDED, HOWEVER, THAT THE FOREGOING WAIVER SHALL NOT EXTEND TO COVER, AND GB SHALL BE RESPONSIBLE FOR, SUCH LOSSES CAUSED BY THE WILLFUL MISCONDUCT OF GB OR ANY MEMBER OF THE GB GROUP OR AN INTENTIONAL BREACH UNDER THE AGREEMENT BY GB OR ANY MEMBER OF THE GB GROUP. NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, IN NO EVENT SHALL THE GB GROUP BE LIABLE TO THE NUVECTRA GROUP WITH RESPECT TO CLAIMS ARISING OUT OF THIS AGREEMENT FOR AMOUNTS IN THE AGGREGATE EXCEEDING SEVEN HUNDRED AND FIFTY THOUSAND DOLLARS ($750,000).

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Section 2.6 *Service Boundaries and Scope*.

1. Except as provided in Schedule A for a specific Transition Service: (i) GB shall be required to provide, or cause to be provided, the Transition Services only at the locations such Transition Services are being provided by any member of the GB Group for any member of the Nuvectra Group immediately prior to the Distribution Date; provided, however, that, to the extent any such Transition Service is to be provided by an employee of GB who works in the Clarence, New York, Plano, Texas or Frisco, Texas corporate offices of GB, such Transition Service shall, to the extent feasible, only be provided by such employee from the corporate offices of GB; and (ii) the Transition Services shall be available only for purposes of conducting the business of the Nuvectra Group substantially in the manner it was conducted immediately prior to the Distribution Date.
2. In providing, or causing to be provided, the Transition Services, GB shall not be obligated to: (i) maintain the employment of any specific employee or hire additional employees or third-party service providers; (ii) purchase, lease or license any additional equipment (including computer equipment, furniture, furnishings, fixtures, machinery, vehicles, tools and other tangible personal property), software or other assets, rights or properties; (iii) make modifications to its existing systems or software, including renewing or extending any software license beyond its current term; (iv) provide any member of the Nuvectra Group with access to any systems or software other than those to which it has authorized access immediately prior to the Distribution Date and for which it is reasonably practical to segregate Nuvectra Group data from GB data; (v) pay any costs related to the transfer or conversion of data of any member of the Nuvectra Group; (vi) administer Nuvectra Group benefit plans or (vii) facilitate or conduct audits by or for any regulatory agency, including, but not limited to, the United States Department of Labor. For the avoidance of doubt, the Transition Services do not include any services required for or as the result of any business acquisitions, divestitures, start-ups or terminations by the Nuvectra Group.

Section 2.7 *Cooperation*. GB and Nuvectra shall cooperate with one another in good faith and provide such further assistance as the other party may reasonably request in connection with the provision of Transition Services hereunder.

Section 2.8 *Nature of Transition Services; Changes*. Subject to Sections 2.3 and 2.5, the parties acknowledge the temporary nature of the Transition Services and that GB may make changes from time to time in the manner of performing the Transition Services. If such change in performance is expected to be material to Nuvectra, GB agrees to provide Nuvectra with prompt notice of such change. Nuvectra acknowledges (for itself and for the other members of the Nuvectra Group) that the employees of GB or any other members of the GB Group who may be assisting in the provision of Transition Services hereunder are at-will employees and, as such, may terminate or be terminated from employment with GB or any of the other members of the GB Group providing Transition Services hereunder at any time for any reason.

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Section 2.9 *Access*. During the term of this Agreement and for so long as any Transition Services are being provided to Nuvectra by GB, Nuvectra will provide GB and its authorized representatives reasonable access, during regular business hours upon reasonable notice, to Nuvectra and its employees, representatives, facilities and books and records as GB and its representatives may reasonably require in order to perform such Transition Services.

ARTICLE III

SERVICE CHARGES

Section 3.1 *Compensation*. In consideration for the provision of the Transition Services, Nuvectra shall pay to GB or, at the election of GB, a member of the GB Group, the applicable fees as set forth in Schedule A.

ARTICLE IV

PAYMENT

Section 4.1 *Payment*. Except as otherwise provided in Schedule A for a specific Transition Service, charges for Transition Services shall be invoiced monthly by GB or, at its option, the member of the GB Group providing the Transition Service. Nuvectra shall make the corresponding payment no later than 60 days after receipt of the invoice. Each invoice shall be directed to the Nuvectra Service Coordinator or such other person designated in writing from time to time by such Service Coordinator. The invoice shall set forth in reasonable detail the Transition Services rendered and the invoice amount for the Transition Services rendered for the period covered by such invoice. Interest will accrue on any unpaid amounts at eighteen percent (18%) per annum (compounded monthly) or, if less, the maximum non-usurious rate of interest permitted by applicable law, until such amounts, together with all accrued and unpaid interest thereon, are paid in full. All timely payments under this Agreement shall be made without early payment discount. If GB incurs any reasonable out-of-pocket expenses or remits funds to a third-party on behalf of Nuvectra, in either case in connection with the rendering of Transition Services, then GB shall include such amount on its monthly invoice to Nuvectra, with reasonable supporting documentation, and Nuvectra shall reimburse that amount to GB pursuant to this Section 4.1 as part of its next monthly payment.

Section 4.2 *Payment Disputes*. Nuvectra may object to any invoiced amounts for any Transition Service at any time before, at the time of, or after payment is made, provided such objection is made in writing to GB within 30 days following the date of the disputed invoice. Nuvectra shall timely pay the disputed items in full while resolution of the dispute is pending; provided, however, that GB shall pay interest at a rate of eighteen percent (18%) per annum (compounded monthly) on any amounts it is required to return to Nuvectra upon resolution of the dispute. Payment of any amount shall not constitute approval thereof. The Service Coordinators shall meet as expeditiously as possible to resolve any dispute. Any dispute that is not resolved by the Service Coordinators within 60 days following the date of the disputed invoice shall be resolved in accordance with the dispute resolution and arbitration procedures set forth in Article V of the Separation Agreement. Upon written request, GB will provide to Nuvectra reasonable detail and support documentation to permit Nuvectra to verify the accuracy of an invoice.

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Section 4.3 *Review of Charges; Error Correction*. GB shall maintain accurate books and records (including invoices of third parties) related to the Transition Services sufficient to calculate, and allow Nuvectra to verify, the amounts owed under this Agreement. From time to time until 90 days following the termination of this Agreement, Nuvectra shall have the right to review, and GB shall provide access to, such books and records to verify the accuracy of such amounts, provided that such reviews shall not occur more frequently than once per calendar quarter. Each such review shall be conducted during normal business hours and in a manner that does not unreasonably interfere with the operations of GB. If, as a result of any such review, Nuvectra determines that it overpaid any amount to GB, then Nuvectra may raise an objection pursuant to the provisions of Section 4.2. Nuvectra shall bear the cost and expense of any such review. GB shall make adjustments to charges as required to reflect the discovery of errors or omissions in charges.

Section 4.4 *Taxes*. All transfer taxes, excises, fees or other charges (including value added, sales, use or receipts taxes, but not including a tax on or measured by the income, net or gross revenues, business activity or capital of a member of the GB Group), or any increase therein, now or hereafter imposed directly or indirectly by law upon any fees paid hereunder for Transition Services, which a member of the GB Group is required to pay or incur in connection with the provision of Transition Services hereunder (“Tax”), shall be passed on to Nuvectra as an explicit surcharge and shall be paid by Nuvectra in addition to any Transition Service fee payment, whether included in the applicable Transition Service fee payment, or added retroactively. If Nuvectra submits to GB a timely and valid resale or other exemption certificate acceptable to GB and sufficient to support the exemption from Tax, then such Tax will not be added to the Transition Service fee payable pursuant to Article III; provided, however, that if a member of the GB Group is ever required to pay such Tax, Nuvectra will promptly reimburse GB for such Tax, including any interest, penalties and attorney’s fees related thereto. The parties will cooperate to minimize the imposition of any Taxes.

Section 4.5 *Records*. GB shall maintain true and correct records of all receipts, invoices, reports and such other documents relating to the Transition Services hereunder in accordance with its standard accounting practices and procedures, consistently applied. GB shall retain such accounting records and make them available to Nuvectra’s authorized representatives and auditors for a period of not less than one year from the close of each fiscal year of GB; provided, however, that GB may, at its option, transfer such accounting records to Nuvectra upon termination of this Agreement.

ARTICLE V

TERM

Section 5.1 *Term*. Subject to Articles VI and VII, the GB Group shall provide each Transition Service to the Nuvectra Group pursuant to this Agreement for the time period set forth in Schedule A relating to that specific Transition Service and, if a time period is not specified on Schedule A with respect to that specific Transition Service, for a period of no longer than two years from the Distribution Date. In accordance with the Separation Agreement and Article VI of this Agreement, Nuvectra shall undertake to provide to itself and the other members of the Nuvectra Group, and to terminate as soon as reasonably practicable, the Transition Services provided to the Nuvectra Group hereunder. The parties shall cooperate as reasonably required to

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effectuate an orderly and systematic transfer to the Nuvectra Group or a third-party service provider designated by the Nuvectra Group of all or any portion of the duties and obligations previously performed by GB or a member of the GB Group under this Agreement. Except as otherwise expressly agreed or unless sooner terminated, this Agreement shall commence upon the Distribution Date and shall continue in full force and effect between the parties for so long as any Transition Service set forth in Schedule A hereto is being provided to Nuvectra or members of the Nuvectra Group, and this Agreement shall terminate upon the cessation of all Transition Services provided hereunder.

ARTICLE VI

DISCONTINUATION OF TRANSITION SERVICES

Section 6.1 *Discontinuation of Transition Services*. At any time after the Distribution Date, Nuvectra may, without cause and in accordance with the terms and conditions hereunder and the Separation Agreement, request the discontinuation of one or more specific Transition Services by giving GB at least 30 days’ prior written notice; provided, however, that any such discontinuation will not affect the amounts payable to GB hereunder unless the discontinued Transition Services represent all of the remaining Transition Services to be provided in Schedule A and then any amounts payable to GB will be reduced only to the extent of the charges specifically identified in Schedule A. Nuvectra shall be liable to GB for all costs and expenses GB or any member of the GB Group remains obligated to pay in connection with any discontinued Transition Service or Transition Services, except in the case of a Transition Service terminated by Nuvectra pursuant to Section 7.1(c).

Section 6.2 *Procedures Upon Discontinuation or Termination of Transition Services*. Upon the discontinuation or termination of a Transition Service hereunder, this Agreement shall be of no further force and effect with respect to such Transition Service, except as to obligations accrued prior to the date of discontinuation or termination; provided, however, that Articles I, IV, VIII, IX and XI and Section 2.5(c) of this Agreement shall survive such discontinuation or termination and any such termination shall not affect any obligation for the payment of Transition Services rendered prior to termination. Each party and the applicable member(s) of its respective Group shall, within 90 days after discontinuation or termination of a Transition Service, to the extent reasonably practicable, deliver to the other party and the applicable member(s) of its respective Group originals of all books, records, contracts, receipts for deposits and all other papers or documents in its possession which pertain exclusively to the business of the other party and relate to such Transition Service; provided that a party may retain copies of material provided to the other party pursuant to this Section 6.2 as it deems necessary or appropriate in connection with its financial reporting obligations or internal control practices and policies.

ARTICLE VII

DEFAULT

Section 7.1 *Termination for Default*.

1. In the event of a failure of Nuvectra to pay for Transition Services in accordance with the terms of this Agreement within 15 days of the due date thereof, GB shall

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notify Nuvectra of such late payment and if Nuvectra fails to pay such invoice within five days of its receipt of such notice, GB shall have the right, in its sole discretion, to immediately terminate this Agreement with respect to all Transition Services.

1. In the event of a default, in any material respect, in the due performance or observance by Nuvectra of any of the other terms, covenants or agreements contained in this Agreement, which default is not cured within 30 days of receipt of a written notice of such default, GB shall have the right, in its sole discretion, to immediately terminate the Transition Service with respect to which the default occurred.
2. In the event of a default, in any material respect, in the due performance or observance by GB of any of the other terms, covenants or agreements contained in this Agreement, which default is not cured within 30 days of receipt of a written notice of such default, Nuvectra shall have the right, in its sole discretion, to immediately terminate the Transition Service with respect to which the default occurred.

ARTICLE VIII

INDEMNIFICATION AND WAIVER

Section 8.1 *Waiver of Consequential Damages*. NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY UNDER THIS AGREEMENT FOR ANY EXEMPLARY, PUNITIVE, SPECIAL, INDIRECT, CONSEQUENTIAL, REMOTE OR SPECULATIVE DAMAGES OR ANY LOST PROFITS OR REVENUES, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING NEGLIGENCE OR GROSS NEGLIGENCE) ARISING IN ANY WAY OUT OF THIS AGREEMENT, WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES; PROVIDED, HOWEVER, THAT THE FOREGOING LIMITATIONS SHALL NOT LIMIT EACH PARTY’S INDEMNIFICATION OBLIGATIONS FOR LIABILITIES TO THIRD PARTIES AS SET FORTH IN THIS AGREEMENT, THE SEPARATION AGREEMENT OR ANY ANCILLARY AGREEMENT.

Section 8.2 *Transition Services Received*.

Nuvectra hereby acknowledges and agrees that:

1. the Transition Services to be provided hereunder are subject to and limited by the provisions of Section 2.5, Article VII and the other provisions hereof, including the limitation of remedies available to Nuvectra that restricts available remedies resulting from a Transition Service not provided in accordance with the terms hereof to non-payment and, in certain limited circumstances, the right to terminate this Agreement;
2. the Transition Services are being provided solely to facilitate the transition of Nuvectra to a separate company as a result of the Distribution, and GB and its Affiliates do not provide any such Transition Services to non-Affiliates;
3. it is not the intent of GB and the other members of the GB Group to render, nor of Nuvectra and the other members of the Nuvectra Group to receive from GB and the other members of the GB Group, professional advice or opinions, whether with regard to tax, legal,

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treasury, finance, employment or other business and financial matters, or technical advice, whether with regard to information technology or other matters; Nuvectra shall not rely on, or construe, any Transition Service rendered by or on behalf of GB as such professional advice or opinions or technical advice; and Nuvectra shall seek all third-party professional advice and opinions or technical advice as it may desire or need, and in any event Nuvectra shall be responsible for and assume all risks associated with the Transition Services, except to the limited extent set forth in Section 2.5 and Article VII;

1. with respect to any software or documentation within the Transition Services, Nuvectra shall use such software and documentation internally and for their intended purpose only, shall not distribute, publish, transfer, sublicense or in any manner make such software or documentation available to other organizations or persons, and shall not act as a service bureau or consultant in connection with such software; and
2. a material inducement to GB’s agreement to provide the Transition Services is the limitation of liability and the release provided by Nuvectra in this

Agreement.

1. ACCORDINGLY, EXCEPT WITH REGARD TO THE LIMITED REMEDIES EXPRESSLY SET FORTH HEREIN, NUVECTRA SHALL ASSUME ALL LIABILITY FOR AND SHALL FURTHER RELEASE, DEFEND, INDEMNIFY AND HOLD GB, ANY MEMBER OF THE GB GROUP AND THEIR RESPECTIVE EMPLOYEES, OFFICERS, DIRECTORS AND AGENTS (ALL AS INDEMNIFIED PARTIES) FREE AND HARMLESS FROM AND AGAINST ALL LOSSES RESULTING FROM, ARISING OUT OF OR RELATED TO THE TRANSITION SERVICES, HOWSOEVER ARISING AND WHETHER OR NOT CAUSED BY THE NEGLIGENCE OR GROSS NEGLIGENCE OF GB, ANY MEMBER OF THE GB GROUP OR ANY THIRD PARTY SERVICE PROVIDER, OTHER THAN THOSE LOSSES CAUSED BY THE WILLFUL MISCONDUCT OF GB OR ANY MEMBER OF THE GB GROUP.

Section 8.3 *Express Negligence*. **THE INDEMNITY, RELEASES AND LIMITATIONS OF LIABILITY IN THIS AGREEMENT (INCLUDING** **ARTICLES II AND VIII) ARE INTENDED TO BE ENFORCEABLE AGAINST THE PARTIES IN ACCORDANCE WITH THE EXPRESS TERMS AND SCOPE THEREOF NOTWITHSTANDING ANY EXPRESS NEGLIGENCE RULE OR ANY SIMILAR DIRECTIVE THAT WOULD PROHIBIT OR OTHERWISE LIMIT INDEMNITIES BECAUSE OF THE NEGLIGENCE OR GROSS NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT OR ACTIVE OR PASSIVE) OR OTHER FAULT OR STRICT LIABILITY OF ANY OF THE INDEMNIFIED PARTIES.**

ARTICLE IX

CONFIDENTIALITY

Section 9.1 *Confidentiality*. Nuvectra and GB each acknowledge and agree that the terms of Section 6.8 of the Separation Agreement shall apply to information, documents, plans and other data made available or disclosed by one party to the other in connection with this Agreement. Nuvectra and GB each acknowledge and agree that any third party Information (to the extent such Information does not constitute Greatbatch Books and Records) provided by any

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member of the Nuvectra Group to any member of the GB Group after the Distribution Date in connection with the provision of the Transition Services by any member of the GB Group, or generated, maintained or held in connection with the provision of the Transition Services by any member of the GB Group after the Distribution Date, in each case that primarily relates to the Nuvectra Business, the Nuvectra Assets, or the Nuvectra Liabilities, shall not be considered Privileged Information of GB or Confidential Information of GB.

ARTICLE X

FORCE MAJEURE

Section 10.1 *Performance Excused*. Continued performance of a Transition Service may be suspended immediately to the extent caused by any event or condition beyond the reasonable control of the party suspending such performance (and not involving any willful misconduct of such party), including acts of God, pandemics, floods, fire, earthquakes, labor or trade disturbances, strikes, war, acts of terrorism, civil commotion, electrical shortages or blackouts, breakdown or injury to computing facilities, compliance in good faith with any Law (whether or not it later proves to be invalid), unavailability of materials or bad weather (a “Force Majeure Event”). Nuvectra shall not be obligated to pay any amount for Transition Services that it does not receive as a result of a Force Majeure Event (and the parties hereto shall negotiate reasonably to determine the amount applicable to such Transition Services not received). In addition to the reduction of any amounts owed by Nuvectra hereunder, during the occurrence of a Force Majeure Event, to the extent the provision of any Transition Service has been disrupted or reduced, during such disruption or reduction, (a) Nuvectra may replace any such affected Transition Service by providing any such Transition Service for itself or engaging one or more third parties to provide such Transition Service at the expense of Nuvectra and (b) GB shall cooperate with, provide such information to and take such other actions as may be reasonably required to assist such third parties to provide such substitute Transition Service.

Section 10.2 *Notice*. The party claiming suspension due to a Force Majeure Event will give prompt notice to the other of the occurrence of the Force Majeure Event giving rise to the suspension and of its nature and anticipated duration.

Section 10.3 *Cooperation*. Upon the occurrence of a Force Majeure Event, the parties shall cooperate with each other to find alternative means and methods for the provision of the suspended Transition Service.

ARTICLE XI

GENERAL PROVISIONS

Section 11.1 *Entire Agreement*. This Agreement, including Schedule A, together with the documents referenced herein (including the Separation Agreement), constitutes the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof. To the extent any provision of this Agreement conflicts with the provisions of the Separation Agreement, the provisions of this Agreement shall be deemed to control with respect to the subject matter hereof.

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Section 11.2 *Binding Effect; No Third-Party Beneficiaries; Assignment*. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns; and nothing in this Agreement, express or implied, is intended to confer upon any other person or entity any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement. This Agreement may not be assigned by either party hereto, except with the prior written consent of the other party hereto. Any purported assignment in violation of this Section 11.2 is void.

Section 11.3 *Amendment; Waivers*. No change or amendment may be made to this Agreement except by an instrument in writing signed on behalf of both of the parties hereto. Either party hereto may, at any time, (i) extend the time for the performance of any of the obligations or other acts of the other, (ii) waive any inaccuracies in the representations and warranties of the other contained herein or in any document delivered pursuant hereto, and (iii) waive compliance by the other with any of the agreements, covenants or conditions contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party to be bound thereby. No failure or delay on the part of either party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty, covenant or agreement contained herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right.

Section 11.4 *Notices*. Unless otherwise expressly provided herein, all notices, claims, certificates, requests, demands and other communications hereunder shall be in writing and shall be deemed to be duly given (i) when personally delivered or (ii) if mailed by registered or certified mail, postage prepaid, return receipt requested, on the date the return receipt is executed or the letter is refused by the addressee or its agent or (iii) if sent by overnight courier which delivers only upon the signed receipt of the addressee, on the date the receipt acknowledgment is executed or refused by the addressee or its agent or (iv) if sent by facsimile or electronic mail, on the date confirmation of transmission is received (provided that a copy of any notice delivered pursuant to this clause (iv) shall also be sent pursuant to clause (i),

1. or (iii)), addressed to the attention of the addressee’s Chief Financial Officer at the address of its principal executive office or to such other address or facsimile number for a party hereto as it shall have specified by like notice.

Section 11.5 *Counterparts; Facsimile Signatures*. This Agreement may be executed in counterparts and signature pages exchanged by facsimile, and each counterpart shall be deemed an original, but all of which shall constitute the same agreement. Delivery of an executed signature page to this Agreement, and any of the other agreements, documents and instruments contemplated hereby, by facsimile transmission shall be as effective as delivery of a manually signed counterpart hereof or thereof.

Section 11.6 *Severability*. If any term or other provision of this Agreement or Schedule A is determined by a non-appealable decision by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either party hereto. Upon such determination that any term

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or other provision is invalid, illegal or incapable of being enforced, the court, administrative agency or arbitrator shall interpret this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible. If any sentence in this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only as broad as is enforceable.

Section 11.7 *Governing Law*. This Agreement shall be governed by, and construed and enforced in accordance with, the substantive laws of the State of Delaware, without regard to any conflicts of law provisions thereof that would result in the application of the laws of any other jurisdiction.

Section 11.8 *Performance*. Each party hereto shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any Subsidiary or Affiliate of such party.

Section 11.9 *Relationship of Parties*. This Agreement does not create a fiduciary relationship, partnership, joint venture or relationship of trust or agency between the parties. The parties hereto agree that GB (and any other member of the GB Group which performs Transition Services hereunder) is an independent contractor in the performance of Transition Services for the Nuvectra Group under this Agreement.

Section 11.10 *Regulations*. All employees of GB and the members of the GB Group shall, when on the property of Nuvectra, conform to the rules and regulations of Nuvectra concerning safety, health and security which are made known to such employees in advance in writing.

Section 11.11 *Construction*. This Agreement shall be construed as if jointly drafted by the parties hereto and no rule of construction or strict interpretation shall be applied against either party. In this Agreement, unless the context clearly indicates otherwise, words used in the singular include the plural and words used in the plural include the singular; and if a word or phrase is defined in this Agreement, its other grammatical forms, as used in this Agreement, shall have a corresponding meaning. Whenever the context requires, the gender of all words used in this Agreement includes the masculine, feminine and the neuter. Unless the context otherwise requires, the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation,” and the word “or” shall have the inclusive meaning represented by the phrase “and/or.” The words “shall” and “will” are used interchangeably in this Agreement and have the same meaning. Relative to the determination of any period of time hereunder, “from” means “from and including,” “to” means “to but excluding” and “through” means “through and including.” All references herein to a specific time of day in this Agreement shall be based upon Eastern Standard Time or Eastern Daylight Savings Time, as applicable, on the date in question. Whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified. Any reference herein to any Article, Section or Schedule means such Article or Section of, or such Schedule to, this Agreement, as the case may be, and references in any Section or definition to any clause means such clause of such Section or definition. As used in this Agreement, the words “this Agreement,” “herein,” “hereunder,” “hereof,” “hereto” and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Section or other provision of this Agreement.

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The titles to Articles and headings of Sections contained in this Agreement, in any Schedule and in the table of contents to this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of or to affect the meaning or interpretation of this Agreement.

Section 11.12 *Effect if Separation does not Occur*. If the Distribution does not occur, then all actions and events that are, under this Agreement, to be taken or occur effective as of or following the Distribution Date, or otherwise in connection with the Distribution, shall not be taken or occur except to the extent specifically agreed by the parties and neither party shall have any liability or further obligation to the other party under this Agreement.

***[Signature page follows.]***

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

|  |  |
| --- | --- |
|  | GREATBATCH, INC. |
| By: | /s/ Thomas J. Hook |
| Name: | Thomas J. Hook |
| Title: | President and Chief Executive Officer |
|  | QIG GROUP, LLC |
|  | (to be converted into Nuvectra Corporation) |
| By: | /s/ Scott F. Drees |
| Name: | Scott F. Drees |
| Title: | Chief Executive Officer |

**Exhibit 10.2**

***EXECUTION VERSION***

TAX MATTERS AGREEMENT

between

GREATBATCH, INC.

and

QIG GROUP, LLC

(to be converted into NUVECTRA CORPORATION)

dated as of March 14, 2016

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**TAX MATTERS AGREEMENT**

**THIS TAX MATTERS AGREEMENT** (this “Agreement”) is entered into as of March 14, 2016, between Greatbatch, Inc., a Delaware corporation (“GB”), andQiG Group, LLC, a Delaware limited liability company (“QiG”). Unless otherwise indicated, all “Article” and “Section” references in this Agreement are to articles and sections of this Agreement.

**RECITALS**

**WHEREAS**, prior to the Spin-off (as defined below) QiG will be converted into Nuvectra Corporation, a Delaware corporation, and Nuvectra Corporation willbe an indirect wholly owned subsidiary of GB that owns and operates the Nuvectra Business (as defined below);

**WHEREAS**, the Board of Directors of GB has determined that it would be appropriate and desirable for GB to separate (the “Separation”) the NuvectraBusiness from the GB Business (as defined below);

**WHEREAS**, GB, in connection with the Separation, intends to distribute to its shareholders all of the shares of Nuvectra Corporation stock in a transaction (the“Spin-off”) intended to qualify as a transaction described under Sections 368(a)(1)(D) and 355 of the Internal Revenue Code of 1986, as amended (the “Code”);

**WHEREAS**, the Parties have set forth in a Separation and Distribution Agreement the principal arrangements between them regarding the Separation and theSpin-off; and

**WHEREAS**, the Parties desire to provide for and agree upon the allocation between the Parties of Taxes and Tax Items arising prior to, as a result of, andsubsequent to the Spin-off, and to provide for and agree upon other matters relating to Taxes.

**NOW, THEREFORE**, in consideration of the foregoing and the covenants and agreements set forth below, the Parties agree as follows:

ARTICLE I

DEFINITIONS AND EXAMPLES

Section 1.1 *Definitions.* For purposes of this Agreement, the following terms have the following meanings:

“Agreement” has the meaning set forth in the preamble hereto.

“Code” has the meaning set forth in the recitals hereto.

“Controlling Party” means the Party that has primary responsibility, control and discretion in handling, settling, or conducting a Tax Contest pursuant to Section 5.2.

“Effective Time” means the time at which the Spin-off is effected on the Spin-off Date.

“GB” has the meaning set forth in the recitals hereto.

“GB Business” means the “Greatbatch Business” as defined in the Separation Agreement.

“GB Group” means GB and each Subsidiary of GB (but only while such Subsidiary is a Subsidiary of GB) other than a Person that is a member of the Nuvectra Group.

“GB Taxes” has the meaning set forth in Section 2.l(a).

“IRS” means the Internal Revenue Service.

“Joint Return” means any Tax Return that includes Tax Items attributable to both the GB Business and the Nuvectra Business; *provided, however*, that Tax Items carried forward from a Tax Year beginning on or before the Spin-off Date to a Tax Year beginning after the Spin-off Date shall be ignored for purposes of this determination.

“Nuvectra” means (i) with respect to any Tax Year, or portion thereof, ending before the date of the conversion of QiG into Nuvectra Corporation, QiG and (ii) with respect to any Tax Year, or portion thereof, beginning on or after the date of the conversion of QiG into Nuvectra Corporation, Nuvectra Corporation.

“Nuvectra Active Trade or Business” means the active conduct (as defined in Section 355(b)(2) of the Code and the Treasury Regulations thereunder) by the Nuvectra Group of the Nuvectra Business as conducted immediately prior to the Spin-off.

“Nuvectra Business” has the meaning set forth in the Separation Agreement.

“Nuvectra Group” means (i) with respect to any Tax Year, or portion thereof, ending before the Spin-off Date, Nuvectra and each other Subsidiary of GB that is a Subsidiary of Nuvectra on the Spin-off Date and (ii) with respect to any Tax Year, or portion thereof, beginning on or after the Spin-off Date, Nuvectra and each Subsidiary of Nuvectra (but only while such Subsidiary is a Subsidiary of Nuvectra).

“Nuvectra Taxes” has the meaning set forth in Section 2.1(b).

“Non-Controlling Party” means the Party that does not have primary responsibility, control, and discretion in handling, settling, or conducting a Tax Contest pursuant to Section 5.2.

“Non-Controlling Party Item” has the meaning set forth in Section 5.2(c).

“Non-Preparer” means the Party that is not responsible for the preparation or filing of a Joint Return or a Separate Return, as applicable, pursuant to Section 3.1 and Section 3.2.

“Party” or “Parties” means GB, Nuvectra, or both, as the context requires.

“Past Practice” means past customs, practices, accounting methods, elections and conventions.

“Payment Date” means (i) with respect to any U.S. federal income Tax Return, the due date for any required installment of estimated taxes determined under Code Section 6655, the

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due date (determined without regard to extensions) for filing the return determined under Code Section 6072, and the date the return is filed, and (ii) with respect to any other Tax Return, the corresponding dates determined under the applicable Tax Law.

“Person” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, a union, an unincorporated organization or a governmental entity or any department, agency or political subdivision thereof.

“Post-Distribution Tax Period” means any taxable period (or portion thereof) that begins after the Spin-off Date.

“Pre-Distribution Tax Period” means any taxable period (or portion thereof) that ends on or before the Spin-off Date.

“Preparer” means the Party that is responsible for the preparation and filing of a Joint Return or a Separate Return, as applicable, pursuant to Section 3.1 and Section 3.2.

“QiG” has the meaning set forth in the recitals hereto.

“Requesting Party” has the meaning set forth in Section 6.5.

“Separate Return” means any Tax Return that is not a Joint Return.

“Separation” has the meaning set forth in the recitals hereto.

“Separation Agreement” means the Separation and Distribution Agreement dated the date hereof between GB and Nuvectra.

“Separation Transactions” means the Spin-off and related transactions described in Schedule I to the Separation Agreement.

“Spin-off” has the meaning set forth in the recitals hereto.

“Spin-off Date” means the date of the Spin-off.

“Supplemental Tax Opinion” means, with respect to a specified action, an opinion (other than the Tax Opinion) from Tax Advisors to the effect that (subject to any customary assumptions, qualifications, and limitations set forth therein) such action will not preclude the Spin-off from qualifying as a Tax-free transaction described under Sections 368(a)(l)(D) and 355 of the Code to GB, its shareholders, and Nuvectra (except to the extent such shareholders receive cash in lieu of fractional shares or gain is required to be recognized by GB under Section 357(c) of the Code). The Tax Advisor in issuing a Supplemental Tax Opinion shall be permitted to rely on the validity and correctness, as of the date given, of any previously issued Tax Opinion or private letter ruling, unless such reliance would be unreasonable under the circumstances.

“Tax” or “Taxes” means all forms of taxation imposed by any governmental entity or political subdivision, agency, commission or authority thereof, whenever created or imposed, and whether of the United States or elsewhere, and whether imposed by a local, municipal, state,

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national, federal, or other body, and without limiting the foregoing, shall include any income, gross income, gross receipts, profits, capital stock, franchise, withholding, payroll, social security, workers compensation, unemployment, disability, property, ad valorem, stamp, excise, severance, occupation, service, sales, use, license, lease, transfer, recording, import, export, value added, alternative minimum, unclaimed property, escheat, estimated, or other similar tax (including any fee, assessment, or other charge in the nature of or in lieu of any tax), together with any interest, penalties, additions to tax, or additional amounts in respect of the foregoing.

“Tax Advisors” means (i) with respect to the Tax Opinion, GB’s third party tax advisor, (ii) with respect to a Supplemental Tax Opinion, Norton Rose Fulbright US LLP or another nationally recognized law firm or accounting firm designated by the Party to whom such opinion is delivered, and (iii) with respect to any dispute arising in connection with this Agreement, including under Section 2.2(c) or Section 3.3(e)(ii), a nationally recognized accounting firm agreed to by both Parties.

“Tax Attribute” means Tax basis, net operating and capital loss carryovers or carrybacks, alternative minimum Tax credit carryovers or carrybacks, general business credit carryovers or carrybacks, Tax credits or credits against Tax, disqualified interest and excess limitation carryovers or carrybacks, overall foreign losses, research and experimentation credit base periods, all other items that are determined or computed on an affiliated group basis (as defined in Section 1504(a) of the Code determined without regard to the exclusion contained in Section 1504(b)(3) of the Code) or other consolidated, combined or unitary basis, and any other item of loss, deduction, or credit that could reduce a Tax liability.

“Tax Authority” means, with respect to any Tax, the governmental entity or political subdivision, agency, commission, or authority thereof that imposes such Tax, or that is charged with the assessment, determination, or collection of such Tax for such entity or subdivision.

“Tax Benefit” means any credit, deduction, or other Tax Attribute that may have the effect of decreasing any Tax.

“Tax Contest” means an audit, review, examination, or any other administrative or judicial proceeding with the purpose or effect of examining, determining, redetermining or recovering Taxes of any member of either Group (including any administrative or judicial review of any claim for a refund of any Tax).

“Tax Detriment” means any income, gain, or other attribute that may have the effect of increasing any Tax. For the avoidance of doubt, “Tax Detriment” includes the amount of any non-income Tax that is assessed without regard to income, gain or other quantifiable attribute (for example, Transfer Taxes and property Taxes).

“Tax Item” means any Tax Benefit or Tax Detriment.

“Tax Law” means the law of any governmental entity or political subdivision thereof, and any controlling judicial or administrative interpretations of such law, relating to any Tax.

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“Tax Materials” means (i) the representation letters delivered to the Tax Advisors in connection with the delivery of the Tax Opinion or the Supplemental Tax Opinion, and (ii) any other materials delivered or deliverable by GB, Nuvectra, or others in connection with the rendering by the Tax Advisors of the Tax Opinion or the Supplemental Tax Opinion.

“Tax Opinion” means the opinion to be delivered to GB by GB’s third party tax advisor in connection with the Separation Transactions substantially to the effect that (subject to the customary assumptions, qualifications, and limitations set forth therein) for U.S. federal income tax purposes the Spin-off should qualify as a Tax-free transaction described under Sections 368(a)(l)(D) and 355 of the Code to GB, its shareholders, and Nuvectra (except to the extent such shareholders receive cash in lieu of fractional shares or gain is required to be recognized by GB under Section 357(c) of the Code).

“Tax Records” means Tax Returns, Tax Return work papers, documentation relating to any Tax Contests, and any books of account or records required to be maintained under applicable Tax Laws (including but not limited to Section 6001 of the Code) or under any record retention agreement with any Tax Authority.

“Tax-Related Costs” means (i) all accounting, legal and other professional fees and court costs incurred, as well as any other out-of-pocket costs incurred and

1. all costs, expenses and damages associated with stockholder litigation and controversies and any amounts paid in respect of a liability of stockholders, whether paid to stockholders or the IRS or any other Tax Authority, in each case resulting from (A) the failure of the Spin-off from qualifying as a Tax-free transaction described under Sections 368(a)(1)(D) and 355 of the Code to GB and its stockholders (except to the extent such stockholders receive cash in lieu of fractional shares or gain is required to be recognized by GB under Section 357(c) of the Code) or (B) the failure of the Nuvectra stock distributed in the Spin-off from qualifying as “qualified property” for purposes of Section 355(d), 355(e) and 361(c) of the Code.

“Tax Return” means any report of Taxes due, any claims for refund of Taxes paid, any information return with respect to Taxes, or any other similar report, statement, declaration, election, notice, or other document required to be filed under any applicable Tax Law (whether or not a payment is required to be made in connection with such filing), including any attachments, exhibits, schedules, or appendices or other materials submitted with any of the foregoing, and including any amendments or supplements to any of the foregoing.

“Tax Year” means, with respect to any Tax, the year, or other period, if applicable, for which the Tax is reported as provided under applicable Tax Law.

“Transfer Taxes” means all transfer, sales, use, excise, stock, stamp, stamp duty, stamp duty reserve, stamp duty land, documentary, filing, recording, registration, value added and other similar Taxes.

“Treasury Regulations” means the regulations promulgated from time to time under the Code as in effect for the relevant Tax Year.

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Capitalized terms used but not otherwise defined in this Agreement shall have the respective meanings assigned to such terms in the Separation Agreement.

Section 1.2 *Examples*. The operation of various provisions of this Agreement is illustrated by examples in Appendix hereto, and this Agreement shall be interpreted in accordance with such examples.

ARTICLE II

ALLOCATION OF TAXES AND TAX ITEMS

Section 2.1 *General Rules*. Except as provided in Section 5.1 (Tax Contests-Notices) and ARTICLE VI (Assistance and Cooperation), Taxes and Tax Items shall be allocated as follows:

1. *GB Taxes*. For any Tax Year, GB shall be liable for and indemnify the Nuvectra Group against GB’s allocable portion of Taxes imposed on the GBGroup and the Nuvectra Group (“GB Taxes”). GB’s allocable portion of such Taxes shall be determined by taking into account the following Tax Items on a pro forma stand-alone basis (as determined pursuant to Section 2.2(a)):
   1. *GB Business Tax Detriments*. Tax Detriments (other than Tax Detriments resulting from the Separation Transactions) arising from the operationor ownership of the GB Business,
   2. *GB Business Tax Benefits*. Tax Benefits (other than Tax Benefits resulting from the Separation Transactions) arising from the operation orownership of the GB Business,
   3. *Separation Transactions - Generally*. Tax Items resulting from the Separation Transactions (including, without limitation, but for avoidance ofdoubt, Transfer Taxes and Taxes attributable to the settlement of any intercompany receivable, payable, loan or other account incident to the Separation Transactions), except those Tax Items that are required to be taken into account by Nuvectra pursuant to Section 2.1(b)(iii), and
   4. *Nuvectra Business Tax Benefits*. Tax Benefits (other than Tax Benefits resulting from the Separation Transactions) arising from the operationor ownership of the Nuvectra Business for any Pre-Distribution Tax Period, but only to the extent such Tax Benefits are not taken into account in calculating Nuvectra Taxes under Section 2.1(b)(ii).
2. *Nuvectra Taxes*. For any Pre-Distribution Tax Period, Nuvectra shall be liable for and indemnify the GB Group against Nuvectra’s allocable portion ofTaxes imposed on the GB Group and the Nuvectra Group (“Nuvectra Taxes”). Nuvectra’s allocable portion of such Taxes shall be determined by taking into account the following Tax Items on a pro forma stand-alone basis (as determined pursuant to Section 2.2(a)):
   1. *Nuvectra Business Tax Detriments*. Tax Detriments (other than Tax Detriments resulting from the Separation Transactions) arising from theoperation or ownership of the Nuvectra Business,
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1. *Nuvectra Business Tax Benefits*. Tax Benefits (other than Tax Benefits resulting from the Separation Transactions) arising from the operationor ownership of the Nuvectra Business, provided that such Tax Benefits may not be used to reduce any Tax Detriments described in Section 2.1(b)(iii),
2. *Separation Transactions - Breach of Covenants*. Tax Items resulting from the Separation Transactions, but only to the extent such Tax Itemsare directly attributable to Nuvectra’s breach of any of its covenants or representations under ARTICLE VII, and not attributable to any of the events or actions described in clauses (i) – (iii) of Section 7.3(b), and
3. *GB Business Tax Benefits*. Tax Benefits (other than Tax Benefits resulting from the Separation Transactions) arising from the operation orownership of the GB Business, but only to the extent such Tax Benefits are not taken into account in calculating GB Taxes under Section 2.1(a)(ii).

Section 2.2 *Special Rules.*

(a) *Pro Forma Stand-Alone Basis*. For purposes of computing GB Taxes and Nuvectra Taxes on a pro forma stand-alone basis, Tax Items shall be taken

into account:

* 1. only to the extent required or allowable under applicable Tax Law on a pro forma stand-alone basis for such Tax Year,
  2. by assuming that the members of the Nuvectra Group filed on a consolidated basis with Nuvectra as the common parent,
  3. by using all applicable elections, accounting methods, and conventions used on the Tax Return on which such Tax Items are actually reported,
  4. by applying the average Tax rate on such Tax Return (*i.e*., the Tax rate, expressed as a percentage, equal to the quotient of total Taxes shown on the Tax Return with respect to a particular Tax base and such applicable Tax base), *provided*, *however*, if any category of Tax Items is subject to a different rate of Tax than other categories of Tax Items on such Tax Return, the average Tax rate applicable to such category of Tax Items reported on the Tax Return shall apply with respect to such Tax Items, and
  5. by treating Tax Benefits as used in the order specified under applicable Tax Law or, to the extent that such Tax Law does not specify the order

of use, as used pro rata.

1. *Rules for Determining from which Business a Tax Item Arises*. For purposes of ARTICLE II, Tax Items shall be deemed to arise from the operation orownership of the Business to which such items are more closely related. For the avoidance of doubt, Tax
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Benefits arising from the vesting or payment of an equity award shall be deemed to arise from the operation or ownership of the Business that received the benefit of the services to which such equity award relates. Notwithstanding the foregoing, with respect to any Tax Year, Tax Items related to overhead costs and similar expenses that do not directly relate to either Business shall be allocated to GB.

1. *Preparation of Pro Forma Calculations and Allocations*. GB shall be responsible for preparing all pro forma stand-alone basis computations andallocations provided for in this ARTICLE II (including, for the avoidance of doubt, the allocations provided for in Section 2.2(b)); *provided, however*, GB shall make available and provide to Nuvectra for its review and comment such pro forma stand-alone basis computations and allocations no later than sixty days before the date on which the relevant Tax Return to which such computations and allocations relate is due (taking into account any filed extensions), and, in connection with such review, Nuvectra shall have reasonable access, during normal business hours and upon reasonable notice, to information then in the possession of the GB Group that Nuvectra reasonably requests in order for Nuvectra to review such pro forma stand-alone basis computations and allocations. If Nuvectra disagrees with any aspect of such computations and allocations, it shall, within thirty days after receiving such computations and allocations, provide GB with written notification of such disputed item (or items). Provided that GB has complied with its obligations pursuant to this Section 2.2(c) and the applicable provisions of ARTICLE VI, GB shall have no obligation to consider any comments that are provided more than thirty days after such computations and allocations are made available to Nuvectra. GB and Nuvectra shall act in good faith to resolve any such dispute prior to the date on which the relevant Tax Return to which such disputed item relates is required to be filed. If GB and Nuvectra cannot reach a resolution with respect to any such disputed item, the item in question shall be resolved in accordance with Section 8.16. In the event that any such dispute relating to any Tax Return is not resolved prior to the due date for such Tax Return, the Tax Return shall be timely filed and subsequently amended as necessary to reflect the resolution of the dispute.
2. *Differences Between Taxes Shown on Joint Return and Taxes Computed on a Pro Forma Stand-Alone Basis*. If the sum of GB Taxes and NuvectraTaxes relating to a Joint Return is different from the amount of Tax shown on such Joint Return, then the Tax shown on such Joint Return shall be allocated between the Parties in the same proportion as the amount of GB Taxes or Nuvectra Taxes, as appropriate, bears to the sum of GB Taxes and Nuvectra Taxes relating to such Joint Return.
3. *Allocation in Straddle Periods*. For purposes of Section 2.1 and Section 2.2, Tax Items arising during any Tax Year that begins on or before and endsafter the Spin-off Date shall be treated as arising during the Pre-Distribution Tax Period or the Post-Distribution Tax Period based on an interim closing of the books as of and including the day of the Spin-off Date. Notwithstanding the foregoing, Tax Items attributable to any such Tax Year that are calculated on an annualized basis (including depreciation, amortization and depletion deductions) shall be apportioned between the Pre-Distribution Tax Period and the Post-Distribution Tax Period on a daily pro rata basis.
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ARTICLE III

PREPARATION AND FILING OF TAX RETURNS

Section 3.1 *Joint Returns.* GB shall be responsible for preparing and timely filing (or causing to be prepared and filed) all Joint Returns.

Section 3.2 *Separate Returns.* GB shall be responsible for preparing and timely filing (or causing to be prepared and filed) all Tax Returns that it determines in its reasonable discretion are Separate Returns including Tax Items attributable to the GB Business. Nuvectra shall be responsible for preparing and timely filing (or causing to be prepared and filed) all Separate Returns including Tax Items attributable to the Nuvectra Business.

Section 3.3 *Rules Relating to the Preparation of Tax Returns*.

1. *General Rule*. Except as otherwise provided in this Agreement, the Preparer of a Tax Return shall have the exclusive right, in its sole discretion, withrespect to such Tax Return to determine (i) the manner in which such Tax Return shall be prepared and filed, including the elections, methods of accounting, positions, conventions, and principles of taxation to be used and the manner in which any Tax Item shall be reported, (ii) whether any extensions may be requested, (iii) whether an amended Tax Return shall be filed, (iv) whether any claims for refund shall be made, (v) whether any refunds shall be paid by way of refund or credited against any liability for the related Tax, and (vi) whether to retain outside firms to prepare or review such Tax Return.
2. *Election to File Joint Returns*. GB shall have the sole discretion of whether to file a Joint Return on a consolidated, combined, or joint basis, if thefiling of such consolidated, combined, or joint return is elective under the relevant Tax Law.
3. *Nuvectra Returns.* Except as required by applicable Tax Law, with respect to any Separate Return for which Nuvectra is the Preparer, Nuvectra shallnot take (and shall cause the other members of the Nuvectra Group not to take) any position that it knows, or reasonably should know, would adversely affect any member of the GB Group without the prior written consent of GB. Without limiting the foregoing, Nuvectra shall not elect under Section 172(b)(3) of the Code to relinquish the carryback period with respect to a net operating loss if such net operating loss could, absent such an election, be carried back to the GB Group’s 2016 Joint Return.
4. *GB Returns*. Except as required by applicable Tax Law, with respect to any Separate Return for which GB is the Preparer, GB shall not take (and shallcause the members of the GB Group not to take) any position that it knows, or reasonably should know, would adversely affect any member of the Nuvectra Group without the prior written consent of Nuvectra.
5. *Returns Affecting Liability of Other Party*. Insofar as a Tax Return prepared by one Party may affect Taxes for which the other Party is liable pursuantto this Agreement or otherwise to any Tax Authority, or would reflect a position that would reasonably be expected to adversely affect the other Group:
   1. *Consistent With Past Practice*. Unless otherwise agreed to by the Parties, and except to the extent otherwise required by applicable Tax Law,each Tax Return shall be prepared in a manner consistent with Past Practice.
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* 1. *Review Prior to Filing*. The Preparer of such Tax Return shall make the Tax Return available to the Non-Preparer for its review and commentno later than sixty days before the Tax Return is due, taking into account any extensions that the Preparer files, and, in connection with such review, the Non-Preparer shall have reasonable access, during normal business hours and upon reasonable notice, to the Preparer’s supporting information and schedules, including financial books and records. If the Non-Preparer disagrees with any aspect of such Tax Return, it shall, within thirty days after receiving such Tax Return, provide the Preparer with written notification of such disputed item (or items). Provided the Preparer has complied with its obligations pursuant to this Section 3.3 and the applicable provisions of ARTICLE VI, the Preparer shall have no obligation to consider any comments that are provided more than thirty days after such Tax Return is made available to the Non-Preparer. The Preparer and Non-Preparer shall act in good faith to resolve any such dispute prior to the date on which the relevant Tax Return to which such disputed item relates is required to be filed. If the Preparer and Non-Preparer cannot reach a resolution with respect to any such disputed item, the item in question shall be resolved in accordance with Section 8.16. In the event that any such dispute relating to any Tax Return is not resolved prior to the due date for such Tax Return, the Tax Return shall be timely filed and subsequently amended as necessary to reflect the resolution of the dispute.

1. *Reimbursement for Costs Incurred by Preparer*. The Non-Preparer of a given Tax Return may request that the Preparer amend such Tax Return for thebenefit of the Non-Preparer. If the Preparer agrees, in its sole discretion, to amend such Tax Return, the Preparer shall be entitled to reimbursement from the Non-Preparer for any reasonable third-party costs that are attributable to the Non-Preparer’s request to the extent such costs exceed $50,000 in the aggregate.
2. *Allocation of Tax Items Between Joint Return and Related Separate Return*. Notwithstanding Section 3.3(a), if Tax Items are allocated between a JointReturn and any related Separate Return, then the Preparer of such Separate Return shall (and shall cause the members of its Group to) file the related Separate Return in a manner that is consistent with the reporting of such Tax Items on the Joint Return except to the extent otherwise required by applicable Tax Law.
3. *Standard of Performance*. GB shall prepare (or cause to be prepared) Joint Returns with the same general degree of care as it uses in preparingSeparate Returns and without Nuvectra’s prior written consent it shall not take any position on any Joint Return that would have the effect of deferring any material item of income or accelerating any material item of deduction that would have the effect of increasing Nuvectra’s Taxes following the Spin-off or its indemnification obligation under this Agreement.

Section 3.4 *Protective Section 336(e) Elections.* Notwithstanding anything to the contrary, GB and Nuvectra shall make a protective election under Section 336(e) of the Code (and any similar election under state or local law) in accordance with Treasury Regulations

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Section 1.336-2(h) and (j) (and any applicable provisions under state and local law), and shall cooperate in the timely completion and/or filings of such elections and any related filings or procedures (including filing or amending any Tax Returns to implement a protective election that becomes effective). This Section 3.4 is intended to constitute a binding, written agreement to make an election under Section 336(e) of the Code with respect to the Spin-off.

ARTICLE IV

TAX PAYMENTS AND INDEMNIFICATION PAYMENTS

Section 4.1 *Payment of Taxes to Tax Authorities.* GB shall be responsible for remitting (or causing to be remitted) to the proper Tax Authority all Tax shown (including Taxes for which Nuvectra is wholly or partially liable pursuant to Section 2.1) on any Tax Return for which it is the Preparer, and Nuvectra shall be responsible for remitting (or causing to be remitted) to the proper Tax Authority all Tax shown on any Tax Return for which it is the Preparer.

Section 4.2 *Indemnification Payments*.

1. *Tax Payments Made by the Nuvectra Group*. If any member of the Nuvectra Group remits a payment to a Tax Authority for any GB Taxes, GB shallremit the amount for which it is liable to Nuvectra pursuant to Section 2.1(a) within thirty days after receiving written notification requesting such amount.
2. *Tax Payments Made by the GB Group*. If any member of the GB Group remits a payment to a Tax Authority for any Nuvectra Taxes, Nuvectra shallremit the amount for which it is liable to GB pursuant to Section 2.1(b) within thirty days after receiving written notification requesting such amount.
3. *Credit for Prior Deemed Tax Payments*. For purposes of Section 4.2(b), the portion of Taxes paid by the GB Group to a Tax Authority for whichNuvectra is wholly or partially liable will be determined by assuming that Nuvectra previously paid the full amount of its allocable share of all Taxes paid before the Spin-off, including, without limitation, its share of amounts shown on any Tax Return filed before the Spin-off Date with respect to any Tax Year ending on or before the Spin-off Date.

Section 4.3 *Initial Determinations and Subsequent Adjustments.*

1. *Initial Determinations of Payments*. The initial determination of the amount of any payment that one Party is required to make to the other Party underthis Agreement shall be made on the basis of the Tax Return to which the payment relates as filed, or, if such Tax is not reported on a Tax Return, on the basis of the amount of Tax initially paid to the Tax Authority.
2. *Redeterminations of Payments and Additional Payments*. The amounts paid under this Agreement will be redetermined, and additional paymentsrelating to such redetermination will be made, as appropriate, if as a result of an audit by a Tax Authority or an amended Tax Return (i) additional Taxes to which such redetermination relates are subsequently
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paid, (ii) a refund of Taxes (including any interest received relating thereto) is received or a Tax credit becomes available, (iii) the Group to which a Tax Item is allocated changes, or (iv) the amount or character of any Tax Item is adjusted or redetermined. Each Party will promptly notify the other Party in writing of the occurrence of any of the events described in clauses (i) – (iv) above. Each payment required by the immediately preceding sentence (a) as a result of a payment of additional Taxes will be due thirty days after the date on which the additional Taxes were paid or, if later, thirty days after the date of a request from the other Party for the payment, (b) as a result of the receipt of a refund or tax credit will be due thirty days after the refund or tax credit was received, (c) as a result of a change in the allocation of a Tax Item will be due thirty days after the date on which the final action resulting in such change is taken by a Tax Authority or either Party or any member of its Group or (d) as a result of an adjustment or redetermination of the amount or character of a Tax Item will be due thirty days after the date on which the final action resulting in such adjustment or redetermination is taken by a Tax Authority or either Party or any member of its Group.

Section 4.4 *Payments by or to Other Members of the Groups.* When appropriate under the circumstances to reflect the underlying liability for a Tax or entitlement to a Tax refund, credit or Tax Benefit, a payment which is required to be made by or to a Party may be made by or to another member of the Group to which that Party belongs, but nothing in this Section 4.4 shall relieve any Party of its other obligations under this Agreement.

Section 4.5 *Late Payments.* Payments pursuant to this Agreement that are not made within the period prescribed in this Agreement or, if no period is prescribed, within thirty days after written demand for payment is made shall bear interest for the period from and including the date immediately following the last date of such payment period through and including the date of payment at a per annum rate equal to the rate specified in Section 5.5 of the Separation Agreement. Such interest will be payable at the same time as the payment to which it relates and shall be calculated on the basis of a year of 365 days and the actual number of days for which due. If the indemnifying party fails to make a payment to the indemnified party within the time period set forth in this ARTICLE IV, the indemnifying party shall pay to the indemnified party, in addition to interest that accrues pursuant to this Section 4.5, any reasonable out-of pocket costs or expenses incurred by the indemnified party to secure such payment or to satisfy the indemnifying party’s portion of the obligation giving rise to the indemnification payment.

Section 4.6 *Tax Consequences of Payments.* For all Tax purposes and to the extent permitted by applicable Tax Law, the Parties shall characterize any payment made pursuant to this Agreement in the same manner as if such payment were a capital contribution or a distribution, as the case may be, immediately prior to the Effective Time, or as an assumed or retained liability, and, accordingly, as not includible in the taxable income of the recipient. The amount of any payment made pursuant to this Agreement shall be (i) subject to the last sentence of this Section 4.6, increased to take into account any additional Taxes that may be owed by the recipient (or any of the members of its Group) as a result of receiving such payment and (ii) reduced to take into account any Tax Benefit realized by the recipient of such payment as a result of making any payment giving rise to the obligation of the payor to pay the recipient, but only to the extent that such Tax Benefit reduces the liability for Taxes (whether payable to a Tax Authority or to the other Party under this Agreement) of the recipient in the Tax Year during which such payment is received. If the payor reduces any payment by the amount of any Tax

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Benefit pursuant to this Section 4.6 and such Tax Benefit subsequently is denied or reduced by any Tax Authority, then the payor shall pay the recipient an amount equal to such reduction or denial. In the event that a Tax Authority asserts that GB’s or Nuvectra’s treatment of a payment pursuant to this Agreement should be other than as required pursuant to the first sentence of this Section 4.6, GB or Nuvectra, as appropriate, shall use its commercially reasonable efforts to contest such assertion.

Section 4.7 *Payment Notices.* Any notice requesting payment to be made pursuant to this Agreement shall (i) indicate the amount due and owing, (ii) set forth in reasonable detail the calculation of such amount, and (iii) include any relevant Tax Records, statement, bill, or invoice related to such Taxes, costs, expenses, or other amounts due and owing. Payments shall be deemed made when received.

ARTICLE V

TAX CONTESTS

Section 5.1 *Notices.* Each Party shall provide prompt notice to the other Party of any pending or threatened Tax Contest of which it becomes aware relating to

1. Taxes for which it is or may be indemnified by the other Party hereunder, (ii) the qualification of the Spin-off as a Tax-free transaction described under Sections 368(a)(1)(D) and 355 of the Code to GB, its shareholders, and Nuvectra (except to the extent such shareholders receive cash in lieu of fractional shares or gain is required to be recognized by GB under Section 357 (c) of the Code), or (iii) any change in the Tax treatment of any other part of the Separation Transactions. Such notice shall contain factual information (to the extent known by the notifying Party or its agents or representatives) describing any threatened Tax Contest or asserted Tax liability, if any, in reasonable detail and shall be accompanied by copies of any notice and other documents received from any Tax Authority in respect of any such matters. If (i) an indemnified Party has knowledge of an asserted Tax liability with respect to a matter for which it is to be indemnified hereunder, (ii) such Party fails to give the indemnifying Party prompt notice of such asserted Tax liability, and (iii) the indemnifying Party has the right, pursuant to Section 5.2, to control the Tax Contest relating to such Tax liability, then (A) if the indemnifying Party is precluded from contesting the asserted Tax liability as a result of the failure to give prompt notice, the indemnifying Party shall have no obligation to indemnify the indemnified Party for any Taxes arising out of such asserted Tax liability and (B) if the indemnifying Party is not precluded from contesting the asserted Tax liability, but such failure to give prompt notice results in a monetary detriment to the indemnifying Party, then any amount which the indemnifying Party is otherwise required to pay the indemnified Party pursuant to this Agreement shall be reduced by the amount of such detriment.

Section 5.2 *Control of Tax Contests.*

1. *General Rule*. Except as otherwise provided in this Section 5.2, the Preparer of any Tax Return shall be the Controlling Party with respect to any TaxContest involving a Tax reported on such Tax Return.
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* 1. *Tax Contests Involving Certain Taxes Reported on a Joint Return*.
     1. *Non-Preparer as Controlling Party*. Except as otherwise provided in Section 5.2(b)(ii), the Non-Preparer shall be entitled to be the ControllingParty with respect to that portion of any Tax Contest involving a Tax Item or Tax reported on a Joint Return where the Non-Preparer is liable for (and has acknowledged in writing its obligation to indemnify the Preparer for such Tax Item or Tax under this Agreement) or entitled to take into account such Tax Item or Tax under this Agreement and the portion of the Tax Contest applicable to such Tax Item or Tax reasonably can be addressed on a separable basis from all other Tax Items reported on such Joint Return or through reasonable, good faith cooperation by the Parties hereto.
     2. *Preparer and Non-Preparer Joint Control*. The Preparer and Non-Preparer shall jointly control any Tax Contest (or portion thereof) relating toany Tax attributable to a breach of any of the covenants or representations under ARTICLE VII of this Agreement; *provided, however*, the Non-Preparer has acknowledged in writing its obligation to indemnify the Preparer for such Tax under this Agreement. To the extent the Parties control jointly any Tax Contest (or portion thereof): (A) neither Party shall accept or enter into any settlement of such Tax Contest (or the relevant portion or aspect thereof) without the consent of the other Party, which shall not be unreasonably withheld or delayed; (B) both Parties shall have a right to review and consent, which consent shall not be unreasonably withheld or delayed, to any correspondence or filings to be submitted to any Taxing Authority with respect to such Tax Contest (or the relevant portion or aspect thereof); and

1. both Parties shall have the right to attend any formally scheduled meetings with any Taxing Authority or hearings or proceedings before any judicial authority, in each case with respect to such Tax Contest (or the relevant portion or aspect thereof).
   1. *Non-Controlling Party Participation Rights*. With respect to any Tax Contest involving a Tax Item or Tax for which the Non-Controlling Party may beliable (either as a result of an increase in a Tax Detriment or a reduction in a Tax Benefit) or may be entitled to take into account under this Agreement (a “Non-Controlling Party Item”), (i) the Non-Controlling Party shall, at its own cost and expense, be entitled to participate in such Tax Contest, including by attending any formally scheduled meetings with any Tax Authority or hearings or proceedings before any judicial authority, (ii) the Controlling Party shall keep the Non-Controlling Party reasonably informed and consult in good faith with the Non-Controlling Party and its Tax advisors with respect to any issue relating to such Tax Contest, (iii) the Controlling Party shall provide the Non-Controlling Party with copies of all correspondence, notices, and other written materials received from any Tax Authority and shall otherwise keep the Non-Controlling Party and its Tax advisors advised of significant developments in the Tax Contest and of significant communications involving representatives of the Tax Authority, (iv) the Non-Controlling Party may request that the Controlling Party take a position in respect of such Tax Contest, and the Controlling Party shall do so provided that (A) there exists substantial authority for such position (within the meaning of the accuracy-related penalty provisions of Section 6662 of the Code), (B) the adoption of such position would not reasonably be expected to increase the Taxes for which the Controlling Party is liable, or decrease the Tax Benefits allocated to the Controlling Party under this Agreement (unless the Non-Controlling Party agrees to indemnify and hold harmless the Controlling Party from such increase in Taxes or reduction in Tax Benefits), and (C) the Non-Controlling Party agrees to reimburse the Controlling Party for any reasonable third-party costs that are directly attributable to the Non-Controlling Party’s
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request, to the extent those costs exceed $50,000, (v) the Controlling Party shall provide the Non-Controlling Party with a copy of any written submission to be sent to a Tax Authority prior to the submission thereof and shall give good faith consideration to any comments or suggested revisions that the Non-Controlling Party or its Tax advisors may have with respect thereto, and (vi) there will be no settlement, resolution or closing or other agreement with respect thereto without the consent of the Non-Controlling Party, which consent shall not be unreasonably withheld or delayed.

ARTICLE VI

ASSISTANCE AND COOPERATION

Section 6.1 *Provision of Information.*

1. *Information with Respect to Joint Returns*. At the written request of GB, Nuvectra shall provide GB with all Tax Records or other information then inthe possession of the Nuvectra Group that GB reasonably requests in order for GB to properly and timely file all Joint Returns. Nuvectra shall provide such information no later than thirty days from the date of GB’s written request. However, if GB requests any such information within the thirty day period ending on the due date of such Joint Return, taking into account applicable extensions, Nuvectra shall provide such information as soon as commercially reasonable. If Nuvectra fails to satisfy the obligation provided for in the preceding three sentences, then, notwithstanding any other provision of this Agreement, Nuvectra shall be liable for, and shall indemnify and hold harmless each member of the GB Group from and against, any penalties, interest or additional amounts in respect of Taxes (but excluding any Taxes underlying such amounts) assessed against any member of either Group by reason of any resulting delay in filing such return, to the extent such penalties, interest or additional amounts in respect of Taxes are solely and directly attributable to the delay in providing such information. If Nuvectra provides such information within the time period described in this Section 6.1(a) in a reasonable form to permit the timely filing of a Joint Return (or if no such information was requested by GB pursuant to this Section 6. l(a)), then, notwithstanding any other provision of this Agreement, GB shall be liable for, and shall indemnify and hold harmless each member of the Nuvectra Group from and against, any penalties, interest, or additional amounts in respect of Taxes (but excluding any Taxes underlying such amounts) assessed against any member of either Group by reason of any delay in filing such Joint Return, to the extent such penalties, interest, or additional amounts in respect of Taxes are directly attributable to the delay in filing.
2. *Information with Respect to Tax Payments*. At the written request of GB, Nuvectra shall provide GB with all Tax Records or other information then inthe possession of the Nuvectra Group that GB reasonably requests in order to determine the amount of Taxes due on any Payment Date with respect to a Joint Return. Nuvectra shall provide such information no later than thirty days from the date of GB’s written request. However, if GB requests any such information within the thirty day period ending on the Payment Date, Nuvectra shall provide such information as soon as commercially reasonable. If Nuvectra fails to satisfy the obligation provided for in the preceding three sentences, the indemnification principles of Section 6.1(a) shall apply with respect to any penalties, interest, or additional amounts in respect of Taxes (but excluding any Taxes underlying such amounts) assessed against any member of either Group by reason of any resulting delay in paying such Taxes, to the extent such penalties, interest, or additional amounts in respect of Taxes are solely and directly attributable to the delay in providing such information.
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1. *Information with Respect to Separate Returns*. At the written request of the Preparer, the Non-Preparer shall provide the Preparer with all Tax Recordsor other information then in the possession of the Non-Preparer’s Group that the Preparer reasonably requests in order to properly and timely file all Separate Returns for which the Preparer is responsible pursuant to Section 3.2. Such information shall be provided within the time period prescribed by Section 6.1(a) for the provision of information for Joint Returns. If the Non-Preparer fails to satisfy the obligation provided for in the preceding two sentences, the indemnification principles of

Section 6.1(a) shall apply with respect to any penalties, interest, or additional amounts in respect of Taxes (but excluding any Taxes underlying such amounts) assessed against any member of either Group by reason of any resulting delay in filing such return, to the extent such penalties, interest, or additional amounts in respect of Taxes are solely and directly attributable to the delay in providing such information.

1. *Information with Respect to Pro Forma Stand-Alone Basis Computations and Allocations*. At the written request of GB, Nuvectra shall provide GBwith all Tax Records or other information then in the possession of the Nuvectra Group that GB reasonably requests in order for GB to prepare the pro forma stand-alone basis computations and allocations provided for in Section 2.2(c). Nuvectra shall provide such information no later than thirty days from the date of GB’s written request.
2. *Information with Respect to Tax Contests*. At the written request of the Controlling Party, the Non-Controlling Party shall provide to the ControllingParty any information then in its possession (including Tax Records) about members of the Non-Controlling Party’s Group which is reasonably necessary in order to handle, settle or conduct any Tax Contest. The Non-Controlling Party shall provide such information no later than thirty days from the date of the Controlling Party’s written request. If the Non-Controlling Party fails to satisfy the obligation provided for in the preceding two sentences, the Controlling Party shall have no obligation to indemnify the Non-Controlling Party for any additional Taxes resulting from such Tax Contest, to the extent such additional Taxes are solely and directly attributable to the Non-Controlling Party’s failure to provide such information.

Section 6.2 *Reliance on Exchanged Information*. If a member of the Nuvectra Group supplies Tax Records or other information to a member of the GB Group, or a member of the GB Group supplies Tax Records or other information to a member of the Nuvectra Group, and an officer of the requesting Group member intends to sign a statement or other document under penalties of perjury in reliance upon the accuracy of such Tax Records or other information, then a duly authorized officer of the Group member supplying such Tax Records or other information shall certify to the extent that it is able, to such officer’s knowledge and belief, the accuracy and completeness of the Tax Records or other information so supplied.

Section 6.3 *Provision of Assistance and Cooperation.*

(a) *Assistance with Respect to Joint Returns*. At the written request of GB, Nuvectra shall take any action (e.g., filing a ruling request with the relevant Tax

Authority or

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executing a power of attorney) that is reasonably necessary in order for GB to prepare, file, amend or take any other action with respect to any Joint Return, provided, that such action is permitted under applicable law and would not reasonably be expected to have or cause to have a material adverse effect on any member of the Nuvectra Group. If Nuvectra fails to take any such requested action, the indemnification principles of Section 6.1(a) shall apply with respect to any penalties, interest, or additional amounts in respect of Taxes (but excluding any Taxes underlying such amounts) assessed against any member of either Group by reason of a failure to take any such requested action, to the extent such penalties, interest, or additional amounts in respect of Taxes are solely and directly attributable to the failure to take such action.

1. *Assistance with Respect to Tax Contests*. At the written request of the Controlling Party, the Non-Controlling Party shall take any action (e.g., executinga power of attorney) that is reasonably necessary in order for the Controlling Party to handle, settle or conduct a Tax Contest. Each Party shall assist the other Party in taking any remedial actions that are necessary or desirable to minimize the effects of any adjustment made by a Tax Authority. The Controlling Party shall reimburse the Non-Controlling Party for any reasonable, third-party, out-of-pocket costs and expenses incurred in connection with this Section 6.3(b). If the Non-Controlling Party fails to provide assistance in accordance with this Section 6.3(b), the Controlling Party shall have no obligation to indemnify the Non-Controlling Party for any additional Taxes resulting from the Tax Contest, to the extent such additional Taxes are directly attributable to the Non-Controlling Party’s failure to provide such assistance.
2. *Cooperation*. In addition to the obligations enumerated elsewhere in this Agreement, GB and Nuvectra shall cooperate with each other and with eachother’s agents and representatives, including their respective accounting firms and legal counsel, in connection with Tax matters, including, making available to each other, as reasonably requested and available, copies of all Tax Returns filed under this ARTICLE IV, and personnel (including officers, employees and agents of the Parties or their Subsidiaries) responsible for preparing, maintaining, and interpreting information and documents relevant to Taxes (including the pro forma calculations and allocations), and personnel reasonably required as witnesses or for purposes of providing information or documents in connection with any Tax Contest.

Section 6.4 *Retention of Tax Records.* Each Party shall preserve, and shall cause other members of its Group to preserve, all Tax Records that are in such member’s possession and that could affect the Tax liability of any member of the other Group, for so long as the contents thereof may become material in the administration of any matter under applicable Tax Law, but in any event until the later of (i) the expiration of any applicable statutes of limitation, as extended, and (ii) seven years after the Spin-off Date.

Section 6.5 *Supplemental Rulings and Supplemental Tax Opinions.* Each of the Parties agrees that at the reasonable request of the other Party (the “Requesting Party”), such Party shall cooperate and use reasonable efforts to (and shall cause its Subsidiaries to cooperate and use reasonable efforts to) assist the Requesting Party in obtaining, as expeditiously as reasonably practicable, a Supplemental Tax Opinion from the Tax Advisors or a private letter ruling from the IRS, including, without limitation, by providing any Tax Materials reasonably requested; provided that no Party shall be required to make any representation or covenant that it does not reasonably believe is (and will continue to be) true, accurate and consistent with

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historical facts. Within thirty days after receiving an invoice from the other Party therefor, the Requesting Party shall reimburse such Party for all reasonable out-of-pocket costs and expenses incurred by such Party and the members of its Group in connection with assisting the Requesting Party in obtaining any Supplemental Tax Opinion.

Section 6.6 *Withholding and Reporting.* With respect to any stock of GB delivered to any Person, GB and Nuvectra shall cooperate (and shall cause their respective Subsidiaries to cooperate) so as to permit GB to discharge any applicable Tax withholding and Tax reporting obligations, including the appointment of Nuvectra or one or more of its Subsidiaries as the withholding and reporting agent if GB or one or more of its Subsidiaries is not otherwise required or permitted to withhold and report under applicable Tax Law.

ARTICLE VII

RESTRICTIONS ON CERTAIN ACTIONS

Section 7.1 *General Restrictions.* Following the Effective Time, GB and Nuvectra shall not (and shall cause their respective Subsidiaries not to) take any action that, or fail to take any action the failure of which to take (i) would preclude the Spin-off from qualifying as a Tax-free transaction described under Sections 368(a)(1)

1. and 355 of the Code to GB, its shareholders, and Nuvectra (except to the extent such shareholders receive cash in lieu of fractional shares or gain is required to be recognized by GB under Section 357(c) of the Code) or (ii) until the second anniversary of the Effective Time, would be reasonably likely to be inconsistent with, or cause any Person to be in breach of, any representation or covenant, or any material statement, made in the Tax Materials.

Section 7.2 *Certain Nuvectra Actions Beginning on the Spin-off Date.* Without limiting the other provisions of this ARTICLE VII, other than as expressly contemplated in the Separation Agreement or any other Ancillary Agreement, during the two-year period beginning on the Spin-off Date, Nuvectra shall not take, nor enter into a binding agreement to take, any of the following actions:

1. cause or permit the cessation of the Nuvectra Active Trade or Business;
2. liquidate Nuvectra;
3. sell, transfer or otherwise dispose of (other than sales, transfers or dispositions of inventory in the ordinary course of business) 35% or more of the gross assets of the Nuvectra Active Trade or Business or 35% or more of the consolidated gross assets of the Nuvectra Group (such percentages to be measured based on fair market value as of the Spin-off Date), if such sale, transfer or other disposition would result in the violation of the “continuity of business enterprise” requirement of Treasury Regulations Section 1.368-1(d) in connection with the Spin-off; or
4. cause or permit to occur any transaction or series of transactions in connection with which one or more Persons would (directly or indirectly) acquire from any other Person or Persons, an interest in stock of Nuvectra that, when combined with any other
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acquisitions of an interest in stock of Nuvectra that occur after the Spin-off, comprises 30% or more of the value or the total combined voting power of all interests that are treated as outstanding equity in Nuvectra for U.S. federal income Tax purposes immediately after such transaction or, in the case of a series of related transactions, immediately after any transaction in such series; *provided, however*, that the following transactions shall not be taken into account for purposes of this Section 7.2(iv):

1. any issuance of stock that is an issuance to which Treasury Regulations Section 1.355-7(d)(8) or (9) applies;
2. any adoption of, or issuance of stock pursuant to, a shareholder rights plan that is described in or is similar to the shareholder rights plan described in Revenue Ruling 90-11, 1900-1 C.B. 10; or
3. any redemption or other repurchase of any stock of Nuvectra pursuant to an open market stock repurchase programs meeting the requirements of Section 4.05(l)(b) of Rev. Proc. 96-30, 1996-1 C.B. 696, as in effect prior to its amendment by Rev. Proc. 2003-48, 2003-2 C.B. 86.

in each case, without (a) first obtaining and delivering to GB, at Nuvectra’s own expense, a Supplemental Tax Opinion or a private letter ruling from the IRS with respect to such action, in each case that is reasonably satisfactory to GB, or (b) first obtaining the written consent from GB waiving the requirements of the immediately preceding clause (a).

Section 7.3 *Tax Related Costs*.

1. *Indemnification by GB*. GB shall indemnify and hold the Nuvectra Group harmless from any Tax-Related Costs arising from the SeparationTransactions, except for Tax-Related Costs for which Nuvectra is responsible pursuant to Section 7.3(b).
2. *Indemnification by Nuvectra*. Nuvectra shall indemnify and hold the GB Group harmless from any Tax-Related Costs arising to the extent such Tax-Related Costs are directly attributable to Nuvectra’s breach of any of its covenants or representations under this ARTICLE VII and provided that such Tax Related Costs are not attributable to (i) the acquisition of all or a portion of GB’s stock and/or its Subsidiaries’ assets by any means whatsoever by any Person; (ii) the negotiations, understandings, agreements or arrangements by GB with respect to transactions or events (including without limitation, stock issuances, pursuant to the exercise of stock options or otherwise, option grants, capital contributions or acquisitions, or a series of such transactions or events) that causes the distribution of Nuvectra stock pursuant to the Spin-off to be treated as part of a plan pursuant to which one or more other Persons acquire directly or indirectly stock of GB representing fifty percent (50%) or more (by vote or value) of the outstanding stock of GB; or (iii) any breach by GB of its covenants or representations set forth in this ARTICLE VII.
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ARTICLE VIII

GENERAL PROVISIONS

Section 8.1 *Authority*. Each of the Parties represents to the other that (a) it has the corporate or other requisite power and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement by it have been duly authorized by all necessary corporate or other actions, (c) it has duly and validly executed and delivered this Agreement to be executed and delivered on or prior to the Spin-off Date, and (d) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights generally and general equity principles.

Section 8.2 *Termination*. This Agreement may be terminated at any time prior to the Effective Time by and in the sole discretion of GB without the approval of Nuvectra. In the event of termination pursuant to this Section 8.2, neither Party shall have any liability of any kind to the other Party by reason of this Agreement or such termination.

Section 8.3 *Entire Agreement*. This Agreement, together with the Separation Agreement, the Ancillary Agreements, and the Schedules referenced therein or attached thereto, constitutes the entire agreement and understanding between the Parties with respect to the subject matter hereof and shall supersede all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof.

Section 8.4 *Binding Effect; No Third-Party Beneficiaries; Assignment*. This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns and nothing in this Agreement, express or implied, is intended to confer upon any Person except the Parties and their respective Subsidiaries any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement. This Agreement may not be assigned by either Party, except with the prior written consent of the other Party.

Section 8.5 *Amendment.* No change or amendment may be made to this Agreement except by an instrument in writing signed on behalf of both of the Parties.

Section 8.6 *Failure or Indulgence Not Waiver; Remedies Cumulative.* No failure or delay on the part of either Party in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty, covenant, or agreement contained herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

Section 8.7 *Notices.* All notices, claims, certificates, requests, demands, and other communications hereunder shall be in writing and shall be deemed to be duly given (i) when personally delivered, (ii) if mailed by registered or certified mail, postage prepaid, return receipt requested, on the date the return receipt is executed or the letter is refused by the addressee or its agent, (iii) if sent by overnight courier which delivers only upon the signed receipt of the addressee, on the date the receipt acknowledgment is executed or refused by the addressee or its agent, or (iv) if sent by facsimile or electronic mail, on the date confirmation of transmission is received (provided that a copy of any notice delivered pursuant to this clause (iv) shall also be sent pursuant to clause (i), (ii), or (iii)), addressed to the attention of the addressee’s General Counsel at the address of its principal executive office or to such other address or facsimile number for a Party as it shall have specified by like notice.

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Section 8.8 *Counterpart; Facsimile Signatures*. This Agreement may be executed in multiple counterparts, each of which when executed shall be deemed to be an original but all of which together shall constitute one and the same agreement. Delivery of an executed signature page to this Agreement, and any of the other agreements, documents and instruments contemplated hereby, by facsimile transmission shall be as effective as delivery of a manually signed counterpart hereof or thereof.

Section 8.9 *Severability*. If any term or other provision of this Agreement is determined by a non-appealable decision by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either Party. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the court, administrative agency, or arbitrator shall interpret this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible. If any sentence in this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only as broad as is enforceable.

Section 8.10 *Governing Law*. This Agreement shall be governed by, and construed and enforced in accordance with, the substantive laws of the State of Delaware, without regard to conflicts of laws provisions thereof that would result in the application of the laws of any other jurisdiction.

Section 8.11 *Specific Performance*. In the event of any actual or threatened default in, or breach of, any of the terms, conditions, and provisions of this Agreement, the Party or the Parties who are or are to be thereby aggrieved shall have the right to specific performance and injunctive or other equitable relief of their rights under this Agreement, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. The Parties agree that the remedies at law for any breach or threatened breach, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at law would be adequate is waived. Any requirements for the securing or posting of any bond with such remedy are waived.

Section 8.12 *Construction.* This Agreement shall be construed as if jointly drafted by Nuvectra and GB and no rule of construction or strict interpretation shall be applied against either Party. The Parties represent that this Agreement is entered into with full consideration of any and all rights which the Parties may have. The Parties have relied upon their own knowledge and judgment and upon the advice of the attorneys of their choosing. The Parties have had access to independent legal advice, have conducted such investigations they and their counsel thought appropriate, and have consulted with such other independent advisors as they and their counsel deemed appropriate regarding this Agreement and their rights and asserted rights in connection therewith. The Parties are not relying upon any representations or statements made by any other Party, or such other Party’s employees, agents, representatives, or

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attorneys, regarding this Agreement, except to the extent such representations are expressly set forth or incorporated in this Agreement. The Parties are not relying upon a legal duty, if one exists, on the part of the other Party (or such other Party’s employees, agents, representatives, or attorneys) to disclose any information in connection with the execution of this Agreement or its preparation, it being expressly understood that neither Party shall ever assert any failure to disclose information on the part of the other Party as a ground for challenging this Agreement. The provisions of Section 1.2 of the Separation Agreement are hereby incorporated herein by reference, as if set out in detail herein.

Section 8.13 *Performance*. Each Party shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any Subsidiary of such Party.

Section 8.14 *Change in Law*. Any reference to a provision of the Code or any other Tax Law shall include a reference to any applicable successor provision or

law.

Section 8.15 *Expenses.* Except as otherwise provided herein, each Party and its Subsidiaries shall bear their own expenses incurred in connection with the preparation of Tax Returns, Tax Contests, and other matters related to Taxes under the provisions of this Agreement. Nothing in this Section 8.15 or in this Agreement shall be interpreted to limit any Party’s rights to indemnification under the Separation Agreement for expenses and fees incurred by such Party in enforcing its rights hereunder.

Section 8.16 *Disputes.* The Parties will endeavor to resolve in an amicable manner all disputes arising in connection with this Agreement. The Parties shall negotiate in good faith to resolve any Tax dispute for not less than thirty days. Upon written notice of either Party after thirty days, the matter will be referred to a Tax Adviser acceptable to both Parties. The Tax Adviser may, in its discretion, obtain services of a third-party necessary to assist it in resolving the dispute. The Tax Advisor shall furnish a written notice to the Parties of its resolution of the dispute as soon as practicable, but in any event no later than forty-five days after the acceptance of the matter for resolution. Any such resolution shall be binding on the Parties and the Parties shall take, or cause to be taken, any action necessary to implement the resolution. All fees and expenses of the Tax Advisor shall be shared equally by the Parties. Notwithstanding the foregoing, the Parties may jointly elect to apply the procedures for discussion, negotiation and arbitration set forth in ARTICLE V of the Separation Agreement to all disputes, controversies, or claims (whether sounding in contract, tort, or otherwise) that may rise out of or relate to, or arise under or in connection with this Agreement, except that, with respect to such disputes, controversies, or claims, the Applicable Deadline (as defined in Section 5.3(b) of the Separation Agreement) shall be sixty days after the later of (i) the applicable statute of limitations with respect to any Tax Item that is the subject of such dispute, controversy, or claim and (ii) the date that final action is taken by the applicable Tax Authority with respect to a Tax Contest relating to any Tax Item that is the subject of such dispute, controversy, or claim.

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Section 8.17 *Confidentiality*. The provisions of Section 6.11 of the Separation Agreement shall govern the confidentiality, disclosure, and use of Confidential Information (as defined therein) relating to Taxes.

[*Signature Page Follows*]

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**IN WITNESS WHEREOF**, the Parties have caused this Agreement to be executed in their names by a duly authorized officer as of the date first written above.

|  |  |
| --- | --- |
|  | GREATBATCH, INC. |
| By: | /s/ Thomas J. Hook |
| Name: | Thomas J. Hook |
| Title: | President and Chief Executive Officer |
|  | QIG GROUP, LLC |
|  | (to be converted into Nuvectra Corporation) |
| By: | /s/ Scott F. Drees |
| Name: | Scott F. Drees |
| Title: | Chief Executive Officer |

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**APPENDIX A**

The following examples illustrate the operation of various provisions of this agreement. However, no example is intended to illustrate every provision of this Agreement that may be relevant thereto.

Except as otherwise indicated, each example assumes:

1. an average Tax rate of 35%,
2. QiG converts into Nuvectra immediately before the Spin-off Date,
3. prior to the conversion QiG is a disregarded entity for U.S. federal income Tax purposes,
4. the Spin-off Date is March 14, 2016, and
5. for U.S. federal income Tax purposes the Spin-off qualifies as a Tax-free transaction described under Sections 368(a)(1)(D) and 355 of the Code to GB, its shareholders, and Nuvectra (except to the extent such shareholders receive cash in lieu of fractional shares).

Example 1. *General Tax Allocation on Joint Return*.

On its U.S. federal consolidated income Tax Return for the Tax Year that begins on January 1, 2016, and ends on December 31, 2016, the GB consolidated group reports $200x of consolidated net taxable income, no credits, and a Tax liability of $70x (35% times $200x). The $200x of consolidated net taxable income reported on such Tax Return consists of $300x in Tax Detriments and $100x in Tax Benefits.

Pursuant to Section 2.2(c), the Tax Detriments consist of $200x of income more closely related to the GB Business, and $100x of income more closely related to the Nuvectra Business. Similarly, the Tax Benefits consist of (i) $50x of deductions more closely related to the GB Business and (ii) $50x of deductions more closely related to the Nuvectra Business.

Pursuant to Section 2.1, each of GB and Nuvectra will be liable for its allocable portion of the $70x of Tax shown on the U.S. federal consolidated income Tax Return. Pursuant to Section 2.2(c), each Party’s allocable portion of such Tax is determined by taking into account on a pro forma stand-alone basis the Tax Items shown on such Tax Return and allocated to such Party pursuant to Section 2.1.

Thus, GB’s allocable portion of such Tax is determined by taking into account on a pro forma stand-alone basis:

1. pursuant to Section 2.1(a)(i) and 2.2(b), the $200x of Tax Detriments more closely related to the GB Business because they are deemed to arise from the operation or ownership of the GB Business, and
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1. pursuant to Section 2.1(a)(ii) and 2.2(b), the $50x of Tax Benefits more closely related to the GB Business because they are deemed to arise from the operation or ownership of the GB Business.

Taking into account such Tax Items on a pro forma stand-alone basis, GB’s allocable portion of the $70x of Tax therefore is $52.5x (($200-$50) times

35%).

In addition, Nuvectra’s allocable portion of such Tax is determined by taking into account:

1. pursuant to Section 2.1(b)(i) and 2.2(b), the $100x of Tax Detriments more closely related to the Nuvectra Business because they are deemed to arise from the operation or ownership of the Nuvectra Business, and
2. pursuant to Section 2.1(b)(ii) and 2.2(b), the $50x of Tax Benefits more closely related to the Nuvectra Business because they are deemed to arise from the operation or ownership of the Nuvectra Business.

Taking into account such Tax Items on a pro forma stand-alone basis, Nuvectra’s allocable portion of the $70x of Tax therefore is $17.5x (($100-$50)

times 35%).

Because the 2016 U.S. federal consolidated income Tax Return includes Tax Items attributable to the GB Business and Tax Items attributable to the Nuvectra Business, it will be a Joint Return. Pursuant to Section 3.1, GB is responsible for preparing and timely filing the Joint Return. Pursuant to Section 3.3(e)(ii), GB must make the Joint Return available to Nuvectra no later than sixty days before the Joint Return is due, taking into account any applicable extensions.

Pursuant to Section 4.1, GB must pay the $70x of Tax to the Tax Authority. Pursuant to Section 4.2(b), Nuvectra must remit the amount for which it is liable ($17.5x) to GB within thirty days after receiving written notification requesting such amount. If payment is not made within thirty days, Nuvectra must pay interest thereafter on the amount past due at the rate and as determined under Section 4.5.

Pursuant to Section 4.6, the Parties would ordinarily characterize Nuvectra’s payment of $17.5x in the same manner as if it were a distribution to GB immediately prior to the Effective Time or as a liability.

Example 2. *Separate Return filed by Nuvectra*.

On its 2016 U.S. federal consolidated income Tax Return, the GB consolidated group reports $200x of consolidated net taxable income, no credits, and a Tax liability of $70x (35% times $200x). Of the $200x of consolidated net taxable income reported on such Tax Return, $150x consists of Tax Items that are deemed to arise from the operation or ownership of the GB Business. The remaining $50x of consolidated net taxable income consists of Tax Items that are deemed to arise from the operation or ownership of the Nuvectra Business. The Nuvectra Group had total consolidated net taxable income of $125x during the period beginning January 1,

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2016, and ending December 31, 2016. Because GB’s 2016 U.S. federal consolidated income Tax Return includes Tax Items attributable to the GB Business and Tax Items attributable to the Nuvectra Business, it will be a Joint Return.

Pursuant to Section 3.2, Nuvectra is responsible for preparing and timely filing a Separate Return for the Nuvectra Group for the period beginning immediately after the Spin-off Date, and ending on December 31, 2016. As a result, Nuvectra will have the right to make those determinations described in

Section 3.3(a) with respect to the Separate Return, subject to the limitations in Section 3.3(c), Section 3.3(e), and Section 3.3(g). Pursuant to Section 3.3(g), Nuvectra is required to file its related Separate Return in a manner consistent with the reporting of the allocated Tax Items on the Joint Return, except as required by applicable Tax law.

As a result, $50x of Nuvectra’s 2016 net income is allocated to the Joint Return and the remainder of Nuvectra’s 2016 net income (*i.e.*, $75x) is allocated to its Separate Return.

Example 3. *Separate Returns and State Taxes*.

On a monthly New York sales Tax Return during 2016, $50x of sales Tax must be reported. For purposes of this example, it is assumed that such Tax Return was not filed prior to the Effective Time of this Agreement. The $50x of sales Tax reported on such Tax Return consists of Tax Detriments that are deemed to arise from the operation or ownership of the Nuvectra Business. Because such Tax Return includes Tax Items attributable only to the Nuvectra Business, it will be a Separate Return.

Because such Tax Return includes Tax Items attributable only to the Nuvectra Business, it will be a Separate Return. Pursuant to Section 3.2, Nuvectra is responsible for preparing and timely filing such Separate Return and will have the right to make those determinations described in Section 3.3(a) with respect to the Separate Return, subject to the limitations in Section 3.3(c) and Section 3.3(e). Pursuant to Section 4.1, Nuvectra must pay the $50x of sales Tax shown on the Separate Return to the proper Tax Authority. Furthermore, pursuant to Section 5.2(a), Nuvectra will have primary responsibility, control and discretion in handling, settling, or conducting any Tax Contest with respect to such Tax Return, subject to the limitations in Section 5.2(c).

Alternatively, if the $50x of Taxes shown on the New York sales Tax Return described above consists of Tax Detriments arising from the operation or ownership of the Nuvectra Business and Tax Detriments arising from the operation or ownership of the GB Business, such Tax Return will be a Joint Return. In such case, pursuant to Section 3.1, GB will be responsible for preparing and timely filing such Joint Return and will have the right to make those determinations described in Section 3.3(a) with respect to the Joint Return, subject to the limitations in Section 3.3(e) and Section 3.3(e). Pursuant to Section 4.1, GB must pay the $50x of sales Tax shown on the Joint Return to the proper Tax Authority, but will be entitled to reimbursement from Nuvectra pursuant to Section 4.2(b) to the extent that Nuvectra is liable for any portion of such Tax pursuant to Section 2.1.

Furthermore, pursuant to Section 5.2(b)(ii), Nuvectra will be the Controlling Party with respect to any Tax Contest involving a Tax reported on such Joint Return. However, GB

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will have Non-Controlling Party participation rights pursuant to Section 5.2(c) with respect to such Tax Contest if such Tax Context could result in the increase of an GB Tax Detriment or the reduction of an GB Tax Benefit.

Example 4. *NOL Carryback by Nuvectra*.

On its 2016 U.S. federal consolidated income Tax Return, the GB consolidated group reports $200x of consolidated net taxable income, no credits, and a Tax liability of $70x (35% times $200x). Of the $200x of consolidated net taxable income reported on such Tax Return, $190x consists of Tax Items that are deemed to arise from the operation or ownership of the GB Business. The remaining $10x of consolidated net taxable income consists of Tax Items that are deemed to arise from the operation or ownership of the Nuvectra Business.

In addition, $150x of consolidated net taxable income and no credits arise from the operation or ownership of the Nuvectra Business during the period beginning immediately after the Spin-off Date, and ending on December 31, 2016, but, in 2017, a $150x net operating loss (“NOL”) arises from the operation or ownership of the Nuvectra Business.

Under applicable Tax Law, Nuvectra’s short Tax Year ending on the Spin-off Date will be considered the same Tax Year as GB’s Tax Year ending on December 31, 2016 (and which includes Nuvectra’s short Tax Year), but will be considered a different Tax Year from Nuvectra’s short Tax Year that begins after the Spin-off Date. Under applicable Tax Law, the carryback period for the NOL includes GB’s Tax Year ending on December 31, 2016 followed by Nuvectra’s short Tax Year beginning immediately after the Spin-off Date and ending on December 31, 2016. Pursuant to Section 3.3(c), Nuvectra is not permitted to make the election under Section 172(b)(3) of the Code to relinquish the carryback period for the NOL.

Under applicable Tax Law, the NOL would be carried back to GB’s 2016 Joint Return and GB generally would be entitled to utilize that portion of the NOL equal to the net income generated by the Nuvectra Group during the period Nuvectra was considered a member of the GB consolidated group. *See* Treasury Regulations Sections 1.1502-21(c) and 1.1502-21(c)(1)(iii), Example 3 (illustrating the SRLY limitations on NOL carrybacks from a separate return year to a consolidated return year). Pursuant to Section 2.1(b)(ii) and Section 2.2(a)(i), Nuvectra would be entitled to take such portion of the NOL into account in determining Nuvectra Taxes for the 2016 Joint Return, but only to the extent that Nuvectra would be allowed to take such portion into account under applicable Tax Law on a pro forma stand-alone basis for such Tax Year. Pursuant to Section 2.1(a)(iv), GB would be entitled to take the remaining portion of the NOL, as permitted under applicable Tax Law, into account in determining GB Taxes and would not be required to compensate Nuvectra therefor.

Any portion of the NOL that was not used on the 2016 Joint Return would be carried forward and utilized as a Tax Benefit by Nuvectra on its 2016 Separate Return (assuming such use was permitted under applicable Tax Law).

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Example 5. *NOL Carryforward as a Tax Benefit on Joint Return.*

On its 2016 U.S. federal consolidated income Tax Return, and without taking into account any NOL carryforwards or NOL carrybacks, the GB consolidated group reports $150x of consolidated net taxable income, no credits, and a Tax liability of $52.5x (35% times $150x). All $150x of consolidated net taxable income reported on such Tax Return consists of Tax Items that are deemed to arise from the operation or ownership of the GB Business. In addition, a $200x NOL arose from the operation or ownership of the Nuvectra Business in 2015 and is carried forward to the 2016 Joint Return under applicable Tax Law.

Pursuant to Section 2.1(a)(iv), GB is entitled to take the NOL carryforward into account as a Tax Benefit in determining GB Taxes in 2016, and although the NOL arose from the operation or ownership of the Nuvectra Business, GB will not be required to compensate Nuvectra therefor. Thus, in 2016, GB will be obligated to pay Tax of $0x (35% times $150x - $150x)) to the Tax Authority and $0x to Nuvectra.

Under applicable Tax Law, any remaining NOL carryforward may be utilized only by GB because such NOL arose while Nuvectra was disregarded as separate from GB for U.S. federal income Tax purposes. GB will not be required to compensate Nuvectra for the use of any such NOL carryforward.

Example 6. *Difference Between Tax Shown on Joint Return and Taxes Computed on a Pro Forma Stand-Alone Basis.*

On its 2016 U.S. federal consolidated income Tax Return, the GB consolidated group reports a total Tax liability of $100x. On a pro forma stand-alone basis, GB Taxes would equal $90x, which Taxes would be composed of $70x of “regular tax” and $20x of “alternative minimum tax” imposed under Section 55 of the Code. On a pro forma stand-alone basis, Nuvectra Taxes would equal $30x, which Taxes would be composed of $30x of “regular tax” and no “alternative minimum tax.”

Pursuant to Section 2.2(d), because the sum of GB Taxes and Nuvectra Taxes ($120x or ($90x + $30x)) is different from the amount of Tax shown on such Joint Return ($100x), the $100x of Tax shown on the Joint Return is allocated $75x ($100x times ($90x/$120x)) to GB and $25x ($100x time ($30x/$120x)) to Nuvectra.

Example 7. *Average Tax Rate.*

On a 2016 Joint Return, GB reports $200x of net taxable income and no credits. Assume that, under applicable Tax Law, the first $50x of net taxable income is subject to a Tax rate of 10%, the next $50x of net taxable income is subject to a Tax rate of 20%, and the remaining $100x of net taxable income is subject to a Tax rate of 25%. As a result, the Joint Return reports a Tax liability of $40x ((10% times $50x) + (20% times $50x) + (25% times $100x)). The average Tax rate on such Tax Return is 20% ($40x/$200x). Accordingly, pursuant to Section 2.2(a)(iv), a 20% Tax rate applies for purposes of computing Taxes on a pro forma stand-alone basis.

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Example 8. *Breach of Covenants.*

Immediately before the Spin-off, GB held the Nuvectra stock with a fair market value of $300x and a basis of $0x. In 2017, Nuvectra enters into a merger whereby an acquiring corporation acquires all of the assets and liabilities of Nuvectra and Nuvectra’s shareholders receive stock in the acquiring corporation in exchange for all of their stock in Nuvectra. Assume that entering into the merger causes the Spin-off to be taxable to GB under Section 355(e).

As a result of the application of Section 355(e), GB will be required to recognize all of the realized gain on the Spin-off. Accordingly, ignoring any available NOL, the Separation Transactions result in a net Tax liability of $105x (35% times ($300x gain on the Spin-off).

Pursuant to Section 2.1(b)(iii), all $105x of the Tax (35% times $300x) resulting from the application of Section 355(e) would be allocated to Nuvectra because entering into the merger is a breach of covenant under Article VII that causes Section 355(e) to apply to the Spin-off.

Pursuant to Section 4.2(b), Nuvectra must remit the $105x of Taxes related to application of Section 355(e) to the Spin-off to GB within thirty days after receiving written notification requesting such amount. Pursuant to Section 2.1(b)(ii) and (iv), the result would be the same even if an NOL exists that could offset any gain required to be recognized as a result of the merger. Pursuant to Section 4.6, the Parties would ordinarily characterize Nuvectra’s payment of $105x in the same manner as if it were a distribution to GB immediately prior to the Effective Time or as a liability.

Example 9. *Redetermination of Tax Detriments Allocated to GB.*

On its 2016 U.S. federal consolidated income Tax Return, the GB consolidated group reports no consolidated net taxable income, an NOL of $100x, and no Tax liability. $50x of the NOL consists of Tax Items that are deemed to arise from the operation or ownership of the GB Business and the remaining $50x consists of Tax Items that are deemed to arise from the operation or ownership of the Nuvectra Business. Because no Tax is owed on the Joint Return, no payments are required to be made under this Agreement.

In 2018, the Tax Authority initiates a Tax Contest with respect to the 2016 Joint Return. In the Tax Contest, the Tax Authority asserts that an additional $100x of taxable income must be reported on the 2016 Joint Return. Such additional taxable income arose from the GB Business. Pursuant to Section 5.2(b)(ii), GB is the Controlling Party with respect to the Tax Contest because it involves a Tax reported on a Joint Return for which GB is liable. On December 31, 2016, a date subsequent to the Spin-off Date, a closing agreement is entered into with the Tax Authority whereby the GB consolidated group is required to recognize $100x of additional taxable income in 2016 in settlement of the Tax Contest.

As a result of the closing agreement, Section 4.3(b) requires that the amounts paid under this Agreement be redetermined. Under applicable Tax Law and pursuant to Section 2.1(a)(ii) and Section 2.1(a)(iv), GB is entitled to use the $100x NOL as a Tax Benefit to completely offset the additional taxable income recognized as a result of the Tax Contest. GB is not required to reimburse Nuvectra for the use of the $50x portion of such NOL that arose from the operation or ownership of the Nuvectra Business.

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Example 10. *Redetermination of Tax Detriments Allocated to Nuvectra.*

On its 2015 U.S. federal consolidated income Tax Return, the GB consolidated group reports no consolidated net taxable income, an NOL of $100x, and no Tax liability. $50x of the NOL consists of Tax Items that are deemed to arise from the operation or ownership of the GB Business and the remaining $50x consists of Tax Items that are deemed to arise from the operation or ownership of the Nuvectra Business. Because no Tax is owed on the Joint Return, no payments are required to be made under this Agreement.

In 2017, the Tax Authority initiates a Tax Contest with respect to the 2015 Joint Return. In the Tax Contest, the Tax Authority asserts that an additional $100x of taxable income must be reported on the 2015 Joint Return. Such income arose from the Nuvectra Business.

On December 31, 2017, a date subsequent to the Spin-off Date, a closing agreement is entered into with the Tax Authority whereby the GB consolidated

group is required to recognize $100x of additional taxable income in 2015 in settlement of the Tax Contest. Pursuant to Section 5.2(b)(ii), except as provided in

Section 5.2(b)(i), Nuvectra will be the Controlling Party with respect to the Tax Contest. In such case, pursuant to Section 5.2(c), GB would have Non-Controlling Party

participation rights with respect to the Tax Contest because such Tax Contest may result in the reduction of a GB Tax Benefit.

As a result of the closing agreement, Section 4.3(b) requires that the amounts paid under this Agreement be redetermined. Under applicable Tax Law, Nuvectra and GB are entitled to use the $100x NOL to completely offset the additional taxable income recognized as a result of the Tax Contest. Therefore, no additional Tax is owed as a result of the closing agreement. Pursuant to Section 2.1(b)(ii) and Section 2.1(b)(iv), Nuvectra is entitled to take the entire $100x NOL into account as a Tax Benefit in calculating Nuvectra Taxes, which results in Nuvectra Taxes of $0x ($100x - $100x). Nuvectra is not required to reimburse GB for the use of the $50x portion of such NOL that arose from the operation or ownership of the GB Business.

Alternatively, assume that the 2015 Joint Return did not report an NOL. As a result, the closing agreement results in $100x of consolidated net taxable income, no credits, and a Tax liability of $35x (35% times $100x). All $100x of the consolidated net taxable income consists of Tax Items that are deemed to arise from the operation or ownership of the Nuvectra Business. Taking into account such Tax Items on a pro forma stand-alone basis, Nuvectra’s allocable portion of the $35x of Tax is $35x ($100x times 35%).

Pursuant to Section 4.1, GB must pay the $35x of Tax to the Tax Authority. Pursuant to Section 4.2(b), Nuvectra must remit the amount for which it is liable ($35x) to GB within thirty days after receiving written notification requesting such amount.

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**Exhibit 10.3**

EMPLOYEE MATTERS AGREEMENT

between

GREATBATCH, INC.

and

QIG GROUP, LLC

(to be converted into Nuvectra Corporation)

dated as of March 14, 2016

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**EMPLOYEE MATTERS AGREEMENT**

This **EMPLOYEE MATTERS AGREEMENT** dated as of March 14, 2016 by and between Greatbatch, Inc., a Delaware corporation (“Greatbatch”), and QiG Group, LLC, a Delaware limited liability company (to be converted into Nuvectra Corporation, a Delaware corporation) (“Nuvectra”). Greatbatch and Nuvectra are sometimes referred to herein, individually, as a “Party,” and, collectively, as the “Parties.”

**RECITALS**

**WHEREAS**, Nuvectra is an indirect subsidiary of Greatbatch; and

**WHEREAS**, the Board of Directors of Greatbatch has determined that it would be appropriate and in the best interests of Greatbatch and its stockholders toeffectuate the Distribution as described in the Separation and Distribution Agreement between Greatbatch and Nuvectra dated as of the date hereof (the “Separation Agreement”); and

**WHEREAS**, the Separation Agreement provides, among other things, subject to the terms and conditions thereof, for the Distribution and for the execution anddelivery of certain other agreements, including this Agreement, in order to facilitate and provide for the separation of Nuvectra and its subsidiaries from Greatbatch; and

**WHEREAS**, in order to ensure an orderly transition under the Separation Agreement, it will be necessary for the Parties to allocate between them assets,liabilities and responsibilities with respect to certain employee compensation, benefit plans and programs, and certain employment matters.

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants and agreements herein contained, the Parties, intending to be legally bound,agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 *Definitions*. As used in this Agreement, the following terms shall have the meanings set forth in this Section 1.1:

“Adjusted Greatbatch Awards” means Adjusted Greatbatch Options, Adjusted Greatbatch RSAs, and Adjusted Greatbatch RSUs.

“Adjusted Greatbatch Options” means Greatbatch Options adjusted as set forth in Section 3.2(a)(i).

“Adjusted Greatbatch RSAs” means Greatbatch RSAs adjusted as set forth in Section 3.2(a)(ii).

“Adjusted Greatbatch RSUs” means Greatbatch RSUs adjusted as set forth in Section 3.2(a)(iii).

“Adjusted Nuvectra Stock Value” means the product obtained by multiplying (i) the Nuvectra Stock Value by (ii) the Distribution Ratio.

“Agreement” means this Employee Matters Agreement together with all Schedules hereto and all amendments, modifications and changes hereto and thereto entered into in accordance with Section 9.10.

“COBRA” means the Consolidated Omnibus Budget Reconciliation Act of 1985, as codified at Part 6 of Subtitle B of Title I of ERISA and at Code Section 4980B.

“Code” means the Internal Revenue Code of 1986, as amended.

“Distribution Ratio” means the number of shares of Nuvectra Common Stock to be distributed for each share of Greatbatch Common Stock.

“Employee” means any Greatbatch Employee, Former Greatbatch Employee, Nuvectra Employee or Former Nuvectra Employee.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Former Greatbatch Employee” has the meaning set forth in Section 2.2(b).

“Former Nuvectra Employee” has the meaning set forth in Section 2.2(c).

“Greatbatch” has the meaning set forth in the preamble to this Agreement.

“Greatbatch 401(k) Plan” means the Greatbatch, Inc. 401(k) Retirement Plan.

“Greatbatch Employee” means any individual who is employed by a member of the Greatbatch Group on the Distribution Date other than the Nuvectra Employees and, only for purposes of Article III and any defined terms as used therein, as of the day after the Distribution Date.

“Greatbatch FSA” has the meaning set forth in Section 6.3(b).

“Greatbatch Group” means Greatbatch and each Subsidiary of Greatbatch, collectively, other than Nuvectra and each Nuvectra Subsidiary.

“Greatbatch Legacy Equity Plan” means any equity plan sponsored or maintained by Greatbatch immediately prior to the Distribution Date.

“Greatbatch Option” means an option to purchase shares of Greatbatch Common Stock granted and outstanding immediately prior to the Distribution Date pursuant to any of the Greatbatch Legacy Equity Plans.

“Greatbatch Post-Distribution Stock Value” means the closing per-share price, as reported on the NYSE, of a share of Greatbatch Common Stock on the Distribution Date.

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“Greatbatch RSA” means a restricted stock award issued and outstanding immediately prior to the Distribution Date under any of the Greatbatch Legacy Equity

Plans.

“Greatbatch RSU” means a restricted stock unit award issued and outstanding immediately prior to the Distribution Date under any of the Greatbatch Legacy Equity Plans.

“Greatbatch Welfare Plan” means the Greatbatch, Inc. Health and Welfare Benefit Plan sponsored or maintained by any one or more members of the Greatbatch Group on the Distribution Date.

“Nasdaq” means the NASDAQ Stock Market.

“Nuvectra” has the meaning set forth in the preamble to this Agreement.

“Nuvectra 401(k) Plan” has the meaning set forth in Section 5.1.

“Nuvectra 401(k) Plan Beneficiaries” has the meaning set forth in Section 5.1.

“Nuvectra Awards” means Nuvectra Options, Nuvectra RSAs, and Nuvectra RSUs.

“Nuvectra Employee” means any individual who is employed by a member of the Nuvectra Group on the Distribution Date or will be transferred to a member of the Nuvectra Group and is listed on Schedule II to the Separation Agreement; provided, however, that for purposes of Article III and any defined terms as used therein, “Nuvectra Employee” means any such individual who is employed by a member of the Nuvectra Group on the date immediately following the Distribution Date.

“Nuvectra Equity Plan” means the Nuvectra Corporation 2016 Equity Incentive Plan adopted by the board of managers of Nuvectra and approved by Nuvectra’s sole membership interest holder prior to the Distribution under which the Nuvectra equity-based awards described in Article III shall be issued.

“Nuvectra FSA” has the meaning set forth in Section 6.3(b).

“Nuvectra Group” means, collectively, Nuvectra and each Nuvectra Subsidiary.

“Nuvectra Option” means an option to purchase shares of Nuvectra Common Stock granted pursuant to the Nuvectra Equity Plan as described in Section 3.2(a)

(i).

“Nuvectra RSA” means a restricted stock award for shares of Nuvectra Common Stock issued under the Nuvectra Equity Plan as described in Section 3.2(a)(ii).

“Nuvectra RSU” means a restricted stock unit for shares of Nuvectra Common Stock issued under the Nuvectra Equity Plan as described in Section 3.2(a)(iii).

“Nuvectra Stock Value” means the closing per-share price, as reported on Nasdaq, of Nuvectra Common Stock on the Distribution Date (or, if the Distribution Date is not a Nasdaq trading day, on the first trading day following the Distribution Date).

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“Nuvectra Subsidiary” means any Subsidiary of Nuvectra on the Distribution Date.

“Nuvectra Welfare Plan” has the meaning set forth in Section 6.1.

“Nuvectra Welfare Plan Participants” has the meaning set forth in Section 6.1.

“NYSE” means the New York Stock Exchange.

“Participating Nuvectra Employers” has the meaning set forth in Section 6.1.

“Participation Period” has the meaning set forth in Section 6.3(b).

“Party” or “Parties” has the meaning set forth in the preamble to this Agreement.

“Privacy Contract” means any contract entered into in connection with applicable privacy protection laws or regulations.

“Separation Agreement” has the meaning set forth in the recitals to this Agreement.

“WARN” means the Worker Adjustment and Retraining Notification Act, and any applicable state or local law equivalent.

“Welfare Plan” means a “welfare plan” as defined in ERISA Section 3(1) and also means a cafeteria plan under Code Section 125 and any benefits offered thereunder, including pre-tax premium conversion benefits, a dependent care assistance program, contribution funding toward a health savings account and flex or cashable credits.

Capitalized terms used, but not otherwise defined in this Agreement, shall have the respective meanings assigned to such terms in the Separation Agreement.

Section 1.2 *Interpretation*. In this Agreement, unless the context clearly indicates otherwise:

1. words used in the singular include the plural and words used in the plural include the singular;
2. if a word or phrase is defined in this Agreement, its other grammatical forms, as used in this Agreement, shall have a corresponding meaning;
3. reference to any gender includes the other gender and the neuter;
4. the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation;”
5. the words “shall” and “will” are used interchangeably and have the same meaning;
6. the word “or” shall have the inclusive meaning represented by the phrase “and/or;”
   * 4 -

1. relative to the determination of any period of time, “from” means “from and including,” “to” means “to but excluding” and “through” means “through and including;”
2. all references to a specific time of day in this Agreement shall be based upon Eastern Standard Time or Eastern Daylight Savings Time, as applicable, on the date in question;
3. whenever this Agreement refers to a number of days, such number shall refer to calendar days unless otherwise specified;
4. accounting terms used herein shall have the meanings historically ascribed to them by Greatbatch and its Subsidiaries, including Nuvectra and the Nuvectra Subsidiaries for this purpose, in its and their internal accounting and financial policies and procedures in effect immediately prior to the date of this Agreement;
5. reference to any Article, Section or Schedule means such Article or Section of, or such Schedule to, this Agreement, as the case may be, and references in any Section or definition to any clause means such clause of such Section or definition;
6. the words “this Agreement,” “herein,” “hereunder,” “hereof,” “hereto,” and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Section or other provision of this Agreement;
7. reference to any agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and not prohibited by this Agreement;
8. reference to any “law” (including statutes and ordinances) means such Law (including any and all rules and regulations promulgated thereunder) as amended, modified, codified or reenacted, in whole or in part, and in effect at the time of determining compliance or applicability;
9. references to any Person include such Person’s successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement, and any reference to a third party shall be deemed to mean a Person who is not a Party or an Affiliate of a Party;
10. if there is any conflict between the provisions of the main body of this Agreement and the Schedules hereto, the provisions of the main body of this Agreement shall control unless explicitly stated otherwise in such Schedule;
11. unless otherwise specified in this Agreement, all references to dollar amounts herein shall be in respect of lawful currency of the U.S.;
12. the titles to Articles and headings of Sections contained in this Agreement, in any Schedule and in the table of contents to this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of or to affect the meaning or interpretation of this Agreement; and
    * 5 -

1. any portion of this Agreement obligating a Party to take any action or refrain from taking any action, as the case may be, shall mean that such Party shall also be obligated to cause its relevant Subsidiaries to take such action or refrain from taking such action, as the case may be.

ARTICLE II

ASSIGNMENT OF EMPLOYEES

Section 2.1 *Active Employees.*

1. Nuvectra Employees. Except as otherwise set forth in this Agreement, effective as of the Distribution Date, the employment of the Nuvectra Employees shall be continued by a member of the Nuvectra Group.
2. Greatbatch Employees. Except as otherwise set forth in this Agreement, effective as of the Distribution Date, the employment of the Greatbatch Employees shall be continued by a member of the Greatbatch Group.
3. At Will Status. Nothing in this Agreement shall create any obligation on the part of any member of the Greatbatch Group or any member of the Nuvectra Group to continue the employment of any employee for any period following the date of this Agreement or the Separation or the Distribution or to change the employment status of any employee from “at will,” to the extent such employee is an “at will” employee under applicable law.
4. Severance. The assignment, transfer or continuation of the employment of employees as contemplated by this Agreement or otherwise effected in connection with the Separation or the Distribution shall not be deemed a severance of employment of any employee for any purpose, including for purposes of any plan, policy, practice or arrangement of any member of the Greatbatch Group or any member of the Nuvectra Group.
5. Change of Control/Change in Control. No provision in this Agreement or the Separation Agreement nor any transaction undertaken by either Party in connection with the Distribution shall be construed to create any right, or accelerate entitlement, to any compensation or benefit whatsoever, or be deemed a “change of control” or “change in control” for any purpose including for purpose of any plan, policy, practice or arrangement relating to directors, employees or consultants of any member of the Greatbatch Group or any member of the Nuvectra Group.
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Section 2.2 *Former Employees*

1. General Principles. Except as otherwise provided in this Agreement, each former employee of any member of the Greatbatch Group or any member of the Nuvectra Group as of the Distribution Date will be considered a former employee of the Greatbatch Group or the Nuvectra Group based on his or her employer as of his or her last day of employment with any member of the Greatbatch Group or the Nuvectra Group.
2. Former Greatbatch Employees. Former employees of the Greatbatch Group shall be deemed to include all employees who, as of their last day of employment, were employed by a member of the Greatbatch Group and will not be either a Nuvectra Employee or a Greatbatch Employee for purposes of this Agreement (collectively, the “Former Greatbatch Employees”).
3. Former Nuvectra Employees. Former employees of the Nuvectra Group shall be deemed to include all employees who, as of their last day of employment, were employed by a member of the Nuvectra Group and will not be either a Nuvectra Employee or a Greatbatch Employee for purposes of this Agreement (collectively, the “Former Nuvectra Employees”).

Section 2.3 *Employment Law Obligations.*

1. WARN Act. After the Distribution Date, (i) Greatbatch shall be responsible for providing any necessary WARN notice (and meeting any similar state law notice requirements) with respect to any termination of any Greatbatch Employee and (ii) Nuvectra shall be responsible for providing any necessary WARN notice (and meeting any similar state law notice requirements) with respect to any termination of any Nuvectra Employee.
2. Compliance with Employment Laws. On and after the Distribution Date, (i) each member of the Greatbatch Group shall be responsible for adopting and maintaining any policies or practices, and for all other actions and inactions, necessary to comply with employment-related laws and requirements relating to the employment of the Greatbatch Employees and the treatment of any applicable Former Greatbatch Employees in respect of their former employment, and (ii) each member of the Nuvectra Group shall be responsible for adopting and maintaining any policies or practices, and for all other actions and inactions, necessary to comply with employment-related laws and requirements relating to the employment of the Nuvectra Employees and the treatment of any applicable Former Nuvectra Employees in respect of their former employment.
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Section 2.4 *Employee Records.*

1. Records Relating to Greatbatch Employees and Former Greatbatch Employees. All records and data in any form relating to Greatbatch Employees and Former Greatbatch Employees shall be the property of the Greatbatch Group; provided, however, that records and data pertaining to such an Employee and relating to any period that such an Employee was (i) employed by any member of the Nuvectra Group or (ii) covered under any employee benefit plan sponsored by any member of the Nuvectra Group (to the extent that such records or data relate to such coverage) prior to the Distribution Date shall be shared with appropriate members of the Nuvectra Group by the Greatbatch Group to the extent such records are reasonably necessary for payroll or employee benefit plan purposes.
2. Records Relating to Nuvectra Employees and Former Nuvectra Employees. All records and data in any form relating to Nuvectra Employees and Former Nuvectra Employees shall be the property of the Nuvectra Group; provided, however that records and data pertaining to such an Employee and relating to any period that such an Employee was (i) employed by any member of the Greatbatch Group or (ii) covered under any employee benefit plan sponsored by any member of the Greatbatch Group (to the extent that such records or data relate to such coverage) prior to the Distribution Date shall be shared with appropriate members of the Greatbatch Group by the Nuvectra Group to the extent such records are reasonably necessary for payroll or employee benefit plan purposes.
3. Sharing of Records. Each Party shall use its respective commercially reasonable efforts to provide the other Party, upon request, such employee-related records and information as necessary or appropriate to carry out their respective obligations under applicable law (including any relevant privacy protection laws or regulations in any applicable jurisdictions or Privacy Contract), this Agreement, any other Ancillary Agreement or the Separation Agreement, and for the purposes of administering their respective employee benefit plans and policies. All information and records regarding employment, personnel and employee benefit matters provided to the other Party shall be accessed, retained, held, used, copied and transmitted in accordance with all applicable laws, policies and Privacy Contracts relating to the collection, storage, retention, use, transmittal, disclosure and destruction of such records by such receiving Party.
4. Access to Records. To the extent not inconsistent with this Agreement and any applicable privacy protection laws or regulations or Privacy Contracts, access to such records and information, as described in this Section 2.4, after the Distribution Date, will be provided to members of the Greatbatch Group and members of the Nuvectra Group in accordance with the Separation Agreement. In addition, Greatbatch shall be provided reasonable access to those records necessary for its administration of any benefit plans, policies, arrangements or programs on behalf of Greatbatch Employees and Former Greatbatch Employees after the Distribution Date, as permitted by any applicable privacy protection laws or regulations or Privacy Contracts. Greatbatch shall also be permitted to retain copies of all agreements with any Nuvectra Employee or Former Nuvectra Employee in which any member of the Greatbatch Group has a valid business interest. In addition, Nuvectra shall be provided reasonable access to those records necessary for its administration of any benefit plans, policies, arrangements or programs on behalf of Nuvectra Employees and Former Nuvectra Employees after the Distribution Date,
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as permitted by any applicable privacy protection laws or regulations or Privacy Contracts. Nuvectra shall also be permitted to retain copies of all agreements with any Greatbatch Employee or Former Greatbatch Employee in which any member of the Nuvectra Group has a valid business interest.

* 1. Maintenance of Records. With respect to retaining, destroying, transferring, sharing, copying and permitting access to all such records and information, Greatbatch and Nuvectra shall (and shall cause their respective Subsidiaries to) comply with all applicable laws, regulations, Privacy Contracts and internal policies, and shall indemnify and hold harmless each other from and against any and all liability, claims, actions, and damages that arise from a failure (by the indemnifying party or its Subsidiaries or their respective agents) to so comply with all applicable laws, regulations, Privacy Contracts and internal policies applicable to such records and information.
  2. No Access to Computer Systems or Files. Except as set forth in the Separation Agreement or any other Ancillary Agreement, no provision of this Agreement shall give (i) any member of the Greatbatch Group direct access to the computer systems or other files, records or databases of any member of the Nuvectra Group or

1. any member of the Nuvectra Group direct access to the computer systems or other files, records or databases of any member of the Greatbatch Group, unless specifically permitted by the owner of such systems, files, records or databases.
   1. Relation to Separation Agreement. The provisions of this Section 2.4 shall be in addition to, and not in derogation of, the provisions of the Separation Agreement governing Confidential Information, including Section 6.8 of the Separation Agreement.
   2. Confidentiality. Except as otherwise set forth in this Agreement, all records and data relating to Employees shall, in each case, be subject to the confidentiality provisions of the Separation Agreement and any other applicable agreement and applicable law.
   3. Cooperation. Each Party shall use commercially reasonable efforts to cooperate with the other Party to share, retain and maintain data and records that are necessary or appropriate to further the purposes of this Section 2.4 and for each Party to administer its respective benefit plans, policies, arrangements or programs to the extent consistent with this Agreement and applicable law, and each Party agrees to cooperate as long as is reasonably necessary to further the purposes of this Section 2.4. Except as provided under any other Ancillary Agreement, no Party shall charge another Party a fee for such cooperation.
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ARTICLE III

EQUITY AND INCENTIVE COMPENSATION PLANS

Section 3.1 *General Principles*.

* 1. For the avoidance of doubt, the provisions of this Article III shall not apply unless the Distribution and approval by the appropriate administrators of the applicable plans takes place. Greatbatch and Nuvectra shall take any and all reasonable action as shall be necessary and appropriate to give effect to the provisions of this Article III.
  2. Where an award granted under one of the Greatbatch Legacy Equity Plans is supplemented by an award under the Nuvectra Equity Plan in accordance with the provisions of this Article III, such award generally shall be on terms which are in all material respects identical to the terms of the award which it supplements (including any requirements of continued employment) but subject to any necessary changes to take into account that (i) the award relates to Nuvectra Common Stock,

1. the Nuvectra Equity Plan is administered by Nuvectra, (iii) if applicable, the grantee under the award is employed or affiliated with a new employer or plan sponsor and (iv) the other specific provisions described in this Article III.
   1. Following the Distribution, a grantee who has outstanding awards that are supplemented with awards under the Nuvectra Equity Plan (as described in Section 3.1(b) above) shall be considered to have been employed by the applicable plan sponsor before and after the Distribution for purposes of (i) vesting and
2. determining the date of termination of employment as it applies to any such supplemental awards under the Nuvectra Equity Plan. Following the Distribution,
3. service as an employee with Nuvectra will be deemed to be services to Greatbatch with respect to Adjusted Greatbatch Options, Adjusted Greatbatch RSAs, or Adjusted Greatbatch RSUs held by Nuvectra Employees immediately after the Distribution Date and (ii) service as an employee with Greatbatch will be deemed to be services to Nuvectra with respect to Nuvectra Options, Nuvectra RSAs, or Nuvectra RSUs held by Greatbatch Employees immediately after the Distribution Date.
   1. No award described in this Article III, whether outstanding or to be issued, adjusted, substituted or cancelled by reason of or in connection with the Distribution, shall be adjusted, settled, cancelled, or exercisable, until in the judgment of the administrator of the applicable plan or program such action is consistent with all applicable law, including federal securities laws and the adjustment, settlement, cancellation or exercisability is in a manner consistent with Section 409A of the Code or other applicable law. Any period of exercisability will not be extended on account of a period during which such an award is not exercisable in accordance with the preceding sentence.

Section 3.2 *Equity Incentive Programs*.

1. The Parties shall use commercially reasonable efforts to take all actions necessary or appropriate so that each outstanding Greatbatch Option, Greatbatch RSA or Greatbatch RSU award granted under a Greatbatch Legacy Equity Plan shall be adjusted as set forth in this Section 3.2.
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1. Greatbatch Options and Nuvectra Options. As determined by the Greatbatch Compensation Committee pursuant to its authority under the applicable Greatbatch Legacy Equity Plan, each Greatbatch Option, regardless of by whom held, whether vested or unvested, shall be converted on the Distribution Date into both an Adjusted Greatbatch Option and a Nuvectra Option, and both the Adjusted Greatbatch Option and the Nuvectra Option shall, except as otherwise provided in this Section 3.2(a)(i), be subject to the same terms and conditions (including with respect to vesting) after the Distribution Date as applicable to such Greatbatch Option immediately prior to the Distribution Date; provided, however, that from and after the Distribution Date:
   1. the number of shares of Greatbatch Common Stock subject to such Adjusted Greatbatch Option, shall be equal to the number of shares of Greatbatch Common Stock subject to such Greatbatch Option immediately prior to the Distribution Date;
   2. the number of shares of Nuvectra Common Stock subject to such Nuvectra Option, rounded down to the nearest whole share, shall be equal to the product obtained by multiplying (1) the number of shares of Greatbatch Common Stock subject to the Greatbatch Option immediately prior to the Distribution Date by (2) the Distribution Ratio;
   3. the per share exercise price of such Adjusted Greatbatch Option, rounded up to the nearest hundredth of a cent, shall be equal to the product obtained by multiplying (1) the per share exercise price of such Greatbatch Option immediately prior to the Distribution Date by (2) a fraction (I) the numerator of which is the Greatbatch Post-Distribution Stock Value and (II) the denominator of which is the sum of the Greatbatch Post-Distribution Stock Value and the Adjusted Nuvectra Stock Value; and
   4. the per share exercise price of such Nuvectra Option, rounded up to the nearest hundredth of a cent, shall be equal to the product obtained by multiplying (1) the per share exercise price of the Greatbatch Option immediately prior to the Distribution Date by (2) a fraction (I) the numerator of which is the Nuvectra Stock Value and (II) the denominator of which is the sum of the Greatbatch Post-Distribution Stock Value and the Adjusted Nuvectra Stock Value;

provided, however, that the exercise price, the number of shares of Greatbatch Common Stock and shares of Nuvectra Common Stock subject to such options, and the terms and conditions of exercise of such options shall be determined in a manner consistent with the requirements of Code Section 409A; and provided, further, that, in the case of any Greatbatch Option to which Code Section 421 applies by reason of its qualification under Code Section 422 as of immediately prior to the Distribution Date, the exercise price, the number of shares of Greatbatch Common Stock and shares of Nuvectra Common Stock subject to such option, and the terms and conditions of exercise of such option shall be determined in a manner consistent with the requirements of Code Section 424(a).

1. Greatbatch RSAs and Nuvectra RSAs. Each holder of a Greatbatch RSA award shall receive, as of the Distribution Date, a Nuvectra RSA for such number of shares as determined by applying the Distribution Ratio, rounded down to the nearest whole share, in the same way as if the outstanding Greatbatch RSAs were comprised of fully vested shares of
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Greatbatch Common Stock as of the Distribution Date. Except as set forth in this Section 3.2(a)(ii), the Greatbatch RSA and the Nuvectra RSA both shall be subject to substantially the same terms and conditions immediately following the Distribution Date as applicable to the Greatbatch RSA immediately prior to the Distribution Date.

* 1. Greatbatch RSU Awards and Nuvectra RSU Awards. Each holder of an outstanding Greatbatch RSU award shall receive, as of the Distribution Date, a Nuvectra RSU award in such number of restricted stock units as determined by applying the Distribution Ratio, rounded down to the nearest whole share, in the same way as if the outstanding Greatbatch RSU award comprised fully vested shares of Greatbatch Common Stock as of the Distribution Date. Except as set forth in this Section 3.2(a)(iii), the Greatbatch RSU award and the Nuvectra RSU award both shall be subject to substantially the same terms and conditions immediately following the Distribution Date as applicable to the Greatbatch RSU award immediately prior to the Distribution Date. With respect to any Greatbatch RSU award that is subject to performance vesting requirements, which is held by either a Greatbatch Employee or Former Greatbatch Employee, the performance metric for both the Greatbatch RSU award and the corresponding Nuvectra RSU award shall continue to be total shareholder return of Greatbatch’s common stock versus Greatbatch’s peer group, but this performance metric shall be adjusted so as to treat the Distribution as a dividend of an amount of cash that is equal to the opening per-share price, as reported on Nasdaq, of a share of Nuvectra common stock on the Distribution Date that is reinvested into shares of Greatbatch Common Stock at the opening per-share price on the Distribution Date, as reported on NYSE. With respect to any Greatbatch RSU award subject to performance vesting requirements that is held by either a Nuvectra Employee or a Former Nuvectra Employee, such Nuvectra Employee or Former Nuvectra Employee shall receive, as of the Distribution Date, (A) a modified Greatbatch RSU award, which shall not be subject to any performance vesting requirement, but shall be subject to a time-based vesting requirement that would be satisfied at the end of what was the applicable performance period, for a number of shares of Greatbatch common stock based upon performance under the previously applicable performance metric for such Greatbatch RSU award up to the Distribution Date and (B) an Nuvectra RSU award, which shall not be subject to any performance vesting requirement, but shall be subject to a time-based vesting requirement that would be satisfied at the end of what was the applicable performance period of the relevant Greatbatch RSU.

1. Miscellaneous Award Terms. After the Distribution Date, Adjusted Greatbatch Awards, regardless of by whom held, shall be settled by Greatbatch, and Nuvectra Awards, regardless of by whom held, shall be settled by Nuvectra; provided, however, that Greatbatch shall be, if applicable, responsible for any dividend equivalent payments with respect to Adjusted Greatbatch RSAs and Adjusted Greatbatch RSUs and Nuvectra RSAs and Nuvectra RSUs held by Greatbatch Employees or Former Greatbatch Employees, and Nuvectra shall be, if applicable, responsible for any dividend equivalent payments with respect to Adjusted Greatbatch RSAs and Adjusted Greatbatch RSUs and Nuvectra RSAs and Nuvectra RSUs held by Nuvectra Employees or Former Nuvectra Employees. Except as otherwise provided in this Agreement (such as in Section 3.2(d) or Section 4.3), with respect to awards adjusted pursuant to this Section 3.2, (i) employment with the Greatbatch Group shall be treated as employment with the Nuvectra Group with respect to Nuvectra Awards held by Greatbatch Employees, and (ii) employment with the Nuvectra Group shall be treated as employment with the Greatbatch Group with respect to Adjusted Greatbatch Awards held by Nuvectra Employees. In addition, none of
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the Separation, the Distribution, or any employment transfer described in Section 2.1 shall constitute a termination of employment for any Employee for purposes of any Greatbatch Award or any Adjusted Greatbatch Award. Following the Distribution Date, any reference to a “change in control,” “change of control” or similar definition in an award agreement, employment agreement or Greatbatch Legacy Equity Plan (A) with respect to Adjusted Greatbatch Awards, shall be deemed to refer to a “change in control,” “change of control” or similar definition as set forth in the award agreement, employment agreement or Greatbatch Legacy Equity Plan applicable to such award (a “Greatbatch Change of Control”), and (B) with respect to Nuvectra Awards, shall be deemed to refer to a “Change in Control” as defined in the Nuvectra Equity Plan (a “Nuvectra Change of Control”). Without limiting the foregoing, with respect to provisions related to vesting of awards, a Greatbatch Change of Control shall be treated as a Nuvectra Change of Control for purposes of Nuvectra Awards held by Greatbatch Employees, and a Nuvectra Change of Control shall be treated as an Greatbatch Change of Control for purposes of Adjusted Greatbatch Awards held by Nuvectra Employees.

1. Tax Reporting and Withholding. Following the Distribution Date, and for the duration of the applicable Transition Services Agreement provisions under which Greatbatch provides payroll services for Nuvectra, it is expected that (i) Greatbatch will be responsible for all income, payroll and other tax remittance and reporting related to income of Greatbatch Employees, Former Greatbatch Employees, including in respect of Adjusted Greatbatch Awards and Nuvectra Awards, and individuals who are or were Greatbatch non-employee directors, including in respect of Adjusted Greatbatch Awards and Nuvectra Awards, and (ii) Nuvectra will be responsible for all income, payroll and other tax remittance and reporting related to income of Nuvectra Employees and Former Nuvectra Employees in respect of Adjusted Greatbatch Awards and Nuvectra Awards. Greatbatch or Nuvectra, as applicable, shall facilitate performance by the other Party of its obligations hereunder by promptly remitting amounts or shares withheld in conjunction with a transfer of shares or cash, either (as mutually agreed by the Parties) directly to the applicable taxing authority or to the other Party for remittance to such taxing authority. The Parties will cooperate and communicate with each other and with third-party providers to effectuate withholding and remittance of taxes, as well as required tax reporting, in a timely, efficient and appropriate manner.
2. Equity-Based Awards in Certain Non-U S. Jurisdictions. Notwithstanding the foregoing provisions of this Section 3.2, the Parties may mutually agree, in their sole discretion, not to adjust certain outstanding equity-based awards under the Greatbatch Legacy Equity Plans pursuant to the foregoing provisions of this Section 3.2, where those actions would create or trigger adverse legal, accounting or tax consequences for Greatbatch, Nuvectra, or the affected non-U.S. award holders. In such circumstances, Greatbatch or Nuvectra may take any action necessary or advisable to prevent any such adverse legal, accounting or tax consequences, including, but not limited to, agreeing that the outstanding awards under the Greatbatch Legacy Equity Plan of the affected non-U.S. award holders shall terminate in accordance with the terms of the Greatbatch Legacy Equity Plan and the underlying award agreements, in which case Nuvectra or Greatbatch, as applicable, shall equitably compensate the affected non-U.S. award holders in an alternate manner determined by Nuvectra or Greatbatch, as applicable, in its sole discretion, or apply an alternate adjustment method. Where and to the extent required by applicable Law or tax considerations outside the United States, the adjustments described in this Section 3.2 shall be deemed to have been effectuated immediately prior to the Distribution Date.
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Section 3.3 *Section* 1*6(b) of the Exchange Act; Code Sections 162(m) and 409A.*

1. By approving the adoption of this Agreement, the respective boards of directors of Greatbatch and Nuvectra intend to exempt from the short-swing profit recovery provisions of Section 16(b) of the Exchange Act, by reason of the application of Rule 16b-3 thereunder, all acquisitions and dispositions of equity incentive awards by directors and executive officers of each of Greatbatch and Nuvectra, and the respective boards of directors of Greatbatch and Nuvectra also intend to expressly approve, in respect of any equity-based award, the use of any method for the payment of an exercise price and the satisfaction of any applicable tax withholding (specifically including the actual or constructive tendering of shares in payment of an exercise price and the withholding of option shares from delivery in satisfaction of applicable tax withholding requirements) to the extent such method is permitted under the applicable equity incentive plan and award agreement.
2. Notwithstanding anything in this Agreement to the contrary, Greatbatch and Nuvectra agree to negotiate in good faith regarding the need for any treatment different from that otherwise provided herein to ensure that (i) a federal income tax deduction for the payment of any annual incentive or long-term incentive award, or other compensation is not limited by reason of Code Section 162(m), and (ii) the treatment of such annual incentive or long-term incentive award, or other compensation does not cause the imposition of a tax under Code Section 409A.

Section 3.4 *Cash Incentive Awards*. Nuvectra shall assume and perform all liabilities with respect to the participation of each Nuvectra Employee in any cash-based annual bonus or other cash incentive compensation plan of Greatbatch (including, for avoidance of doubt, any cash-based transition bonus agreement or arrangement entered into in connection with the Distribution) with respect to performance periods that are ongoing as of the Distribution Date. Greatbatch shall, as it determines in its sole discretion, (i) pay each Nuvectra Employee directly for any amount owed or (ii) reimburse Nuvectra in full after Nuvectra’s payment in full of each amount owed to a Nuvectra Employee, in either case, that was earned for fiscal year 2015 performance under Greatbatch’s cash incentive compensation plan.

ARTICLE IV

GENERAL PRINCIPLES FOR ALLOCATION OF LIABILITIES

Section 4.1 *General Principles.*

1. Except as otherwise provided in this Agreement, each member of the Greatbatch Group and each member of the Nuvectra Group shall take any and all reasonable action as shall be necessary or appropriate so that active participation in the Greatbatch 401(k) Plan and Greatbatch Welfare Plans by all Nuvectra Employees and Former Nuvectra Employees shall terminate in connection with the Distribution effective as of 11:59 p.m. on the day immediately preceding the Distribution Date, and each member of the Nuvectra Group shall cease to be a participating employer under the terms of such Greatbatch 401(k) Plan and Greatbatch Welfare Plans as of such time. Except as otherwise provided in this Agreement, one or more members of the Nuvectra Group (as designated by Nuvectra) shall assume, effective as of the Distribution
   * 14 -

Date, all employee benefits liabilities for Nuvectra Employees and Former Nuvectra Employees, and the assets relating to such employee benefits for Nuvectra Employees and Former Nuvectra Employees, if any, shall be transferred to one or more members of the Nuvectra Group (as designated by Nuvectra); and one or more members of the Greatbatch Group (as designated by Greatbatch) shall continue to be responsible for or assume all employee benefits liabilities for Greatbatch Employees and Former Greatbatch Employees and the assets relating to such employee benefits for Greatbatch Employees and Former Greatbatch Employees shall be transferred to or continue to be held by one or more members of the Greatbatch Group (as designated by Greatbatch).

1. Except as otherwise provided in this Agreement, effective as of the day after the Distribution Date, one or more members of the Nuvectra Group (as determined by Nuvectra) shall assume or continue the sponsorship of, and no member of the Greatbatch Group shall have any further liability for or under, the following agreements, obligations and liabilities, and Nuvectra shall indemnify each member of the Greatbatch Group, and the officers, directors, and employees of each member of the Greatbatch Group, and hold them harmless with respect to such agreements, obligations or liabilities:
   1. any and all individual agreements entered into between any member of the Greatbatch Group and any Nuvectra Employee or Former Nuvectra

Employee;

* 1. any and all agreements entered into between any member of the Greatbatch Group and any individual who is an independent contractor providing services primarily for the business activities of the Nuvectra Group;
  2. any and all wages, salaries, incentive compensation (as the same may be modified by this Agreement), commissions and bonuses payable to any Nuvectra Employees or Former Nuvectra Employees after the Distribution Date, without regard to when such wages, salaries, incentive compensation, commissions and bonuses are or may have been earned;
  3. any and all moving expenses and obligations related to relocation, repatriation, transfers or similar items incurred by or owed to any Nuvectra Employees or Former Nuvectra Employees, whether or not accrued as of the Distribution Date (other than such expenses and obligations incurred by Greatbatch on or prior to the Distribution Date as a result of which there is an existing liability as of the Distribution Date);
  4. any and all immigration-related, visa, work application or similar rights, obligations and liabilities related to any Nuvectra Employees or Former Nuvectra Employees; and
  5. any and all liabilities and obligations whatsoever with respect to claims made by or with respect to any Nuvectra Employees or Former Nuvectra Employees in connection with any employee benefit plan, program or policy not otherwise retained or assumed by any member of the Greatbatch Group pursuant to this Agreement, including such liabilities relating to actions or omissions of or by any member of the Nuvectra Group or any officer, director, employee or agent thereof on or prior to the Distribution Date.
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1. Except as otherwise provided in this Agreement, effective as of the day after the Distribution Date, no member of the Nuvectra Group shall have any further liability for, and Greatbatch shall indemnify each member of the Nuvectra Group, and the officers, directors, and employees of each member of the Nuvectra Group, and hold them harmless with respect to any and all liabilities and obligations whatsoever with respect to, claims made by or with respect to any Greatbatch Employees or Former Greatbatch Employees in connection with any employee benefit plan, program or policy not otherwise retained or assumed by any member of the Nuvectra Group pursuant to this Agreement, including such liabilities relating to actions or omissions of or by any member of the Greatbatch Group or any officer, director, employee or agent thereof on or prior to the Distribution Date.
2. This Agreement is not intended and shall not create any third party rights or provide any Nuvectra Employee, Former Nuvectra Employee, Greatbatch Employee or Former Greatbatch Employee (or any beneficiary or dependent thereof) with any rights to any specific benefits or, in the case of active employees, continued employment.

Section 4.2 *Sponsorship and/or Establishment of Nuvectra Plans*. Except as otherwise provided in this Agreement, sponsorship of benefit plans that cover solely Nuvectra Employees, and to the extent applicable, Former Nuvectra Employees, shall become effective on the Distribution Date by the member of the Nuvectra Group as identified in this Agreement, and to the extent necessary to achieve such sponsorship, each member of the Greatbatch Group and each member of the Nuvectra Group shall take appropriate action, including transfer of sponsorship of each such plan.

Section 4.3 *Service Credit.*

1. Service for Eligibility and Vesting Purposes. Except as otherwise provided in any other provision of this Agreement, for purposes of eligibility and vesting under the Nuvectra 401(k) Plan and Nuvectra Welfare Plans, Nuvectra shall, and shall cause each member of the Nuvectra Group to, credit each Nuvectra Employee and Former Nuvectra Employee with service for any period of employment with any member of the Greatbatch Group on or prior to the Distribution Date to the same extent that such service would be credited for the same purpose if it had been performed for a member of the Nuvectra Group.
2. Service for Benefit Purposes. Except as otherwise provided in any other provision of this Agreement, for purposes of benefit levels and accruals and benefit commencement entitlements under the Nuvectra 401(k) Plan, Nuvectra shall, and shall cause each member of the Nuvectra Group to, credit each Nuvectra Employee and Former Nuvectra Employee with service for any period of employment with any member of the Greatbatch Group on or prior to the Distribution Date to the same extent that such service is taken into account for the same purpose pursuant to the terms of the Greatbatch 401(k) Plan.
3. Evidence of Prior Service. Notwithstanding anything to the contrary, but subject to applicable law, upon reasonable request by one Party to the other Party, the first Party will provide to the other Party information relating to and confirming service for purposes of seniority (or seniority date) and service date for such Employees for purposes of determining benefit eligibility, participation, vesting and calculation of benefits with respect to any Employee.
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Section 4.4 *Plan Administration*.

1. Transition Services. The Parties acknowledge that the Greatbatch Group may provide administrative services for certain of the Nuvectra Group’s benefit programs for a transitional period under the terms of the Transition Services Agreement. The Parties agree to enter into a business associate agreement (if required by applicable health information privacy laws) in connection with such administrative services.
2. Administration. Nuvectra shall use commercially reasonable efforts to, and shall cause each member of the Nuvectra Group to use commercially reasonable efforts to, administer its benefit plans in a manner that does not jeopardize the tax-favored status of the tax-favored benefit plans maintained by any member of the Greatbatch Group. Greatbatch shall use commercially reasonable efforts to, and shall cause each member of the Greatbatch Group to use commercially reasonable efforts to, administer its benefit plans in a manner that does not jeopardize the tax-favored status of the tax-favored benefit plans maintained by any member of the Nuvectra Group.

ARTICLE V

401(K) PLANS

Section 5.1 *General Principles*. Effective on or before the Distribution Date or as soon as administratively practicable after the Distribution Date, Nuvectra (or another member of the Nuvectra Group) shall establish and adopt a qualified employee cash or deferred arrangement under Code Section 401(k) (the “Nuvectra 401(k) Plan”) intended to be qualified under Code Section 401(a) for the benefit of Nuvectra Employees and Former Nuvectra Employees who were participants (or former participants with a remaining account balance) in the Greatbatch 401(k) Plan as of the Distribution Date (and each beneficiary and alternate payee of such person) (the “Nuvectra 401(k) Plan Beneficiaries”). Each Nuvectra Employee who was an active participant in the Greatbatch 401(k) Plan on the Distribution Date shall participate in the Nuvectra 401(k) Plan in accordance with the terms of the Nuvectra 401(k) Plan. Nuvectra Employees and Former Nuvectra Employees shall not make or receive additional contributions under the Greatbatch 401(k) Plan for payroll periods commencing on or after the Distribution Date. A Greatbatch Employee or Former Greatbatch Employee shall not participate in the Nuvectra 401(k) Plan.

Section 5.2 *Transfer of Accounts*. On or as soon as practicable after the Distribution Date (or such later time as mutually agreeable to Greatbatch and Nuvectra), Greatbatch shall cause to be transferred from the trust under the Greatbatch 401(k) Plan to the trust under the Nuvectra 401(k) Plan the aggregate amount that was credited to the accounts of the Nuvectra 401(k) Plan Beneficiaries as of such transfer date. The transfer may, to the extent reasonably possible, be an in-kind transfer, subject to the reasonable consent of the trustee of the Nuvectra 401(k) Plan trust and shall include the transfer of the aggregate value of assets held in the accounts relating to each Nuvectra 401(k) Plan Beneficiary under the Greatbatch 401(k) Plan and any participant loan

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notes held under such plans. The transfer of assets shall be conducted in accordance with Code Section 414(l), Treasury Regulation Section 1.414(l)-1 and ERISA Section 208. During the period after the Distribution Date and before such transfer of assets, with respect to any Nuvectra Employee or Former Nuvectra Employee who has an outstanding loan balance under the Greatbatch 401(k) Plan, Greatbatch shall provide that any amount received as payment on any such loan, in accordance with its terms, is timely remitted as directed by the administrator of the Greatbatch 401(k) Plan for crediting under the Greatbatch 401(k) Plan in respect of such loan, and Greatbatch shall cause the administrator of the Greatbatch 401(k) Plan to apply such amounts in satisfaction of such loan.

Section 5.3 *Employer Securities*. Greatbatch presently intends to preserve the right, for a period of time, of Greatbatch Employees to receive distributions in kind from the Greatbatch 401(k) Plan if, and to the extent, investments under such plan is comprised of Greatbatch Common Stock or Nuvectra Common Stock. Greatbatch shall determine the extent to which and when Nuvectra Common Stock shall cease to be an investment alternative under the Greatbatch 401(k) Plan.

Section 5.4 *Third-Party Vendors*. Except as provided below, to the extent the Greatbatch 401(k) Plan is administered by a third-party vendor, Greatbatch and Nuvectra will cooperate and use their commercially reasonable efforts to replicate any contract with such third-party vendor for Nuvectra and to maintain any pricing discounts or other preferential terms for both Greatbatch and Nuvectra for a reasonable term with respect to such vendor. Neither Party shall be liable for failure to obtain such pricing discounts or other preferential terms for the other Party with respect to any third-party vendors. Each Party shall be responsible for any additional charges or administrative fees that such Party may incur pursuant to this Section 5.4.

ARTICLE VI

WELFARE PLANS

Section 6.1 *Establishment of Nuvectra Welfare Plans*.

1. The members of the Nuvectra Group who are participating employers under the Greatbatch Welfare Plan on the day immediately preceding the Distribution Date (“Participating Nuvectra Employers”) shall, on or before 11:59 p.m. on that date, withdraw from such participation. Nuvectra and/or the Participating Nuvectra Employers (with Nuvectra included in the definition of Participating Nuvectra Employers for purposes of this Article VI) shall establish a comprehensive welfare benefit program (“Nuvectra Welfare Plan”) for the benefit of Nuvectra Employees and Former Nuvectra Employees who were eligible for coverage under the Greatbatch Welfare Plan as of the Distribution Date (“Nuvectra Welfare Plan Participants”). The Nuvectra Welfare Plan shall be effective as of the Distribution Date, except for the health and dependent care flexible spending accounts, which shall be effective as soon as administratively practicable following the Distribution Date. The Nuvectra Welfare Plan shall include the following benefits:
   1. A high deductible health plan within the meaning of Code § 223(c)(2)(A) and related Internal Revenue Service guidance;
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1. A cafeteria plan that meets the requirements of Code § 125 that includes a premium conversion feature, general purpose and limited purpose health flexible spending accounts, health savings account contributions, and a dependent care flexible spending account;
2. Dental benefits;
3. Vision benefits;
4. Short term and long term disability benefits;
5. Life and accidental death and dismemberment insurance, including basic employer paid life and accidental death and dismemberment insurance, supplemental employee life insurance, and optional dependent life insurance; and
6. Employee assistance program benefits.

Any benefits in addition to those specified above shall be at the option of the members of the Nuvectra Group.

The benefits that comprise the Nuvectra Welfare Plan (and the nonelective employer contributions towards those benefits) need not be substantially similar in all material respects to the similar benefits (and nonelective employer contributions) provided under the Greatbatch Welfare Plan as of the Distribution Date.

1. As a result of withdrawal from participation in the Greatbatch Welfare Plans by the Participating Nuvectra Employers, the Nuvectra Welfare Plan Participants will cease to be eligible for coverage as active Employees under the Greatbatch Welfare Plans at 11:59 p.m. on the day immediately preceding the Distribution Date, and Nuvectra Welfare Plan Participants shall not participate in any Greatbatch Welfare Plans after 11:59 p.m. on that date.

Section 6.2 *Transitional Matters Under Nuvectra Welfare Plans.*

1. Treatment of Incurred Claims.
   1. Insured Benefits. With respect to benefits that, prior to the Distribution Date, were provided for under the Greatbatch Welfare Plans through the purchase of insurance, Greatbatch shall cause the Greatbatch Welfare Plans to fully perform, pay and discharge all claims of Nuvectra Welfare Plan Participants that were incurred prior to the Distribution Date.
   2. Uninsured/Self-Insured Benefits. Except as otherwise specifically provided in this Agreement, Greatbatch shall retain all Liabilities relating to Incurred Claims under the Greatbatch Welfare Plans, and shall also retain Assets (including, without limitation, Medicare reimbursements, pharmaceutical rebates, and similar items) associated with such Incurred Claims. Nuvectra shall be responsible for all Liabilities relating to Incurred Claims under any Nuvectra Welfare Plan and shall also retain Assets (including, without limitation, Medicare reimbursements, pharmaceutical rebates, and similar items) associated with such Incurred Claims.
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* 1. Incurred Claims. For purposes of this Section 6.2(a), an “Incurred Claim” is deemed to be incurred (A) with respect to medical, dental, vision and/or prescription drug benefits, upon the rendering of health services giving rise to such claim or liability; (B) with respect to life insurance, accidental death and dismemberment and business travel accident insurance, upon the occurrence of the event giving rise to such claim or liability; and (C) with respect to long-term disability benefits, upon the date of an individual’s disability, as determined by the disability benefit insurance carrier, giving rise to such claim or liability.

1. COBRA. Notwithstanding any other provision of this Agreement to the contrary, for the avoidance of doubt, and other than for individuals (and their qualified beneficiaries) identified on Schedule 6.2(b), the Nuvectra Group (which, for this purpose, is the “Buying Group” as defined in Treas. Reg. section 54.4980B-9) will be responsible for providing any required COBRA notices, and for providing COBRA continuation coverage, to all individuals who are “M&A qualified beneficiaries” (as defined in Treas. Reg. section 54.4980B-9) with respect to the transactions contemplated by this Agreement and the group health plans maintained by the Greatbatch Group (which, for this purpose is the “Selling Group” as defined in Treas. Reg. section 54.4980B-9). If and to the extent that the Buying Group fails to comply with its obligations under this paragraph, each member of the Buying Group will be jointly and severally liable to the Selling Group for all costs, expenses, and liabilities incurred by any member of the Selling Group however characterized (including benefits paid to M&A qualified beneficiaries which the Selling Group’s group health plans would not otherwise have been required to pay).

Section 6.3 *Credit for Deductibles Under Medical and Dental Plans*. Individuals enrolled in the Greatbatch medical and dental plans during the 2016 calendar year, will receive credit under the deductible provisions of the Nuvectra medical and dental plan for out-of-pocket expenses incurred while covered under the Greatbatch Welfare Plan provided the expenses would have been paid by both the Greatbatch Welfare Plan and the Nuvectra Welfare Plan but for the application of their deductible limits.

Section 6.4 *Insurance Contracts*. To the extent any Greatbatch Welfare Plan is funded through the purchase of an insurance contract or is subject to any stop loss contract, Greatbatch and Nuvectra will cooperate and use their commercially reasonable efforts to replicate such insurance contracts for Nuvectra (except to the extent changes are required under applicable state insurance laws) and to maintain any pricing discounts or other preferential terms for both Greatbatch and Nuvectra for a reasonable term under such contracts. Neither Party shall be liable for failure to obtain such pricing discounts or other preferential terms for the other Party under any insurance contracts. Each Party shall be responsible for any additional premiums, charges or administrative fees that such Party may incur pursuant to this Section 6.4.

Section 6.5 *Third-Party Vendors*. Except as provided below, to the extent any Greatbatch Welfare Plan is administered by a third-party vendor, Greatbatch and Nuvectra will cooperate and use their commercially reasonable efforts to replicate any contract with such third-party vendor for Nuvectra and to maintain any pricing discounts or other preferential terms for both Greatbatch and Nuvectra for a reasonable term with respect to such vendor. Neither Party shall be liable for failure to obtain such pricing discounts or other preferential terms for the other Party with respect to any third-party vendors. Each Party shall be responsible for any additional premiums, charges or administrative fees that such Party may incur pursuant to this Section 6.5.

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ARTICLE VII

WORKERS’ COMPENSATION AND UNEMPLOYMENT COMPENSATION

Effective as of the Distribution Date, Nuvectra shall have (and, to the extent it has not previously had such obligations, assume) the obligations for all claims and liabilities relating to workers’ compensation and unemployment compensation benefits for all Nuvectra Employees and Former Nuvectra Employees. Nuvectra shall use commercially reasonable efforts to provide that workers’ compensation and unemployment insurance costs are not adversely affected for either Party by reason of the Distribution.

ARTICLE VIII

EMPLOYMENT AGREEMENTS, SEVERANCE AND OTHER MATTERS

Section 8.1 *Employment Agreements*. Effective as of the Distribution Date, Nuvectra hereby assumes Greatbatch’s rights and obligations arising under the employment agreements described in Schedule 8.l and agrees to honor the terms and conditions of those agreements applicable to Nuvectra as a successor under the terms of such agreements. The terms of the employment agreements shall in all other respects be unaffected. The Parties agree that the Nuvectra Employees who are covered by employment agreements described above are express third party beneficiaries of this Section 8.1.

Section 8.2 *Severance.*

1. Except as otherwise provided in this Agreement, immediately following the Distribution, Greatbatch shall have no liability or obligation under any Greatbatch severance plan, program, or policy with respect to Nuvectra Employees or Former Nuvectra Employees.
2. Except as otherwise provided in this Agreement, effective after the Distribution Date, Nuvectra shall assume and shall be responsible for administering all payments and benefits under the applicable Greatbatch severance policies or any termination agreements with Former Nuvectra Employees whose employment terminated prior to the Distribution Date for an eligible reason under such policies or in accordance with such agreements.

Section 8.3 *Accrued Time Off*. Nuvectra shall recognize and assume all liability for all vacation, holiday, sick leave, flex days, personal days and paid-time off with respect to Nuvectra Employees, and Nuvectra shall credit each Nuvectra Employee with such accrual.

Section 8.4 *Leaves of Absence*. Nuvectra will continue to apply leave of absence policies applicable to inactive Nuvectra Employees who are on an approved leave of absence as of the Distribution Date that are substantially similar in all material respects to those that were applied by Greatbatch prior to the Distribution Date. Leaves of absence taken by Nuvectra Employees prior to the Distribution Date shall be deemed to have been taken as employees of a member of the Nuvectra Group.

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Section 8.5 *Restrictive Covenants in Employment and Other Agreements.*

1. To the fullest extent permitted by the agreements described in this Section 8.5(a) and applicable law, Greatbatch shall assign, or cause any member of the Greatbatch Group to assign, to Nuvectra or a member of the Nuvectra Group, as designated by Nuvectra, all agreements containing restrictive covenants (including confidentiality and non-competition provisions) between a member of the Greatbatch Group and a Nuvectra Employee or Former Nuvectra Employee, with such assignment effective as of the Distribution Date. To the extent that assignment of such agreements is not permitted, effective as of the Distribution Date, each member of the Nuvectra Group shall be considered to be a successor to each member of the Greatbatch Group for purposes of, and a third-party beneficiary with respect to, all agreements containing restrictive covenants (including confidentiality and non-competition provisions) between a member of the Greatbatch Group and a Nuvectra Employee or Former Nuvectra Employee whom Nuvectra reasonably determines have substantial knowledge of the business activities of the Nuvectra Group, such that each member of the Nuvectra Group shall enjoy all the rights and benefits under such agreements (including rights and benefits as a third-party beneficiary), with respect to the business operations of the Nuvectra Group; provided, however, that in no event shall Greatbatch be permitted to enforce such restrictive covenant agreements against Nuvectra Employees or Former Nuvectra Employees for action taken in their capacity as employees of a member of the Nuvectra Group.
2. To the fullest extent permitted by the agreements described in this Section 8.5(b) and applicable law, Nuvectra shall assign, or cause any member of the Nuvectra Group to assign, to Greatbatch or a member of the Greatbatch Group, as designated by Greatbatch, all agreements containing restrictive covenants (including confidentiality and non-competition provisions) between a member of the Nuvectra Group and a Greatbatch Employee or Former Greatbatch Employee, with such assignment effective as of the Distribution Date. To the extent that assignment of such agreements is not permitted, effective as of the Distribution Date, each member of the Greatbatch Group shall be considered to be a successor to each member of the Nuvectra Group for purposes of, and a third-party beneficiary with respect to, all agreements containing restrictive covenants (including confidentiality and non-competition provisions) between a member of the Nuvectra Group and a Greatbatch Employee or Former Greatbatch Employee whom Greatbatch reasonably determines have substantial knowledge of the business activities of the Greatbatch Group, such that Greatbatch and each member of the Greatbatch Group shall enjoy all the rights and benefits under such agreements (including rights and benefits as a third-party beneficiary), with respect to the business operations of the Greatbatch Group; provided, however, that in no event shall Nuvectra be permitted to enforce such restrictive covenant agreements against Greatbatch Employees or Former Greatbatch Employees for action taken in their capacity as employees of a member of the Greatbatch Group.
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ARTICLE IX

MISCELLANEOUS

Section 9.1 *Preservation of Rights to Amend*. The rights of each member of the Greatbatch Group and each member of the Nuvectra Group to amend, waive, or terminate any plan, arrangement, agreement, program, or policy referred to herein shall not be limited in any way by this Agreement.

Section 9.2 *Confidentiality*. Each Party agrees that any information conveyed or otherwise received by or on behalf of a Party in conjunction herewith that is not otherwise public through no fault of such Party is confidential and is subject to the terms of the confidentiality provisions set forth in the Separation Agreement.

Section 9.3 *Administrative Complaints/Litigation*. Except as otherwise provided in this Agreement, on and after the Distribution Date, Nuvectra shall assume, and be solely liable for, the handling, administration, investigation and defense of actions, including ERISA, occupational safety and health, employment standards, union grievances, wrongful dismissal, discrimination or human rights and unemployment compensation claims asserted at any time against Greatbatch or any member of the Greatbatch Group by any Nuvectra Employee or Former Nuvectra Employee (including any dependent or beneficiary of any such Employee) or any other person, to the extent such actions or claims arise out of or relate to employment or the provision of services (whether as an employee, contractor, consultant or otherwise) to or with respect to the business activities of any member of the Nuvectra Group, whether or not such employment or services were performed before or after the Distribution. To the extent that any legal action relates to a putative or certified class of plaintiffs, which includes both Greatbatch Employees (or Former Greatbatch Employees) and Nuvectra Employees (or Former Nuvectra Employees) and such action involves employment or benefit plan related claims, reasonable costs and expenses incurred by the Parties in responding to such legal action shall be allocated among the Parties equitably in proportion to a reasonable assessment of the relative proportion of Employees included in or represented by the putative or certified plaintiff class. The procedures contained in the indemnification and related litigation cooperation provisions of the Separation Agreement shall apply with respect to each Party’s indemnification obligations under this Section 9.3.

Section 9.4 *Reimbursement and Indemnification*. Greatbatch and Nuvectra each agree to reimburse the other Party, within 30 days of receipt from the other Party of reasonable verification, for all costs and expenses which the other Party may incur on its behalf as a result of any of the respective Greatbatch and Nuvectra Welfare Plans (including, but not limited to, Nuvectra’s reimbursement of Greatbatch for all COBRA liabilities for Nuvectra Employees and Former Nuvectra Employees), 401(k) Plan and, as contemplated by Section 8.2, any termination or severance payments or benefits. All liabilities retained, assumed or indemnified against by Nuvectra pursuant to this Agreement, and all liabilities retained, assumed or indemnified against by Greatbatch pursuant to this Agreement, shall in each case be subject to the indemnification provisions of the Separation Agreement. Notwithstanding anything to the contrary, (i) no provision of this Agreement shall require any member of the Nuvectra Group to pay or reimburse to any member of the Greatbatch Group any benefit-related cost item that a member of

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the Nuvectra Group has previously paid or reimbursed to any member of the Greatbatch Group; and (ii) no provision of this Agreement shall require any member of the Greatbatch Group to pay or reimburse to any member of the Nuvectra Group any benefit-related cost item that a member of the Greatbatch Group has previously paid or reimbursed to any member of the Nuvectra Group.

Section 9.5 *Costs of Compliance with Agreement*. Except as otherwise provided in this Agreement or any other Ancillary Agreement, each Party shall pay its own expenses in fulfilling its obligations under this Agreement.

Section 9.6 *Fiduciary Matters*. Greatbatch and Nuvectra each acknowledge that actions required to be taken pursuant to this Agreement may be subject to fiduciary duties or standards of conduct under ERISA or other applicable law, and no Party shall be deemed to be in violation of this Agreement if it fails to comply with any provisions hereof based upon its good faith determination (as supported by advice from counsel experienced in such matters) that to do so would violate such a fiduciary duty or standard. Each Party shall be responsible for taking such actions as are deemed necessary and appropriate to comply with its own fiduciary responsibilities and shall fully release and indemnify the other Party for any liabilities caused by the failure to satisfy any such responsibility.

Section 9.7 *Form S-8*. Before the Distribution or as soon as reasonably practicable thereafter and subject to applicable law, Nuvectra shall prepare and file with the SEC a registration statement on Form S-8 (or another appropriate form) registering under the Securities Act of 1933, as amended, the offering of a number of shares of Nuvectra Common Stock at a minimum equal to the number of shares subject to the Nuvectra Options, the Nuvectra RSAs and the Nuvectra RSUs. Nuvectra shall use commercially reasonable efforts to cause any such registration statement to be kept effective (and the current status of the prospectus or prospectuses required thereby shall be maintained) as long as any Nuvectra Options, Nuvectra RSAs, or Nuvectra RSUs may remain outstanding.

Section 9.8 *Entire Agreement*. This Agreement, together with the documents referenced herein (including the Separation Agreement, any other Ancillary Agreements and the plans and agreements referenced herein), constitutes the entire agreement and understanding among the Parties with respect to the subject matter hereof and supersedes all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof. To the extent any provision of this Agreement conflicts with the provisions of the Separation Agreement, the provisions of this Agreement shall be deemed to control with respect to the subject matter hereof.

Section 9.9 *Binding Effect*; *No Third-Party Beneficiaries; Assignment*. This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns. Except as otherwise expressly provided in this Agreement, this Agreement is solely for the benefit of the Parties and should not be deemed to confer upon any third parties any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to this Agreement. Nothing in this Agreement is intended to amend any employee benefit plan or affect the applicable plan sponsor’s right to amend or terminate any employee benefit plan pursuant to the terms of such plan. Except as otherwise provided in

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Section 8.1, the provisions of this Agreement are solely for the benefit of the Parties, and no current or former Employee, officer, director or independent contractor or any other individual associated therewith shall be regarded for any purpose as a third-party beneficiary of this Agreement. This Agreement may not be assigned by any Party, except with the prior written consent of the other Party.

Section 9.10 *Amendment; Waivers*. No change or amendment may be made to this Agreement except by an instrument in writing signed on behalf of each of the Parties. Any Party may, at any time, (a) extend the time for the performance of any of the obligations or other acts of another Party, (b) waive any inaccuracies in the representations and warranties of another Party contained herein or in any document delivered pursuant hereto, and (c) waive compliance by another Party with any of the agreements, covenants or conditions contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the Party to be bound thereby. No failure or delay on the part of any Party in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty, covenant or agreement contained herein, nor shall any single or partial exercise of any such right preclude other or further exercises thereof or of any other right.

Section 9.11 *Remedies Cumulative*. All rights and remedies existing under this Agreement or the Schedules attached hereto are cumulative to, and not exclusive of, any rights or remedies otherwise available.

Section 9.12 *Notices*. Unless otherwise expressly provided herein, all notices, claims, certificates, requests, demands and other communications hereunder shall be in writing and shall be deemed to be duly given: (a) when personally delivered, (b) if mailed by registered or certified mail, postage prepaid, return receipt requested, on the date the return receipt is executed or the letter is refused by the addressee or its agent, (c) if sent by overnight courier which delivers only upon the executed receipt of the addressee, on the date the receipt acknowledgment is executed or refused by the addressee or its agent, or (d) if sent by facsimile or electronic mail, on the date confirmation of transmission is received (provided that a copy of any notice delivered pursuant to this clause (d) shall also be sent pursuant to clause (a), (b) or (c)), addressed to the attention of the addressee’s General Counsel at the address of its principal executive office or to such other address or facsimile number for a Party as it shall have specified by like notice.

Section 9.13 *Counterparts; Facsimile Signatures*. This Agreement, including the Schedules hereto and the other documents referred to herein, may be executed in multiple counterparts, each of which when executed shall be deemed to be an original but all of which together shall constitute one and the same agreement. Delivery of an executed signature page to this Agreement, and any of the other agreements, documents and instruments contemplated hereby, by facsimile transmission shall be as effective as delivery of a manually signed counterpart hereof or thereof.

Section 9.14 *Severability*. If any term or other provision of this Agreement or the Schedules attached hereto is determined by a non-appealable decision by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and

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effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the court, administrative agency or arbitrator shall interpret this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible. If any sentence in this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only as broad as is enforceable.

Section 9.15 *Governing Law*. To the extent not preempted by applicable federal law, this Agreement shall be governed by, and construed and enforced in accordance with, the substantive laws of the State of Delaware without regard to any conflicts of law provisions thereof that would result in the application of the laws of any other jurisdiction.

Section 9.16 *Performance*. Each of Greatbatch and Nuvectra shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any member of the Greatbatch Group and any member of the Nuvectra Group, respectively. The Parties each agree to take such further actions and to execute, acknowledge and deliver, or to cause to be executed, acknowledged and delivered, all such further documents as are reasonably requested by the other for carrying out the purposes of this Agreement or of any document delivered pursuant to this Agreement.

Section 9.17 *Construction*. This Agreement shall be construed as if jointly drafted by the Parties and no rule of construction or strict interpretation shall be applied against any Party.

Section 9.18 *Effect if Distribution Does Not Occur*. Notwithstanding anything in this Agreement to the contrary, if the Separation Agreement is terminated prior to the Distribution Date, this Agreement shall be of no further force and effect.

*[SIGNATURE PAGE FOLLOWS]*

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**IN WITNESS WHEREOF**, the Parties have caused this Agreement to be executed in their names by a duly authorized officer as of the date first written above.

GREATBATCH, INC.

|  |  |
| --- | --- |
| By: | /s/ Thomas J. Hook |
| Name: | Thomas J. Hook |
| Title: | President and Chief Executive Officer |

QIG GROUP, LLC

(to be converted into Nuvectra Corporation)

|  |  |
| --- | --- |
| By: | /s/ Scott F. Drees |
| Name: | Scott F. Drees |
| Title: | Chief Executive Officer |

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**Exhibit 99.1**

**Investor Relations Contact:**

Anthony Borowicz



tborowicz@greatbatch.com

tel 716-759-5809

March 14, 2016

**Media Contact:**

Christopher Knospe

cknospe@greatbatch.com

tel 716-759-5727

**Greatbatch Announces Completion of Nuvectra Spin-Off**

FRISCO, Texas – Greatbatch, Inc. (NYSE: GB) today announced that it has successfully completed the spin-off of its subsidiary, QiG Group, LLC, which converted to Nuvectra Corporation just prior to completion of the spin-off. Nuvectra is an independent publicly owned company whose common stock is listed on the Nasdaq Global Market under the symbol “NVTR” and will begin “regular-way” trading today.

“Today’s successful spin-off of Nuvectra marks another point in our strategy to design, develop and manufacture discrete technologies and complete active implantable medical device systems in partnership with customers,” said Greatbatch President and CEO, Thomas J. Hook. “Nuvectra is a valuable partner and customer utilizing an extensive array of intellectual property developed by Greatbatch to improve the quality of life for patients worldwide.”

Nuvectra is a medical device company initially focused on the development and commercialization of a neurostimulation technology platform for the treatment of a variety of neurological disorders. The Algovita® Spinal Cord Stimulation System, approved in the United States and Europe for the treatment of chronic pain of the trunk and limbs, is the company’s first implantable medical device and will be manufactured by Greatbatch under a long term supply agreement.

“This spin-off reaffirms Greatbatch’s commitment to ensuring its strategic priorities remain aligned with stockholders’ best interests while continuing to create enhanced value for customers, healthcare providers and other key stakeholders,” Hook concluded.

###

**About Greatbatch, Inc.**

Greatbatch, Inc. (NYSE:GB) is one of the largest medical device outsource (MDO) manufacturers in the world serving the cardiac, neuromodulation, orthopedics, vascular, advanced surgical and portable medical markets. The company provides innovative, high quality medical technologies that enhance the lives of patients worldwide. In addition, it develops batteries for high-end niche applications in energy, military, and environmental markets. The company’s brands include Greatbatch Medical, Lake Region Medical and Electrochem. Additional information is available at www.greatbatch.com. In October 2015, Greatbatch, Inc. completed its acquisition of Lake Region Medical, with the combined company expected to be renamed Integer Holdings Corporation later this year following stockholder approval.

**Exhibit 99.2**

**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

The following unaudited pro forma condensed combined financial information of Greatbatch, Inc. (“Greatbatch”, the “Company”, “we” or “our”) presents the estimated effects of (i) the completed acquisition of Lake Region Medical Holdings, Inc. (“Lake Region Medical”), (ii) the financing transactions completed in connection with the Lake Region Medical acquisition, and (iii) the completed spin-off of Nuvectra Corporation (“Nuvectra”) (See Note 1). The historical consolidated financial information has been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and is adjusted to give effect to pro forma events that are: directly attributable to the aforementioned transactions; factually supportable; and, with respect to the unaudited pro forma condensed combined statement of operations, expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined financial information should be read in conjunction with the accompanying notes included herein. In addition, the unaudited pro forma condensed combined financial information was based on, and should be read in conjunction with, the financial statements discussed below.

The unaudited pro forma condensed combined statement of operations for the year ended January 1, 2016 is presented as if the spin-off of Nuvectra and the acquisition of Lake Region Medical had occurred on January 3, 2015. For purposes of preparing the unaudited pro forma condensed combined statement of operations for the year ended January 1, 2016, we have utilized the historical Greatbatch consolidated statement of operations for the year ended January 1, 2016 (as filed with the Securities and Exchange Commission (“SEC”) on March 1, 2016), the Lake Region Medical consolidated statement of operations for the period January 3, 2015 through October 27, 2015 (the date of the acquisition of Lake Region Medical), and the historical Nuvectra combined statement of operations for the year ended January 1, 2016 (as filed with the SEC in Nuvectra’s Registration Statement on Form 10 on February 24, 2016) (See Note 2).

The unaudited pro forma condensed combined balance sheet as of January 1, 2016 is presented as if the spin-off of Nuvectra had occurred on that date. The acquisition of Lake Region Medical was completed on October 27, 2015, and therefore is already reflected in the historical consolidated balance sheet of Greatbatch as of January 1, 2016. For purposes of preparing the unaudited pro forma condensed combined balance sheet as of January 1, 2016, we have utilized the historical Greatbatch consolidated balance sheet as of January 1, 2016 (as filed with the SEC on March 1, 2016) and the historical Nuvectra combined balance sheet as of January 1, 2016 (as filed with the SEC in Nuvectra’s Registration Statement on Form 10 on February 24, 2016).

The unaudited pro forma condensed combined financial information is presented for informational purposes only. It does not purport to indicate the results that would have actually been attained had the acquisition of Lake Region Medical or the spin-off of Nuvectra occurred on the assumed dates or for the periods presented, or the results that we may realize in the future. The acquisition of Lake Region Medical has been treated as a business combination in accordance with FASB Accounting Standard Codification 805, “Business Combinations” (“ASC 805”). The unaudited pro forma condensed combined financial statements include pro forma adjustments that are based on the most recently available information and assumptions that our management believes are factually supportable, as described in the accompanying notes. Actual results may differ materially from the assumptions made within the accompanying unaudited pro forma condensed combined financial information. To the extent that additional information becomes available, and as additional analysis is performed, the assumptions and estimates included herein could change significantly.

The following unaudited pro forma condensed combined financial statements reflect pro forma adjustments which are described in the accompanying notes.

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**

**GREATBATCH, INC.**

**FOR THE YEAR ENDED JANUARY 1, 2016**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Lake Region** | | |  |  | **Lake Region** | | **Merger and** | | |  | **Financing and** | | |  |  | **Greatbatch, Inc.** | | |  | **Nuvectra** | | |  | **Nuvectra** | |  | **Greatbatch, Inc.** | | |  |
|  |  | **Greatbatch, Inc.** | | |  |  | **Adjusted** | |  |  |  | **Related** | |  |  | **Related** | |  |  |  | **Adjusted** | | |  |  |  | **Post Spin-Off** | |  |
| ***(in thousands, except*** |  |  |  | **Historical** | |  | **Reclassifications** | | | **Pro Forma** | | |  |  | **Pro Forma** | |  |  |  | **Pro Forma** | |  | **Historical** | | | **Pro Forma** | | |  |  | **Pro Forma** | |  |
| ***per share data)*** |  |  | **Historical** | |  |  | **(Note 2)** | |  |  | **(Note 2)** | | **Adjustments** | | |  | **Adjustments** | | |  |  |  | **Combined** | |  | **(Note 2)** | | | **Adjustments** | | |  |  | **Combined** | |  |
|  |  |  | **A** |  |  |  | **B** |  |  |  | **C** |  |  | **D** |  |  |  | **E** |  |  |  | **F=A+B+C+D+E** | |  |  |  | **G** |  |  | **H** |  |  |  | **F+G+H** |  |  |
| Sales | $ | | 800,414 | | $ | | 650,505 | | $ | | — | | $ | (4,324) | | 3a $ | | — | |  | $ | | 1,446,595 | | $ | | (3,757) | | $ | — | |  | $ | 1,442,838 |  |  |
| Cost of sales |  |  | 565,279 | |  |  | 493,563 | |  |  | (4,872) | |  | (4,324) | | 3a | | — | |  |  |  | 1,063,656 | |  |  | (1,890) | |  | — | |  |  | 1,061,766 |  |  |
|  |  |  | — | |  |  | — | |  |  | — | |  | 10,561 | | 3b | | — | |  |  |  | — | |  |  | — | |  | — | |  |  | — | |  |
|  |  |  | — |  |  |  | — |  |  |  | — |  |  | 3,449 | | 3c | | — | |  |  |  | — | |  |  | — | |  | — | |  |  | — | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Gross profit (loss) |  |  | 235,135 |  |  |  | 156,942 | |  |  | 4,872 |  |  | (14,010) | |  |  | — | |  |  |  | 382,939 | |  |  | (1,867) | |  | — | |  |  | 381,072 | |  |
| Operating expenses: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Selling, general |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| and administrative |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| expenses |  |  | 102,530 | |  |  | 67,279 | |  |  | (6,458) | |  | 11,219 | | 3b | | — | |  |  |  | 174,962 | |  |  | (6,677) | |  | (360) | | 5b |  | 167,925 | |  |
|  |  |  | — | |  |  | — | |  |  | — | |  | 392 | | 3c | | — | |  |  |  | — | |  |  | — | |  | — | |  |  | — | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Research, development |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| and engineering |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| costs, net |  |  | 52,995 | |  |  | 8,656 | |  |  | (74) | |  | 20 | | 3c | | — | |  |  |  | 61,597 | |  |  | (13,650) | |  | — | |  |  | 47,947 | |  |
| Other operating |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| expenses, net |  |  | 66,464 | |  |  | 25,207 | |  |  | 11,404 |  |  | (18,059) | | 3b | | — | |  |  |  | 49,020 | |  |  | (3,112) | |  | (6,000) | | 5a |  | 39,908 | |  |
|  |  |  | — | |  |  | — | |  |  | — | |  | (35,996) 3d | | | | — | |  |  |  | — | |  |  | — | |  | — | |  |  | — | |  |
| Total operating |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| expenses |  |  | 221,989 | |  |  | 101,142 | |  |  | 4,872 |  |  | (42,424) | |  |  | — | |  |  |  | 285,579 | |  |  | (23,439) | |  | (6,360) | |  |  | 255,780 | |  |
| Operating income (loss) |  |  | 13,146 | |  |  | 55,800 | |  |  | — | |  | 28,414 | |  |  | — | |  |  |  | 97,360 | |  |  | 21,572 | |  | 6,360 | |  |  | 125,292 | |  |
| Interest expense |  |  | 33,513 | |  |  | 58,007 | |  |  | — | |  | — | |  |  | (33,513) | | 4a |  |  | 109,353 | |  |  | — | |  | — | |  |  | 109,353 | |  |
|  |  |  | — | |  |  | — | |  |  | — | |  | — | |  |  | (58,007) 4b | | |  |  | — | |  |  | — | |  | — | |  |  | — | |  |
|  |  |  | — | |  |  | — | |  |  | — | |  | — | |  |  | 6,068 | | 4c |  |  | — | |  |  | — | |  | — | |  |  | — | |  |
|  |  |  | — | |  |  | — | |  |  | — | |  | — | |  |  | 1,289 | | 4d |  |  | — | |  |  | — | |  | — | |  |  | — | |  |
|  |  |  | — | |  |  | — | |  |  | — | |  | — | |  |  | 101,625 | | 4e |  |  | — | |  |  | — | |  | — | |  |  | — | |  |
|  |  |  | — | |  |  | — | |  |  | — | |  | — | |  |  | 371 | | 4f |  |  | — | |  |  | — | |  | — | |  |  | — | |  |
| Gain on cost and equity |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| method investments |  |  | (3,350) | |  |  | — | |  |  | — | |  | — | |  |  | — | |  |  |  | (3,350) | |  |  | — | |  | — | |  |  | (3,350) | |  |
| Other (income) expense, net |  |  | (1,317) | |  |  | 20,889 | |  |  | — | |  | — | |  |  | (18,864) | | 4g |  |  | 708 | |  |  | — | |  | — | |  |  | 708 | |  |
| Income (loss) before |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| provision (benefit) for |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| income taxes |  |  | (15,700) | |  |  | (23,096) | |  |  | — | |  | 28,414 | |  |  | 1,031 | |  |  |  | (9,351) | |  |  | 21,572 | |  | 6,360 | |  |  | 18,581 | |  |
| Provision (benefit) for |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| income taxes |  |  | (8,106) | |  |  | (8,401) | |  |  | — | |  | 9,206 | | 3e | | 361 | | 4h |  |  | (6,940) | |  |  | 7,550 | |  | 2,226 | | 5c |  | 2,836 | |  |
| Net Income (loss) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | $ | (7,594) | | $ | | (14,695) | | $ | | — | | $ | 19,208 | | $ | | 670 | |  | $ | | (2,411) | | $ | | 14,022 | | $ | 4,134 | |  | $ | 15,745 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Earnings (loss) per share: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic | $ | | (0.29) | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $ | 0.52 | |  |
| Diluted | $ | | (0.29) | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $ | 0.50 | |  |
| Weighted average shares |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| outstanding: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic |  |  | 26,363 | |  |  |  |  |  |  |  |  |  | 4,150 | | 3f | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 30,513 | |  |
| Diluted |  |  | 26,363 | |  |  |  |  |  |  |  |  |  | 5,141 | | 3f | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 31,504 | |  |

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

**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**

**GREATBATCH, INC.**

**AS OF JANUARY 1, 2016**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Nuvectra** | | | **Nuvectra Pro** | | |  |  | **Greatbatch, Inc.** | | |  |
|  | **Greatbatch, Inc.** | | |  |  |  |  | **Post Spin-Off** | |  |
|  |  | **Historical** | | |  | **Forma** | |  |  |  | **Pro Forma** | |  |
| **(in thousands)** |  | **Historical** | |  | **(Note 2)** | | | **Adjustments** | | |  |  |  | **Combined** | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **ASSETS** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Current assets: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash and cash equivalents | $ | 82,478 | | $ | | (202) | | $ | 40,000 | | 5d | $ | | 43,276 | |  |
|  |  |  |  |  |  |  |  |  | (75,000) | | 5e |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  | (4,000) | | 5f |  |  |  |  |  |
| Accounts receivable, net of allowance for doubtful accounts |  | 207,342 | |  |  | (417) | |  | — | |  |  |  | 206,925 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Inventories |  | 252,166 | |  |  | — | |  | — | |  |  |  | 252,166 | |  |
| Refundable income taxes |  | 11,730 |  |  |  | — | |  | — | |  |  |  | 11,730 | |  |
| Prepaid expenses and other current assets |  | 20,888 | |  |  | (145) | |  | — | |  |  |  | 20,743 | |  |
| Total current assets |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | 574,604 | |  |  | (764) | |  | (39,000) | |  |  |  | 534,840 | |  |
| Property, plant and equipment, net |  | 379,492 | |  |  | (4,469) | |  | — | |  |  |  | 375,023 | |  |
| Amortizing intangible assets, net |  | 893,977 | |  |  | (1,983) | |  | — | |  |  |  | 891,994 | |  |
| Indefinite-lived intangible assets |  | 90,288 | |  |  | — | |  | — | |  |  |  | 90,288 | |  |
| Goodwill |  | 1,013,570 |  |  |  | (38,182) | |  | — | |  |  |  | 975,388 | |  |
| Deferred income taxes |  | 3,587 | |  |  | — | |  | — | |  |  |  | 3,587 | |  |
| Other assets |  | 26,618 | |  |  | — | |  | — | |  |  |  | 26,618 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total assets | $ | 2,982,136 |  |  | $ | (45,398) | | $ | (39,000) | |  | $ | | 2,897,738 | |  |
| **LIABILITIES AND STOCHOLDERS’ EQUITY** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Current liabilities: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Current portion of long-term debt | $ | 29,000 | | $ | | — | | $ | — | |  | $ | | 29,000 | |  |
| Accounts payable |  | 84,362 | |  |  | (542) | |  | — | |  |  |  | 83,820 | |  |
| Income taxes payable |  | 3,221 | |  |  | — | |  | — | |  |  |  | 3,221 | |  |
| Accrued expenses |  | 97,257 | |  |  | (7,016) | |  | — | |  |  |  | 90,241 | |  |
| Total current liabilities |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | 213,840 | |  |  | (7,558) | |  | — | |  |  |  | 206,282 | |  |
| Long-term debt |  | 1,685,053 |  |  |  | — | |  | 40,000 | | 5d |  |  | 1,725,053 | |  |
| Deferred income taxes |  | 221,804 | |  |  | — | |  | 1,135 | | 5g |  |  | 222,939 | |  |
| Other long-term liabilities |  | 10,814 | |  |  | — | |  | — | |  |  |  | 10,814 | |  |
| Total liabilities |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | 2,131,511 | |  |  | (7,558) | |  | 41,135 | |  |  |  | 2,165,088 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Stockholders’ equity: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Preferred stock |  | — | |  |  | — | |  | — | |  |  |  | — | |  |
| Common stock |  | 31 |  |  |  | — | |  | — | |  |  |  | 31 | |  |
| Additional paid-in capital |  | 620,470 | |  |  | — | |  | — | |  |  |  | 620,470 | |  |
| Treasury stock |  | (3,100) | |  |  | — | |  | — | |  |  |  | (3,100) | |  |
| Retained earnings (loss) |  | 231,854 | |  |  | (37,840) | |  | (75,000) | | 5e |  |  | 113,879 | |  |
|  |  | — | |  |  | — | |  | (4,000) | | 5f |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  | (1,135) | | 5g |  |  |  |  |  |
| Accumulated other comprehensive income |  | 1,370 | |  |  | — | |  | — | |  |  |  | 1,370 | |  |
| Total stockholders’ equity |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | 850,625 | |  |  | (37,840) | |  | (80,135) | |  |  |  | 732,650 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total liabilities and stockholders’ equity | $ | 2,982,136 |  |  | $ | (45,398) | | $ | (39,000) | |  | $ | | 2,897,738 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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

**Notes to Unaudited Pro Forma Condensed Combined Financial Statements**

1. **Description of Transactions**

*Spin-off of Nuvectra Corporation*

On March 14, 2016, Greatbatch completed its spin-off of a portion of its QiG reporting segment through a tax-free distribution of all of the issued and outstanding shares of common stock, par value $0.001 per share, of Nuvectra to the stockholders of Greatbatch on a pro rata basis (the “Spin-off”). Immediately prior to completion of the Spin-off, QiG Group, LLC was converted into a corporation organized under the laws of Delaware and changed its name to Nuvectra Corporation. Greatbatch distributed the shares of Nuvectra common stock pro rata to its stockholders on the basis of one share of Nuvectra common stock for every three shares of Greatbatch common stock held as of the close of business on March 7, 2016, the record date for the Spin-off. As of the effective date of the Spin-off, Greatbatch no longer owns any equity interests of Nuvectra and will no longer consolidate Nuvectra into its financial results.

*Acquisition of Lake Region Medical Holdings, Inc.*

On October 27, 2015 Greatbatch completed the acquisition of Lake Region Medical pursuant to an Agreement and Plan of Merger dated August 27, 2015, by and among the Company, Provenance Merger Sub Inc., a Delaware corporation and an indirect wholly-owned subsidiary of the Company (“Merger Sub”) and Lake Region Medical (the “Merger Agreement”). Pursuant to the Merger Agreement, Merger Sub was merged with and into Lake Region Medical, with Lake Region Medical continuing as the surviving corporation and an indirect wholly-owned subsidiary of the Company (the “Merger”).

As a result of the Lake Region Medical acquisition, the combined company expects to achieve annual synergies of approximately $25 million in 2016, which is expected to increase to at least $60 million in 2018. The unaudited pro forma condensed combined financial information does not reflect these potential synergies.

1. **Basis of Presentation**

The accompanying unaudited pro forma condensed combined financial information presents the unaudited pro forma condensed combined balance sheet based upon the financial statements of Greatbatch after giving effect to the Spin-off. The unaudited pro forma condensed combined balance sheet presents the historical consolidated balance sheet of Greatbatch (the acquisition of Lake Region Medical is already reflected in the historical balance sheet of Greatbatch) as of January 1, 2016, giving effect to the Spin-off as if it had occurred on January 1, 2016. The unaudited pro forma condensed combined statement of operations for the year ended January 1, 2016 combines the historical consolidated statement of operations of Greatbatch for the year ended January 1, 2016 and the historical consolidated statement of operations of Lake Region Medial for the period January 3, 2015 through the acquisition date, October 27, 2015. This unaudited pro forma condensed combined statement of operations gives effect to (i) the acquisition of Lake Region Medical, (ii) the financing transactions completed in connection with the Lake Region Medical acquisition and (iii) the Spin-off, in each case as if they had been consummated on January 3, 2015, the beginning of the earliest period presented.

The acquisition of Lake Region Medical has been treated as a business combination in accordance with ASC 805. The unaudited pro forma condensed combined financial statements were prepared using the acquisition method of accounting with Greatbatch considered the acquirer of Lake Region Medical. The unaudited pro forma condensed combined financial statements do not reflect the costs of any integration activities or benefits that may result from the realization of future cost savings from operating efficiencies or revenue synergies expected to result from the acquisition of Lake Region Medical.

Certain reclassifications were made to the historical financial statements of Lake Region Medical and Nuvectra, including the following:

***Adjustments made to Lake Region Medical’s historical financial statements for the period January 3, 2015 through October 27, 2015***

* A reclassification of $4.9 million, $6.5 million and $0.07 million from cost of sales, selling, general and administrative expenses, and research, development and engineering costs, net, respectively, to other operating expenses, net to conform to Greatbatch’s accounting policies related to the classification of other operating expenses.

***Adjustments made to Nuvectra’s historical financial statements for the year ended January 1, 2016***

* A reclassification of $2.8 million of selling, general and administrative expenses to other operating expenses, net to conform to Greatbatch’s accounting policies related to the classification of other operating expenses. A reduction of $1.1 million and $1.8 million from selling, general and administrative expenses, and research, development and engineering costs, net, respectively, to eliminate overhead allocations from Greatbatch.
* Reflects a tax benefit computed by applying the weighted average statutory tax rate (35.0%) to Nuvectra’s loss before benefit for income taxes, which has historically been utilized by Greatbatch.

1. **Merger and Related Unaudited Pro Forma Adjustments**

The following summarizes the pro forma adjustments in connection with the Lake Region Medical acquisition to give effect to the transaction as if it had occurred on January 3, 2015 for purposes of the unaudited pro forma condensed combined statement of operations:

1. Reflects the elimination of Greatbatch’s sales and related cost of sales to/from Lake Region Medical prior to the acquisition on October 27, 2015.
2. Reflects the elimination of Lake Region Medical’s historical amortization expense, which was recorded within other operating expenses, net. These adjustments also represent an increase in amortization expense associated with the fair value adjustments to the carrying value of intangible assets for the period January 3, 2015 through the Lake Region Medical acquisition date. The historical Greatbatch expense reflects the amortization expense from the acquisition date through year end. The increase in amortization expense related to the customer relationship intangible assets acquired is recorded within selling, general, and administrative expenses. The increase in amortization expense associated with the technology intangible asset acquired was recorded within cost of sales. For purposes of the unaudited pro forma condensed combined statement of operations, amortization expense was determined using a cash flow approach, which is based on utilizing a proportion of the expected cash flows for the period to the total expected cash flows for the related intangible asset.

The pro forma adjustment for amortization expense is recorded as follows:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  | Step-Up | |
|  |  |  |  |  |  |  | Amortization Expense | | |
|  |  | Fair | | Useful | |  | for the Period Ended | | |
| (in thousands) |  | Value | | Life | |  |  | October 27, 2015 | |
| Customer relationships |  | $689,000 |  | 29 |  |  | $ | 11,219 |  |
| Technology |  | 160,000 | | 19 | |  |  | 10,561 | |
|  |  |  |  |  |  |  |  |  |  |
|  | $849,000 | | |  |  | $ | | 21,780 | |
| Elimination of Lake Region Medical historical amortization expense |  |  |  |  |  | $ | | (18,059) | |

1. Represents an increase in depreciation expense associated with fair value adjustments to the carrying value of property, plant, and equipment for the period January 3, 2015 through the Lake Region Medical acquisition date. The historical Greatbatch expense reflects the depreciation expense from the acquisition date through year end. The increase in depreciation expense is split among selling, general, and administrative expenses, cost of sales, and research, development and engineering costs, net based upon historical Lake Region Medical depreciation expense. The increase in depreciation expense is recorded as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | Step-Up | |  |
|  |  |  | Depreciation Expense | | |  |
|  | Fair | | for the Period Ended | | |  |
| (in thousands) | Value | |  | October 27, 2015 | |  |
| Property, plant, and equipment | $216,473 |  | $ | 26,002 |  |  |
| Lake Region Medical historical depreciation expense |  |  |  |  |  |  |
|  |  | $ | 22,141 | |  |
|  |  |  |  |  |  |  |
| **Increase in depreciation expense** |  |  |  |  |  |  |
| Cost of sales |  |  | $ | 3,449 | |  |
| Selling, general, and administrative expenses |  |  |  | 392 | |  |
| Research, development and engineering costs, net |  |  |  | 20 | |  |
|  |  |  |  |  |  |  |
|  |  |  | $ | 3,861 | |  |
|  |  |  |  |  |  |  |

1. Reflects the elimination of $36.0 million of transaction costs incurred by Greatbatch ($32.3 million) and Lake Region Medical ($3.7 million) as there is no continuing impact on our combined results and, as such, should not be included in the pro forma condensed combined statement of operations. These costs primarily relate to investment banking fees, change in control payments, debt termination fees and other professional and consulting fees incurred, which are directly attributable to the acquisition of Lake Region Medical.
2. Reflects tax expense computed by applying the weighted average statutory tax rate (32.4%), based on the applicable tax jurisdictions, to the respective pro forma adjustments presented in the unaudited pro forma condensed combined statement of operations. These rates do not reflect Greatbatch’s effective tax rate, which includes other items and may be significantly different than the rates assumed for purposes of preparing the unaudited pro forma condensed combined financial statements for a variety of factors.
3. Represents the adjustment to weighted average shares outstanding to account for the 4,980,064 Greatbatch, Inc. shares of common stock and 119,900 Greatbatch, Inc. stock options issued to Lake Region Medical stockholders as part of the Merger consideration for the period January 3, 2015 through the Lake Region Medical acquisition date. The historical Greatbatch weighted average shares outstanding reflects the shares issued from the acquisition date through year end. For the historical Greatbatch weighted average shares outstanding for the year ended January 1, 2016, the dilutive impact of share-based awards have been excluded from the calculation of the diluted loss per share, as the effect of including these awards would have been anti-dilutive but are included in the pro forma diluted earnings per share calculation as they are dilutive.
4. **Financing and Related Pro Forma Adjustments**

The following summarizes the pro forma adjustments in connection with (i) the financing of the acquisition of Lake Region Medical and (ii) the borrowings on our revolving line of credit as a result of the Spin-off, to give effect to the transactions as if they had occurred on January 3, 2015 for purposes of the unaudited pro forma condensed combined statement of operations.

In connection with the completion of the Merger, the Company and the Company’s wholly-owned subsidiary, Greatbatch Ltd., entered into a new credit agreement (the “Senior Secured Credit Facilities”) with Manufacturers and Traders Trust Company, as administrative agent, consisting of a $375 million term loan A facility (the “TLA Facility”), a $1,025 million term loan B facility (the “TLB Facility” and, together with the TLA Facility, the “Term Loan Facilities”), and a $200 million revolving credit facility (the “Revolving Credit Facility”). Additionally, on October 27, 2015, Greatbatch Ltd. completed an offering (the “Offering”) of $360 million aggregate principal amount of 9.125% Senior Notes due 2023 (the “Notes”). The Term Loan Facilities were funded in full on October 27, 2015 and used, together with the net proceeds from the Notes, to fund the cash consideration paid to the Lake Region Medical shareholders, the repayment of Greatbatch Ltd.’s outstanding indebtedness, and the repayment of Lake Region Medical’s outstanding indebtedness. No amounts were drawn on the Revolving Credit Facility in connection with the completion of the Merger.

Immediately prior to the completion of the Spin-off, Greatbatch made a cash capital contribution to Nuvectra of $75.0 million to assist Nuvectra in meeting its cash needs on a going forward basis after the completion of the Spin-off. In order to fund a portion of this cash contribution, Greatbatch borrowed $40.0 million on its Revolving Credit Facility.

1. Reflects the elimination of Greatbatch’s historical interest expense on outstanding debt, which was refinanced in conjunction with the Lake Region Medical acquisition.
2. Reflects the elimination of historical Lake Region Medical interest expense on outstanding debt, which was refinanced in conjunction with the Lake Region Medical acquisition.
3. Greatbatch incurred approximately $40.9 million of debt issuance costs, of which $33.1 million relate to the Senior Secured Credit Facilities and $7.8 million relate to the Notes. The costs consist of various fees paid to the initial purchasers for their services in arranging and structuring the financing. The fees were deferred and recorded within other assets and long-term debt for $4.2 million and $36.7 million, respectively, and amortized over the lives of the respective debt, which range from 5-8 years. These fees are being amortized utilizing the effective interest method and amounted to a pro forma adjustment of $6.1 million for the year ended January 1, 2016.

1. The TLB Facility has an original issuance discount of $10.25 million. This discount will be amortized over the 7 year life of the debt based on the effective interest method. The amortization of the discount results in pro forma interest expense of $1.3 million for the year ended January 1, 2016.
2. The pro forma adjustment to interest expense is approximately $101.6 million for the year ended January 1, 2016. The weighted average interest rate assumed for the Revolving Credit Facility, TLA Facility, TLB Facility and the Notes was approximately 5.6% for the year ended January 1, 2016.
3. Reflects the unused commitment fees applied to the Revolving Credit Facility at an annual rate of 0.25% for unused capacity. The pro forma adjustment is approximately $0.4 million for the year ended January 1, 2016.
4. Represents the elimination of debt extinguishment costs recognized by Lake Region Medical in connection with the repayment of their debt by Greatbatch simultaneously with the close of the acquisition as there is no continuing impact on our combined results and, as such, should not be included in the pro forma condensed combined statement of operations.
5. Reflects tax expense computed by applying the weighted average statutory tax rate (35.0%), based on the applicable tax jurisdiction, to the respective pro forma adjustments presented in the unaudited pro forma condensed combined statement of operations. This rate does not reflect Greatbatch’s effective tax rate, which includes other items and may be significantly different than the rates assumed for purposes of preparing the unaudited pro forma condensed combined financial statements for a variety of factors.

The estimated interest expense reflected in these unaudited pro forma condensed combined financial statements are estimates only and may differ significantly from actual results. A 0.125 percent change in the interest rate could result in an increase or decrease in the pro forma interest expense of approximately $0.5 million for a full year period.

1. **Nuvectra Pro Forma Adjustments**
2. Represents the elimination of non-recurring costs incurred related specifically to the Spin-off transaction, including $2.8 million of costs incurred by Nuvectra and $3.2 million of costs incurred by Greatbatch.
3. Represents information technology fees and rental income to be received from Nuvectra in connection with the transition services agreement entered into with Nuvectra in connection with the Spin-off. In connection with the completion of the Spin-off, Nuvectra entered into a sublease agreement with Greatbatch for office space located in Plano, Texas, which will be used for Nuvectra’s corporate headquarters.
4. Reflects tax expense computed by applying the weighted average statutory tax rate (35%), based on the applicable tax jurisdiction, to the respective pro forma adjustments presented in the unaudited pro forma condensed combined statement of operations. This rate does not reflect Greatbatch’s effective tax rate, which includes other items and may be significantly different than the rates assumed for purposes of preparing the unaudited pro forma condensed combined financial statements for a variety of factors.
5. Represents the $40.0 million borrowing on our Revolving Credit Facility to fund a portion of the $75.0 million cash contribution from Greatbatch to Nuvectra immediately prior to completion of the Spin-off to assist Nuvectra in meeting its cash needs on a going forward basis after the completion of the Spin-off.
6. Represents the $75.0 million cash contribution from Greatbatch to Nuvectra immediately prior to completion of the Spin-off to assist Nuvectra in meeting its cash needs on a going forward basis after the completion of the Spin-off.
7. Represents $4.0 million of additional transaction costs expected to be incurred that are directly attributable to the Spin-off.
8. Represents the estimated increase in net deferred tax liability related to the divested Nuvectra net deferred tax asset position.