RBC Bearings INC
Form 10-K
May 28, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**
For the fiscal year ended March 29, 2008

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________to _________

Commission file number 333-124824

RBC BEARINGS INCORPORATED
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**95-4372080** (I.R.S. Employer Identification No.)
One Tribology Center, Oxford, CT (Address of Principal Executive Offices)	**06478** (Zip Code)

(203) 267-7001
(Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act:

Class A Common Stock, Par Value $0.01 per Share
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

Large accelerated filer þ   Accelerated filer o   Non-accelerated filer o Smaller reporting company o

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

The aggregate market value of the registrant's Class A Common Stock held by non-affiliates of the registrant on September 29, 2007 (based on the September 28, 2007 closing sales price of $38.35 of the registrant's Class A Common Stock, as reported by the Nasdaq National Market) was approximately $826,112,000.

Number of shares outstanding of the registrant's Class A Common Stock at May 20, 2008:
21,782,186 Shares of Class A Common Stock, par value $0.01 per share.

Documents Incorporated by Reference:

Portions of the registrant's proxy statement to be filed within 120 days of the close of the registrant's fiscal year in connection with the registrant's Annual Meeting of Shareholders to be held September 10, 2008 are incorporated by reference into Part III of this Form 10-K.

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

RBC Bearings Incorporated

We are an international manufacturer and marketer of highly engineered precision plain, roller and ball bearings. Bearings, which are integral to the manufacture and operation of most machines and mechanical systems, reduce wear to moving parts, facilitate proper power transmission and reduce damage and energy loss caused by friction. While we manufacture products in all major bearing categories, we focus primarily on highly technical or regulated bearing products for specialized markets that require sophisticated design, testing and manufacturing capabilities. We believe our unique expertise has enabled us to garner leading positions in many of the product markets in which we primarily compete. We have been providing bearing solutions to our customers since 1919. Over the past ten years, we have significantly broadened our end markets, products, customer base and geographic reach. We currently have 25 facilities of which 22 are manufacturing facilities in four countries.

The Bearing Industry

The bearing industry is a highly fragmented multi-billion dollar market. Purchasers of bearings include producers of commercial and military aerospace equipment, automotive and commercial truck manufacturers, industrial equipment and machinery manufacturers, agricultural machinery manufacturers and construction, mining and specialized equipment manufacturers.

Demand for bearings in the diversified industrial market is being influenced by growth in industrial machinery and equipment shipments and nonresidential construction and mining activity. In addition, increased usage of existing machinery will improve aftermarket demand for replacement bearing products. In the aerospace market, aging of the existing commercial aircraft fleet along with carrier traffic growth is expected to continue to expand demand for our bearing solutions. Lastly, growth in the defense market is being influenced by modernization programs necessitating increased spending on new equipment, as well as continued utilization of deployed equipment supporting aftermarket demand for replacement bearings.

Customers and Markets

We serve a broad range of end markets where we can add value with our specialty, precision bearing products and applications. We classify our customers into two principal categories: diversified industrial and aerospace and defense. These principal end markets utilize a large number of both commercial and specialized bearing products. Although we provide a relatively small percentage of total bearing products supplied to each of our overall principal markets, we believe we have leading market positions in many of the specialized bearing product markets in which we primarily compete. Financial information regarding geographic areas is set forth in Item 8, Note 21.

- ***Diversified Industrial Market (47% of net sales for the fiscal year ended March 29, 2008)***

We manufacture bearing products for a wide range of diversified industrial markets, including construction and mining, oil and natural resource extraction, heavy truck, packaging and semiconductor machinery. Nearly all mechanical devices and machinery require bearings to relieve friction where one part moves relative to another. Our products target existing market applications in which our engineering and manufacturing capabilities provide us with a competitive advantage in the marketplace.

Our largest diversified industrial customers include Caterpillar, Federal Mogul, Komatsu America, Parker-Hannifin Corporation and various aftermarket distributors including Applied Industrial, Kaman Corporation and Motion

Industries. We believe that the diversification of our sales among the various segments of the industrial bearings market reduces our exposure to downturns in any individual market. We believe opportunities exist for growth and margin improvement in this market as a result of increasing demand for industrial machinery, the introduction of new products and the expansion of aftermarket sales.

- ***Aerospace and Defense Market (53% of net sales for the fiscal year ended March 29, 2008)***

We supply bearings for use in commercial and private aircraft. We supply bearings for many of the commercial aircraft currently operating worldwide and are the primary supplier for many of their product lines. This includes military contractors for airplanes, helicopters and missile systems. Commercial aerospace customers generally require precision products, often of special materials, made to unique designs and specifications. Many of our aerospace bearing products are designed and certified during the original development of the aircraft being served, which often makes us the primary bearing supplier for the life of the aircraft.

1

We manufacture bearing products used by the U.S. Department of Defense and certain foreign governments for use in fighter jets, troop transports, naval vessels, helicopters, gas turbine engines, armored vehicles, guided weaponry and satellites. We manufacture an extensive line of standard products that conform to many domestic military application requirements, as well as customized products designed for unique applications. We specialize in the manufacture of high precision ball and roller bearings, commercial ball bearings and metal-to-metal and self-lubricating plain bearings for the defense market. Our bearing products are manufactured to conform to U.S. military specifications and are typically custom designed during the original product design phase, which often makes us the sole or primary bearing supplier for the life of the product. In addition to products that meet military specifications, these customers often require precision products made of specialized materials to custom designs and specifications. Product approval for use on military equipment is often a lengthy process ranging from six months to six years.

Our largest aerospace and defense customers include Airbus, Boeing, Embraer, General Electric, Lockheed Martin, Raytheon, Snecma Group, Textron, U.S. Department of Defense, United Technologies and various aftermarket channels. We estimate that over 58% of aerospace net sales are actually used as replacement parts, as bearings are regularly replaced on aircraft in conjunction with routine maintenance procedures. We believe our strong relationships with OEMs help drive our aftermarket sales since a portion of OEM sales are ultimately intended for use as replacement parts. We believe that growth and margin expansion in this segment will be driven primarily by expanding our international presence, growth in the commercial aircraft build rates, and the refurbishment and maintenance of existing commercial aircraft.

Products

Bearings are employed to fulfill several functions including reduction of friction, transfer of motion and carriage of loads. We design, manufacture and market a broad portfolio of bearing products. The following table provides a summary of our product segments:

	Net Sales for the Fiscal Year Ended			
Segment	**March 29, 2008**	**March 31, 2007**	**April 1, 2006**	**Representative Applications**
Plain Bearings	$ 154,535 (46.7)%	$ 143,907 (47.0)%	$ 115,091 (41.9)%	·Aircraft engine controls and landing gear ·Missile launchers ·Mining and construction equipment
Roller Bearings	$ 97,019 (29.4)%	$ 92,123 (30.1)%	$ 96,466 (35.1)%	·Aircraft hydraulics ·Military and commercial truck chassis ·Packaging machinery and gear pumps
Ball Bearings	$ 56,677 (17.1)%	$ 50,466 (16.5)%	$ 46,378 (16.9)%	·Radar and night vision systems ·Airframe control and actuation ·Semiconductor equipment
Other	$ 22,369 (6.8)%	$ 19,566 (6.4)%	$ 16,574 (6.1)%	·Precision ground ball screws for robotic handling and missile guidance ·Collets for machine tools

Plain Bearings. Plain bearings are primarily used to rectify inevitable misalignments in various mechanical components, such as aircraft controls, helicopter rotors, or in heavy mining and construction equipment. Such misalignments are either due to machining inaccuracies or result when components change position relative to each other. Plain bearings are produced with either self-lubricating or metal-to-metal designs and consist of several sub-classes, including rod end bearings, spherical plain bearings and journal bearings. Sales of plain bearings accounted for 46.7% of our net sales in fiscal 2008.

Roller Bearings. Roller bearings are anti-friction products that utilize cylindrical rolling elements. We produce three main designs: tapered roller bearings, needle roller bearings and needle bearing track rollers and cam followers. We produce medium sized tapered roller bearings used primarily in heavy truck axle applications. We offer several needle roller bearing designs that are used in both industrial applications and certain U.S. military aircraft platforms. These products are generally specified for use where there are high loads and the design is constrained by space considerations. A significant portion of the sales of this product is to the aftermarket. Needle bearing track rollers and cam followers have wide and diversified use in the industrial market and are often prescribed as a primary component in articulated aircraft wings. We believe we are the world's largest producer of aircraft needle bearing track rollers. The sale of roller bearings accounted for 29.4% of our net sales in fiscal 2008.

Ball Bearings. Ball bearings are devices which utilize high precision ball elements to reduce friction in high speed applications. We specialize in four main types of ball bearings: high precision aerospace, airframe control, thin section and industrial ball bearings. High precision aerospace bearings are primarily sold to customers in the defense industry that require more technically sophisticated bearing products, such as missile guidance systems, providing higher degrees of fault tolerance given the criticality of the applications in which they are used. Airframe control ball bearings are precision ball bearings that are plated to resist corrosion and are qualified under a military specification. Thin section ball bearings are specialized bearings that use extremely thin cross sections and give specialized machinery manufacturers many advantages. We produce a general line of industrial ball bearings sold primarily to the aftermarket. Ball bearings accounted for 17.1% of our net sales in fiscal 2008.

Other. Our other products consist primarily of precision linear products and machine tool collets. Precision linear products are precision ground ball bearing screws that offer repeatable positioning accuracy in defense, machine tools, robotic handling and semiconductor equipment. Machine tool collets are cone-shaped metal sleeves, used for holding circular or rodlike pieces in a lathe or other machine that provide effective part holding and accurate part location during machining operations. Our other products accounted for 6.8% of our net sales in fiscal 2008.

Product Design and Development

We produce specialized bearings that are often tailored to the specifications of a customer or application. Our sales professionals are highly experienced engineers who collaborate with our customers on a continual basis to develop bearing solutions. The product development cycle can follow many paths which are dependent on the end market or sales channel. The process normally takes between 3-6 years from concept to sale depending upon the application and the market. A common route that is used for major OEM projects begins when our design engineers meet with their customer counterparts at the machine design conceptualization stage and work with them through the conclusion of the product development.

Often, at the early stage, a bearing design concept is produced that addresses the expected demands of the application. Environmental demands are many but normally include load, stress, heat, thermal gradients, vibration, lubricant supply, corrosion resistance, with one or two of these environmental constraints being predominant in the design consideration. A bearing design must perform reliably for a period of time specified by the customer's product objectives.

Once a bearing is designed, a mathematical simulation is created to replicate the expected application environment and thereby allow optimization with respect to these design variables. Upon conclusion of the design and simulation phase, samples are produced and laboratory testing commences at one of our test laboratories. The purpose of this testing phase is not only to verify the design and the simulation model but also to allow further design improvement where needed. Finally, upon successful field testing by the customer, the product is ready for sale.

For the majority of our products, the culmination of this lengthy process is the receipt of a product approval or certification, generally obtained from either the OEM, the Department of Defense or the Federal Aviation Administration, or “FAA,” which allows us to supply the product to the customer. We currently have in excess of 32,000 of such approvals, which often gives us a significant competitive advantage, and in many of these instances we are the only approved supplier of a given bearing product.

Manufacturing and Operations

Our manufacturing strategies are focused on product reliability, quality and service. Custom and standard products are produced according to manufacturing schedules that ensure maximum availability of popular items for immediate sale while carefully considering the economies of lot production and special products. Capital programs and manufacturing methods development are focused on quality improvement and low production costs. A monthly review of product line production performance assures an environment of continuous attainment of profitability goals.

Capacity. Our plants currently run on a single shift, and light second and third shifts at selected locations, to meet the demands of our customers. We believe that current capacity levels and future annual estimated capital expenditures on equipment up to approximately 4% of net sales should permit us to effectively meet demand levels for the foreseeable future.

Inventory Management. Our increasing emphasis on the distributor/aftermarket sector has required us to maintain greater inventories of a broader range of products than the OEM market historically demanded. We operate an inventory management program designed to balance customer delivery requirements with economically optimal inventory levels. In this program, each product is categorized based on characteristics including order frequency, number of customers and sales volume. Using this classification system, our primary goal is to maintain a sufficient supply of standard items while minimizing warehousing costs. In addition, production cost savings are achieved by optimizing plant scheduling around inventory levels and customer delivery requirements. This leads to more efficient utilization of manufacturing facilities and minimizes plant production changes while maintaining sufficient inventories to service customer needs.

Sales, Marketing and Distribution

Our marketing strategy is aimed at increasing sales within our two primary markets, targeting specific applications in which we can exploit our competitive strengths. To effect this strategy, we seek to expand into geographic areas not previously served by us and we continue to capitalize on new markets and industries for existing and new products. We employ a technically proficient sales force and utilize marketing managers, product managers, customer service representatives and product application engineers in our selling efforts.

We have accelerated the development of our sales force through the hiring of sales personnel with prior bearing industry experience, complemented by an in-house training program. We intend to continue to hire and develop expert sales professionals and strategically locate them to implement our expansion strategy. Today, our direct sales force is located to service North America, Europe and Latin America and is responsible for selling all of our products. This selling model leverages our relationship with key customers and provides opportunities to market multiple product lines to both established and potential customers. We also sell our products through a well-established, global network of industrial and aerospace distributors. This channel primarily provides our products to smaller OEM customers and the end users of bearings that require local inventory and service. In addition, specific larger OEM customers are also serviced through this channel to facilitate requirements for "Just In Time" deliveries or "Kan Ban" systems. Our worldwide distributor network provides our customers with more than 2,000 points of sale for our products. We intend to continue to focus on building distributor sales volume.

The sale of our products is supported by a well-trained and experienced customer service organization. This organization provides customers with instant access to key information regarding their bearing purchase and delivery requirements. We also provide customers with updated information through our website, and we have developed on-line integration with specific customers, enabling more efficient ordering and timely order fulfillment for those customers.

We store product inventory in six company-owned and operated warehouses located on the East and West coasts of the U.S., and in France and Switzerland. The inventory is located in these warehouses based on analysis of customer demand to provide superior service and product availability.

Competition

Our principal competitors include Kaydon Corporation, New Hampshire Ball Bearings and McGill Manufacturing Company, Inc., although we compete with different companies for each of our product lines. We believe that for the majority of our products, the principal competitive factors affecting our business are product qualifications, product line breadth, service and price. Although some of our current and potential competitors may have greater financial, marketing, personnel and other resources than us, we believe that we are well positioned to compete with regard to each of these factors in each of the markets in which we operate.

Product Qualifications. Many of the products we produce are qualified for the application by the OEM, the U.S. Department of Defense, the FAA or a combination of these agencies. These credentials have been achieved for thousands of distinct items after years of design, testing and improvement. In many cases patent protection presides, in all cases there is strong brand identity and in numerous cases we have the exclusive product for the application.
Product Line Breadth. Our products encompass an extraordinarily broad range of designs which often create a critical mass of complementary bearings and components for our markets. This position allows many of our industrial and aircraft customers the ability for a single manufacturer to provide the engineering service and product breadth needed to achieve a series of OEM design objectives or aftermarket requirements. This ability enhances our value to the OEM considerably while strengthening our overall market position.

Service. Product design, performance, reliability, availability, quality, technical and administrative support are elements that define the service standard for this business. Our customers are sophisticated and demanding, as our products are fundamental and enabling components to the construction or operating of their machinery. We maintain inventory levels of our most popular items for immediate sale and service well over 15,000 voice and electronic contacts per month. Our customers have high expectations regarding product availability, and the primary emphasis of our service efforts is to ensure the widest possible range of available products and delivering them on a timely basis.

Price. We believe our products are priced competitively in the markets we serve. We continually evaluate our manufacturing and other operations to maximize efficiencies in order to reduce costs, eliminate unprofitable products from our portfolio and maximize our profit margins. While we compete with larger bearing manufacturers who direct the majority of their business activities, investments and expertise toward the automotive industries, our sales in this industry are only a small percentage of our business. We invest considerable effort to develop our price to value algorithms and we price to market levels where required by competitive pressures.

Suppliers and Raw Materials

We obtain raw materials, component parts and supplies from a variety of sources and generally from more than one supplier. Our principal raw material is steel. Our suppliers and sources of raw materials are based in the U.S., Europe and Asia. We purchase steel at market prices, which during the past three years have increased to historical highs as a result of a relatively low level of supply and a relatively high level of demand. To date, we have generally managed to pass through these raw material price increases to our customers by assessing steel surcharges on, or price increases of, our bearing products. However, we have from time to time experienced a time lag of up to 3 months or more in our ability to pass through steel surcharges to our customers which has negatively impacted our gross margins. We will continue to pass on raw material price increases as competitive conditions allow.

Backlog

As of March 29, 2008, we had order backlog of $217.7 million compared to a backlog of $176.6 million in the prior year. The amount of backlog includes orders which we estimate will be fulfilled within the next 12 months; however, orders included in our backlog are subject to cancellation, delay or other modifications by our customers prior to fulfillment. We sell many of our products pursuant to contractual agreements, single source relationships or long-term purchase orders, each of which may permit early termination by the customer. However, due to the nature of many of the products supplied by us and the lack of availability of alternative suppliers to meet the demands of such customers' orders in a timely manner, we believe that it is not practical or prudent for most of our customers to shift their bearing business to other suppliers.

Employees

We had 1,453 hourly employees and 693 salaried employees as of March 29, 2008, of whom 409 were employed in our European and Mexican operations. As of March 29, 2008, 182 of our hourly employees were represented by unions in the U.S. We believe that our employee relations are satisfactory.

We are subject to three collective bargaining agreements with the United Auto Workers covering substantially all of the hourly employees at our Fairfield, Connecticut, West Trenton, New Jersey and Bremen, Indiana plants. These agreements expire on January 31, 2013, June 30, 2009 and October 31, 2009, respectively.

Intellectual Property

We own U.S. and foreign patents and trademark registrations and U.S. copyright registrations, and have U.S. trademark and patent applications pending. We currently have 77 issued or pending U.S. and foreign patents. We file patent applications and maintain patents to protect certain technology, inventions and improvements that are important to the development of our business, and we file trademark applications and maintain trademark registrations to protect product names that have achieved brand-name recognition among our customers. We also rely upon trade secrets, know-how and continuing technological innovation to develop and maintain our competitive position. Many of our brands are well recognized by our customers and are considered valuable assets of our business. We currently have 174 issued or pending U.S. and foreign trademark registrations and applications. We do not believe, however, that any individual item of intellectual property is material to our business. See "Risk Factors."

Regulation

Product Approvals. Essential to servicing the aerospace market is the ability to obtain product approvals. We have a substantial number of product approvals in the form of OEM approvals or Parts Manufacturer Approvals, or “PMAs,” from the FAA. We also have a substantial number of active PMA applications in process. These approvals enable us to provide products used in virtually all domestic aircraft platforms presently in production or operation.

We are subject to various other federal laws, regulations and standards. Although we are not presently aware of any pending legal or regulatory changes that may have a material impact on us, new laws, regulations or standards or changes to existing laws, regulations or standards could subject us to significant additional costs of compliance or liabilities, and could result in material reductions to our results of operations, cash flow or revenues.

Environmental Matters

We are subject to federal, state and local environmental laws and regulations, including those governing discharges of pollutants into the air and water, the storage, handling and disposal of wastes and the health and safety of employees. We also may be liable under the Comprehensive Environmental Response, Compensation, and Liability Act or similar state laws for the costs of investigation and clean-up of contamination at facilities currently or formerly owned or operated by us, or at other facilities at which we have disposed of hazardous substances. In connection with such contamination, we may also be liable for natural resource damages, government penalties and claims by third parties for personal injury and property damage. Agencies responsible for enforcing these laws have authority to impose significant civil or criminal penalties for non-compliance. We believe we are currently in material compliance with all applicable requirements of environmental laws. We do not anticipate material capital expenditures for environmental compliance in fiscal 2009.

Investigation and remediation of contamination is ongoing at some of our sites. In particular, state agencies have been overseeing groundwater monitoring activities at our facility in Hartsville, South Carolina and a corrective action plan at our Clayton, Georgia facility. At Hartsville, we are monitoring low levels of contaminants in the groundwater caused by former operations. The state will permit us to cease monitoring activities after two consecutive sampling periods demonstrate contaminants are below action levels. In connection with the purchase of our Fairfield, Connecticut facility in 1996, we agreed to assume responsibility for completing clean-up efforts previously initiated by the prior owner. We submitted data to the state that we believe demonstrates that no further remedial action is necessary although the state may require additional clean-up or monitoring. In connection with the purchase of our Clayton, Georgia facility, we agreed to assume certain responsibilities to implement a corrective action plan concerning the remediation of certain soil and groundwater contamination present at that facility. The corrective action plan is in the early stages. Although there can be no assurance, we do not expect expenses associated with these activities to be material.

Available Information

We file our annual, quarterly and current reports, proxy statements, and other documents with the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934. The public may read and copy any materials filed with the SEC at the SEC’s Public Reference Room at 405 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The public can obtain any documents that are filed by us at http://www.sec.gov.

In addition, this Annual Report on Form 10-K, as well as our quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to all of the foregoing reports, are made available free of charge on our Internet website (http://www.rbcbearings.com) as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. A copy of the above filings will also be provided free of charge upon written request to us.

ITEM 1A. RISK FACTORS

Cautionary Statement As To Forward-Looking Information

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including any projections of earnings, cash flows, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; future growth rates in the markets we serve; increases in foreign sales; supply and cost of raw materials, any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words "may," "estimate," "intend," "continue," "believe," "expect," "anticipate," the negative of such terms or other comparable terminology.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition, results of operations and cash flows, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as those disclosed in this Annual Report on Form 10-K. Factors that could cause our actual results, performance and achievements or industry results to differ materially from estimates or projections contained in forward-looking statements include, among others, the following:

- Weaknesses and cyclicality in any of the industries in which our customers operate;
- Changes in marketing, product pricing and sales strategies or developments of new products by us or our competitors;
- Future reductions in U.S. governmental spending or changes in governmental programs, particularly military equipment procurement programs;
- Our ability to obtain and retain product approvals;
- Supply and costs of raw materials, particularly steel, and energy resources and our ability to pass through these costs on a timely basis;
- Our ability to acquire and integrate complementary businesses;
- Unexpected equipment failures, catastrophic events or capacity constraints;
- The costs of defending, or the results of, new litigation;
- Our ability to attract and retain our management team and other highly-skilled personnel;
- Increases in interest rates;
- Work stoppages and other labor problems for us and our customers or suppliers;
- Contractual limitations on our ability to expand our business;
- Regulatory developments in the U.S. and foreign countries;
- Developments or disputes concerning patents or other proprietary rights;
- Actual or anticipated changes in our earnings, fluctuations in our operating results or the failure to meet the expectations of financial market analysts and investors;
- Changes in accounting standards, policies, guidance, interpretation or principles;
- Risks associated with operating internationally, including currency translation risks;
- The operating and stock performance of comparable companies;
- Investors' perceptions of us and our industry; and
- General economic, geopolitical, industry and market conditions.

Additional factors that could cause actual results to differ materially from our forward-looking statements are set forth in this Annual Report on Form 10-K, including under Item 1. "Business," Item 1A. "Risk Factors," Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8. "Financial Statements and Supplementary Data."

We are not under any duty to update any forward-looking statements after the date of this report to conform such statements to actual results or to changes in our expectations. All forward-looking statements contained in this report and any subsequently filed reports are expressly qualified in their entirety by these cautionary statements.

Our business, operating results, cash flows or financial condition could be materially adversely affected by any of the following risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. You should carefully consider these risks before investing in shares of our common stock.

Risk Factors Related to Our Company

The bearing industry is highly competitive, and this competition could reduce our profitability or limit our ability to grow.

The global bearing industry is highly competitive, and we compete with many U.S. and non-U.S. companies, some of which benefit from lower labor costs and fewer regulatory burdens than us. We compete primarily based on product qualifications, product line breadth, service and price. Certain competitors are larger than us or subsidiaries of larger entities and may be better able to manage costs than us or may have greater financial resources than we have. Due to the competitiveness in the bearing industry we may not be able to increase prices for our products to cover increases in our costs, or we may face pressure to reduce prices, which could materially reduce our revenues, gross margin and profitability. Competitive factors, including changes in market penetration, increased price competition and the introduction of new products and technology by existing and new competitors could result in a material reduction in our revenues and profitability.

The loss of a major customer could result in a material reduction in our revenues and profitability.

Our top ten customers generated 31% and 32% of our net sales during fiscal 2008 and fiscal 2007, respectively. Accordingly, the loss of one or more of those customers or a substantial decrease in such customers' purchases from us could result in a material reduction in our revenues and profitability.

In addition, the consolidation and combination of defense or other manufacturers may eliminate customers from the industry and/or put downward pricing pressures on sales of component parts. For example, the consolidation that has occurred in the defense industry in recent years has significantly reduced the overall number of defense contractors in the industry. In addition, if one of our customers is acquired or merged with another entity, the new entity may discontinue using us as a supplier because of an existing business relationship with the acquiring company or because it may be more efficient to consolidate certain suppliers within the newly formed enterprise. The significance of the impact that such consolidation may have on our business is difficult to predict because we do not know when or if one or more of our customers will engage in merger or acquisition activity. However, if such activity involved our material customers it could materially impact our revenues and profitability.

Weakness in any of the industries in which our customers operate, as well as the cyclical nature of our customers' businesses generally, could materially reduce our revenues and profitability.

The commercial aerospace, mining and construction equipment and other diversified industrial industries to which we sell our products are, to varying degrees, cyclical and tend to decline in response to overall declines in industrial production. Margins in those industries are highly sensitive to demand cycles, and our customers in those industries historically have tended to delay large capital projects, including expensive maintenance and upgrades, during economic downturns. As a result, our business is also cyclical, and the demand for our products by these customers depends, in part, on overall levels of industrial production, general economic conditions and business confidence levels. Downward economic cycles have affected our customers and reduced sales of our products resulting in reductions in our revenues and net earnings. Any future material weakness in demand in any of these industries could materially reduce our revenues and profitability.

In addition, many of our customers have historically experienced periodic downturns, which often have had a negative effect on demand for our products. For example, the severe downturn in 2001 in the aerospace industry resulted in deferrals or cancellations in aircraft orders, which reduced the volume and price of orders placed for products used to manufacture commercial aircraft, including our bearings and other individual parts and components we manufacture. Previous industry downturns have negatively affected, and future industry downturns may negatively affect, our net sales, gross margin and net income.

Future reductions or changes in U.S. government spending could negatively affect our business.

In fiscal 2008, 6.1% of our net sales were made directly, and we estimate that approximately an additional 15.4% of our net sales were made indirectly, to the U.S. government to support military or other government projects. Our failure to obtain new government contracts, the cancellation of government contracts or reductions in federal budget appropriations regarding our products could result in materially reduced revenue. In addition, the funding of defense programs also competes with non-defense spending of the U.S. government. Our business is sensitive to changes in national and international priorities and the U.S. government budget. A shift in government defense spending to other programs in which we are not involved or a reduction in U.S. government defense spending generally could materially reduce our revenues, cash flows from operations and profitability. If we, or our prime contractors for which we are a subcontractor, fail to win any particular bid, or we are unable to replace lost business as a result of a cancellation, expiration or completion of a contract, our revenues or cash flows could be reduced.

Fluctuating supply and costs of raw materials and energy resources could materially reduce our revenues, cash flow from operations and profitability.

Our business is dependent on the availability and costs of energy resources and raw materials, particularly steel, generally in the form of stainless and chrome steel, which are commodity steel products. The availability and prices of raw materials and energy sources may be subject to curtailment or change due to, among other things, new laws or regulations, suppliers' allocations to other purchasers, interruptions in production by suppliers, changes in exchange rates and worldwide price levels. Although we currently maintain alternative sources for raw materials, our business is subject to the risk of price fluctuations and periodic delays in the delivery of certain raw materials. Disruptions in the supply of raw materials and energy resources could temporarily impair our ability to manufacture our products for our customers or require us to pay higher prices in order to obtain these raw materials or energy resources from other sources, which could thereby affect our net sales and profitability.

For example, we purchase steel at market prices, which during the past three years have increased to historical highs as a result of a relatively low level of supply and a relatively high level of demand. As a result, we are currently being assessed surcharges on certain of our purchases of steel, and under certain circumstances, we have experienced difficulty in identifying steel for purchase. If we are unable to purchase steel for our operations for a significant period of time, our operations would be disrupted, which could reduce or delay sales of our products, and, in turn, could result in a material reduction in our revenues, cash flow from operations and profitability. In addition, we may be unable to pass on the increased costs of raw materials to our customers, which could materially reduce our cash flow from operations and profitability.

We seek to pass through a significant portion of our additional costs to our customers through steel surcharges or price increases. However, even if we are able to pass these steel surcharges or price increases to our customers, there may be a time lag of up to 3 months or more between the time a cost increase goes into effect and our ability to implement surcharges or price increases, particularly for orders already in our backlog. As a result our gross margin percentage may decline, and we may not be able to implement other price increases for our products. We cannot provide assurances that we will be able to continue to pass these additional costs on to our customers at all or on a timely basis or that our customers will not seek alternative sources of supply if there are significant or prolonged increases in the price of steel or other raw materials or energy resources.

Our products are subject to certain approvals, and the loss of such approvals could materially reduce our revenues and profitability.

Essential to servicing the aerospace market is the ability to obtain product approvals. We have a substantial number of product approvals, which enable us to provide products used in virtually all domestic aircraft platforms presently in production or operation. Product approvals are typically issued by the FAA to designated OEMs who are Production Approval Holders of FAA approved aircraft. These Production Approval Holders provide quality control oversight and generally limit the number of suppliers directly servicing the commercial aerospace aftermarket. Regulations enacted by the FAA provide for an independent process (the PMA process), which enables suppliers who currently sell their products to the Production Approval Holders, to sell products to the aftermarket. Our foreign sales may be subject to similar approvals or U.S. export control restrictions. Although we have not lost any material product approvals in the past, we cannot assure you that we will not lose approvals for our products in the future. The loss of product approvals could result in lost sales and materially reduce our revenues and profitability.

Restrictions in our indebtedness agreements could limit our growth and our ability to respond to changing conditions.

The KeyBank Credit Agreement contains a number of restrictive covenants that limit our ability, among other things, to:

- incur additional indebtedness and issue preferred stock and guarantee indebtedness;
- create liens on our assets;
- pay dividends or make other equity distributions;
- purchase or redeem capital stock;
- create restrictions on payments of dividends or other amounts to us by our restricted subsidiaries;
- make investments;
- merge, consolidate or sell assets;
- engage in activities unrelated to our current business;
- engage in transactions with our affiliates; and
- sell or issue capital stock of certain subsidiaries.

In addition, the KeyBank Credit Agreement contains other financial covenants requiring us to maintain a minimum fixed charge coverage ratio and maximum senior leverage ratios and to satisfy certain other financial conditions. Our KeyBank Credit Agreement prohibits us from incurring capital expenditures of more than $30 million per year. These restrictions could limit our ability to obtain future financings, make needed capital expenditures, withstand a future downturn in our business or the economy in general or otherwise conduct necessary corporate activities.

As of March 29, 2008, we had $41.0 of million outstanding borrowings and letters of credit of $21.6 million under our $150.0 million KeyBank Credit Agreement. Under the KeyBank Credit Agreement, we had borrowing availability of $87.4 million as of March 29, 2008.

Work stoppages and other labor problems could materially reduce our ability to operate our business.

As of March 29, 2008, approximately 13% of our hourly employees were represented by labor unions in the U.S. While we believe our relations with our employees are satisfactory, a lengthy strike or other work stoppage at any of our facilities, particularly at some of our larger facilities, could materially reduce our ability to operate our business. In addition, any attempt by our employees not currently represented by a union to join a union could result in additional expenses, including with respect to wages, benefits and pension obligations. We currently have three collective bargaining agreements, one agreement covering approximately 65 employees will expire in June 2009, one agreement covering approximately 34 employees will expire in October 2009, and one agreement covering approximately 83 employees will expire in January 2013.

Negotiations for the extension of these agreements may result in modifications to the terms of these agreements, and these modifications could cause us to incur increased costs relating to our labor force.

In addition, work stoppages at one or more of our customers or suppliers, including suppliers of transportation services, many of which have large unionized workforces, for labor or other reasons could also cause disruptions to our business that we cannot control, and these disruptions may materially reduce our revenues and profitability.

Our business is capital intensive and may consume cash in excess of cash flows from our operations.

Our ability to remain competitive, sustain our growth and expand our operations largely depends on our cash flows from operations and our access to capital. We intend to fund our cash needs through operating cash flow and borrowings under our KeyBank Credit Agreement. We may require additional equity or debt financing to fund our growth and debt repayment obligations. In addition, we may need additional capital to fund future acquisitions. Our business may not generate sufficient cash flow, and we may not be able to obtain sufficient funds to enable us to pay our debt obligations and capital expenditures or we may not be able to refinance on commercially reasonable terms, if at all. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Liquidity."

Unexpected equipment failures, catastrophic events or capacity constraints may increase our costs and reduce our sales due to production curtailments or shutdowns.

Our manufacturing processes are dependent upon critical pieces of equipment, such as furnaces, continuous casters and rolling equipment, as well as electrical equipment, such as transformers, and this equipment may, on occasion, be out of service as a result of unanticipated failures. In addition to equipment failures, our facilities are also subject to the risk of catastrophic loss due to unanticipated events such as fires, explosions, earthquakes or violent weather conditions. In the future, we may experience material plant shutdowns or periods of reduced production as a result of these types of equipment failures or catastrophes. Interruptions in production capabilities will inevitably increase our production costs and reduce sales and earnings for the affected period.

Certain of our facilities are operating at a single shift with light second and third shifts, and additional demand may require additional shifts and/or capital investments at these facilities. We cannot assure you that we will be able to add additional shifts as needed in a timely way and production constraints may result in lost sales. In certain markets we refrain from making additional capital investments to expand capacity where we believe market expansion in a particular end market is not sustainable or otherwise does not justify the expansion or capital investment. Our assumptions and forecasts regarding market conditions in these end markets may be erroneous and may result in lost earnings, potential sales going to competitors and inhibit our growth.

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

The acquisition of businesses that complement or expand our operations has been and continues to be an important element of our business strategy. We frequently engage in evaluations of potential acquisitions and negotiations for possible acquisitions, some of which, if consummated, could be significant to us. We cannot assure you that we will be successful in identifying attractive acquisition candidates or completing acquisitions on favorable terms in the future for a number of different reasons including the increased competition for targets, which may increase acquisition costs, and consolidation in our industries reducing the number of acquisition targets. Our inability to acquire businesses, or to operate them profitably once acquired, could have a material adverse effect on our business, financial position, cash flow and growth.

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

We cannot assure you that any future acquisition will enhance our financial performance. Our ability to effectively integrate any future acquisitions will depend on, among other things, the culture of the acquired business matching with our culture, the ability to retain and assimilate employees of the acquired business, the ability to retain customers and integrate customer bases, the adequacy of our implementation plans, the ability of our management to oversee and operate effectively the combined operations and our ability to achieve desired operating efficiencies and sales goals. The integration of any acquired businesses might cause us to incur unforeseen costs, which would lower our future earnings and would prevent us from realizing the expected benefits of these acquisitions.

Even if we are able to integrate future acquired businesses with our operations successfully, we cannot assure you that we will realize all of the cost savings, synergies or revenue enhancements that we anticipate from such integration or that we will realize such benefits within the expected time frame. As a result of our acquisitions of other businesses, we may be subject to the risk of unforeseen business uncertainties or legal liabilities relating to those acquired businesses for which the sellers may not indemnify us, or be financially able to indemnify us. Future acquisitions may also result in potentially dilutive issuances of securities.

We depend heavily on our senior management and other key personnel, the loss of whom could materially affect our financial performance and prospects.

Our business is managed by a small number of key executive officers, including Dr. Michael J. Hartnett. Our future success will depend on, among other things, our ability to keep the services of these executives and to hire other highly qualified employees at all levels.

We compete with other potential employers for employees, and we may not be successful in hiring and retaining executives and other skilled employees that we need. Our ability to successfully execute our business strategy, market and develop our products and serve our customers could be adversely affected by a shortage of available skilled employees or executives.

Our international operations are subject to risks inherent in such activities.

We have established operations in certain countries outside the U.S., including Mexico, France, Switzerland, China and England. Of our 25 facilities, 6 are located outside the U.S., including 4 manufacturing facilities.

Approximately 27% of our net sales were derived from sales directly or indirectly outside the U.S. for fiscal 2008. We expect that this proportion is likely to increase as we seek to increase our penetration of foreign markets, including through acquisitions, particularly within the aerospace and defense markets. Our foreign operations are subject to the risks inherent in such activities such as: currency devaluations, logistical and communications challenges, costs of complying with a variety of foreign laws and regulations, greater difficulties in protecting and maintaining our rights to intellectual property, difficulty in staffing and managing geographically diverse operations, acts of terrorism or war or other acts that may cause social disruption which are difficult to quantify or predict and general economic conditions in these foreign markets. We are not aware of any proposed material regulatory changes, but our international operations may be negatively impacted by changes in government policies, such as changes in laws and regulations (or the interpretation thereof), restrictions on imports and exports, sources of supply, duties or tariffs, the introduction of measures to control inflation and changes in the rate or method of taxation. To date we have not experienced significant difficulties with the foregoing risks associated with our international operations, however, as the size of our international operations has continued to grow, we expect these risks to become increasingly important to our business operations.

Currency translation risks may have a material impact on our results of operations.

Our Swiss operations utilize the Swiss Franc as the functional currency, our French operations utilize the Euro as the functional currency and our English operations utilize the British Pound Sterling as the functional currency. Foreign currency transaction gains and losses are included in earnings. Foreign currency transaction exposure arises primarily from the transfer of foreign currency from one subsidiary to another within the group and to foreign currency denominated trade receivables. Unrealized currency translation gains and losses are recognized upon translation of the foreign subsidiaries' balance sheets to U.S. dollars. Because our financial statements are denominated in U.S. dollars, changes in currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on our earnings. While we monitor exchange rates, we currently do not have exchange rate hedges in place to reduce the risk of an adverse currency exchange movement. Although currency fluctuations have not had a material impact on our financial performance in the past, such fluctuations may affect our financial performance in the future. The impact of future exchange rate fluctuations on our results of operations cannot be accurately predicted. See "Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Exchange Rates."

We may be required to make significant future contributions to our pension plan.

As of March 29, 2008, we maintained one noncontributory defined benefit pension plan. The plan was overfunded by $0.5 million in the aggregate as of March 29, 2008 and underfunded by $1.1 million as of March 31, 2007, which are the amounts by which the accumulated benefit obligations are less than or exceed, respectively, the sum of the fair market value of the plan's assets. We are required to make cash contributions to our pension plan to the extent necessary to comply with minimum funding requirements imposed by employee benefit laws and tax laws. The amount of any such required contributions is determined based on annual actuarial valuation of the plan as performed by the plan's actuaries. The amount of future contributions will depend upon asset returns, then-current discount rates and a number of other factors, and, as a result, the amount we may elect or be required to contribute to our pension plan in the future may increase significantly. Additionally, there is a risk that if the Pension Benefit Guaranty Corporation concludes that its risk with respect to our pension plan may increase unreasonably if the plan continues to operate, if we are unable to satisfy the minimum funding requirement for the plan or if the plan becomes unable to pay benefits, then the Pension Benefit Guaranty Corporation could terminate the plan and take control of its assets. In such event, we may be required to make an immediate payment to the Pension Benefit Guaranty Corporation of all or a substantial portion of the underfunding as calculated by the Pension Benefit Guaranty Corporation based upon its own assumptions. The underfunding calculated by the Pension Benefit Guaranty Corporation could be substantially greater than the underfunding we have calculated because, for example, the Pension Benefit Guaranty Corporation may use a significantly lower discount rate. If such payment is not made, then the Pension Benefit Guaranty Corporation could place liens on a material portion of our assets and the assets of any members of our controlled group. Such action could result in a material increase in our pension related expenses and a corresponding reduction in our cash flow and net income. For additional information concerning our pension plan and plan liabilities, see Note 13 to our consolidated financial statements for the fiscal year ended March 29, 2008.

We may incur material losses for product liability and recall related claims.

We are subject to a risk of product and recall related liability in the event that the failure, use or misuse of any of our products results in personal injury, death, or property damage or our products do not conform to our customers' specifications. In particular, our products are installed in a number of types of vehicle fleets, including airplanes, trains, automobiles, heavy trucks and farm equipment, many of which are subject to government ordered as well as voluntary recalls by the manufacturer. If one of our products is found to be defective, causes a fleet to be disabled or otherwise results in a product recall, significant claims may be brought against us. Although we have not had any material product liability or recall related claims made against us, and we currently maintain product liability insurance coverage for product liability, although not for recall related claims, we cannot assure you that product liability or recall related claims, if made, would not exceed our insurance coverage limits or would be covered by insurance which, in turn, may result in material losses related to these claims, increased future insurance costs and a corresponding reduction in our cash flow and net income.

Environmental regulations impose substantial costs and limitations on our operations, and environmental compliance may be more costly than we expect.

We are subject to various federal, state and local environmental laws and regulations, including those governing discharges of pollutants into the air and water, the storage, handling and disposal of wastes and the health and safety of employees. These laws and regulations could subject us to material costs and liabilities, including compliance costs, civil and criminal fines imposed for failure to comply with these laws and regulatory and litigation costs. We also may be liable under the federal Comprehensive Environmental Response, Compensation, and Liability Act, or similar state laws, for the costs of investigation and clean-up of contamination at facilities currently or formerly owned or operated by us or at other facilities at which we have disposed of hazardous substances. In connection with such contamination, we may also be liable for natural resource damages, government penalties and claims by third parties for personal injury and property damage. Compliance with these laws and regulations may prove to be more limiting and costly than we anticipate. New laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean-up requirements could require us to incur costs or become the basis for new or increased liabilities that could cause a material increase in our environmental related compliance costs and a corresponding reduction in our cash flow and net income. Investigation and remediation of contamination at some of our sites is ongoing. Actual costs to clean-up these sites may exceed our current estimates. Although we have indemnities and other agreements for certain pre-closing environmental liabilities from the prior owners in connection with our acquisition of several of our facilities, we cannot assure you that the indemnities will be adequate to cover known or newly discovered pre-closing liabilities.

Our intellectual property and other proprietary rights are valuable, and any inability to protect them could adversely affect our business and results of operations; in addition, we may be subject to infringement claims by third parties.

Our ability to compete effectively is dependent upon our ability to protect and preserve the intellectual property and other proprietary rights and materials owned, licensed or otherwise used by us. We have numerous U.S. and foreign patents, trademark registrations and U.S. copyright registrations. Our issued patents are expected to expire by their own terms at various dates and most such patents will not expire for at least 5 years. We also have U.S. and foreign trademark and patent applications pending. We cannot assure you that our pending trademark and patent applications will result in trademark registrations and issued patents, and our failure to secure rights under these applications may limit our ability to protect the intellectual property rights that these applications were intended to cover. Although we have attempted to protect our intellectual property and other proprietary rights both in the United States and in foreign countries through a combination of patent, trademark, copyright and trade secret protection and non-disclosure agreements, these steps may be insufficient to prevent unauthorized use of our intellectual property and other proprietary rights, particularly in foreign countries where the protection available for such intellectual property and other proprietary rights may be limited. We cannot assure you that any of our intellectual property rights will not be infringed upon or that our trade secrets will not be misappropriated or otherwise become known to or independently developed by competitors. We may not have adequate remedies available for any such infringement or other unauthorized use. We cannot assure you that any infringement claims asserted by us will not result in our intellectual property being challenged or invalidated, that our intellectual property will be held to be of adequate scope to protect our business or that we will be able to deter current and former employees, contractors or other parties from breaching confidentiality obligations and misappropriating trade secrets. In addition, we may become subject to claims against us which could require us to pay damages or limit our ability to use certain intellectual property and other proprietary rights found to be in violation of a third party's rights, and, in the event such litigation is successful, we may be unable to use such intellectual property and other proprietary rights at all or on reasonable terms. Regardless of its outcome, any litigation, whether commenced by us or third parties, could be protracted and costly and could result in increased litigation related expenses, the loss of intellectual property rights or payment of money or other damages, which may result in lost sales and reduced cash flow and decrease our net income. See "Business—Intellectual Property."

Cancellation of orders in our backlog of orders could negatively impact our revenues.

As of March 29, 2008, we had an order backlog of $217.7 million, which we estimate will be fulfilled within the next 12 months. However, orders included in our backlog are subject to cancellation, delay or other modifications by our customers prior to fulfillment. For these reasons, we cannot assure you that orders included in our backlog will ultimately result in the actual receipt of revenues from such orders.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Any inability to provide reliable financial reports or prevent fraud could harm our business. To date, we have not detected any material weakness or significant deficiencies in our internal controls over financial reporting. However, we are continuing to evaluate and, where appropriate, enhance our policies, procedures and internal controls. If we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we could be subject to regulatory scrutiny, civil or criminal penalties or shareholder litigation. In addition, failure to maintain adequate internal controls could result in financial statements that do not accurately reflect our financial condition. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

Risk Factors Related to our Common Stock

Provisions in our charter documents may prevent or hinder efforts to acquire a controlling interest in us.

Provisions of our certificate of incorporation and bylaws may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions which might benefit our stockholders or in which our stockholders might otherwise receive a premium for their shares. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management.

Our certificate of incorporation authorizes the issuance of preferred stock with such designations, rights and preferences as may be determined from time to time by our board of directors without stockholder approval. Holders of the common stock may not have preemptive rights to subscribe for a pro rata portion of any capital stock which may be issued by us. In the event of issuance, such preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of us or could impede our stockholders' ability to approve a transaction they consider in their best interests. Although we have no present intention to issue any new shares of preferred stock, we may do so in the future.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Our principal executive offices are located at One Tribology Center, Oxford, Connecticut 06478. We also use this facility for manufacturing.

We own facilities in the following locations:

Rancho Dominguez, California	Bremen, Indiana
Santa Ana, California	Plymouth, Indiana
Fairfield, Connecticut	Bishopville, South Carolina
Torrington, Connecticut	Hartsville, South Carolina
Canton, Georgia	Walterboro, South Carolina
Clayton, Georgia	

We have leases in effect with respect to the following facilities:

Location of Leased Facility	Lease Expiration Date	Location of Leased Facility	Lease Expiration Date
Baldwin Park, California	April 30, 2013	Oklahoma City, Oklahoma	September 30, 2021
Irwindale, California	August 31, 2008	Bishopville, South Carolina	January 31, 2016
Santa Fe Springs, California	July 1, 2009	Hartsville, South Carolina	September 30, 2014
Oxford, Connecticut	September 30, 2014	Delmont, Switzerland	December 31, 2009
Torrington, Connecticut	December 22, 2008	Houston, Texas	June 30, 2012
Gloucestershire, England	May 20, 2012	Hoffman Estates, Illinois	March 31, 2009
Reynosa, Mexico	June 13, 2013	Shanghai, China	May 24, 2009
West Trenton, New Jersey	February 2, 2012	Les Ulis, France	July 31, 2010

We have several small field offices located in various locations to support field sales operations.

We believe that our existing property, facilities and equipment are generally in good condition, are well maintained and adequate to carry on our current operations. We also believe that our existing manufacturing facilities have sufficient capacity to meet increased customer demand. Substantially all of our owned domestic properties and most of our other assets are subject to a lien securing our obligations under our KeyBank Credit Agreement.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are involved in litigation and administrative proceedings which arise in the ordinary course of our business. We do not believe that any litigation or proceeding in which we are currently involved, either individually or in the aggregate, is likely to have a material adverse effect on our business, financial condition, operating results, cash flow or prospects.

The Federal District Court of Connecticut has issued an injunction against SKF USA Inc. in connection with the sale of Nice® radial ball bearings. Among other things, the Federal Court found that SKF USA Inc.'s use of its 2008 price list and other advertisements created confusion in the marketplace about whether SKF USA Inc. was still an authorized distributor of NICE products. The Federal Court found that SKF USA Inc.'s "2008 price list was missing a significant portion of RBC's product line," making its distribution by SKF USA Inc. "far more damaging to RBC and more likely to create confusion."

The Federal Court's injunction prohibits SKF USA Inc. from distributing the current versions of its 2008 price list and product interchange document. The Federal Court's injunction also prohibits SKF USA Inc. from suggesting to consumers that SKF USA Inc. is an authorized distributor of Nice® products. To comply with the injunction, SKF USA Inc.'s price lists, advertisements and similar documents must "clearly disclaim any authorized affiliation with the NICE brand and clearly disclaim any status as an authorized distributor of Nice® products." The injunction was effective on Monday May 12, 2008 at 5pm (EDT).

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ended March 29, 2008.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers are elected by the Board of Directors normally for a term of one year and until the election of their successors. The executive officers of the company as of May 20, 2008 are as follows:

Name	Age		Current Position and Previous Positions During Last Five Years
Dr. Michael J. Hartnett	62	1992	Chairman, President and Chief Executive Officer
Daniel A. Bergeron	48	2003	Vice President Finance
		2003	Vice President and Chief Financial Officer and Secretary
		2006	Vice President and Chief Financial Officer and Assistant Secretary
Phillip H. Beausoleil (a)	64	1995	General Manager
		2007	General Manager
Thomas C. Crainer	50	2000	General Manager
		2003	General Manager
		2008	Vice President and General Manager
Richard J. Edwards	52	1996	Vice President and General Manager
Thomas J. Williams	56	2006	Corporate General Counsel and Secretary
Thomas M. Burigo	56	2003	Manager of Accounting
		2005	Director of Accounting
		2006	Corporate Controller

(a) Mr. Beausoleil retired from the company on March 31, 2008.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Price range of our Common Stock

Our common stock is quoted on the Nasdaq National Market under the symbol "ROLL." As of May 20, 2008, there were 54 holders of record of our common stock.

The following table shows the high and low sales prices of our common stock as reported by the Nasdaq National Market during the periods indicated:

	Fiscal 2008		Fiscal 2007	
	High	Low	High	Low
First Quarter	$ 42.90	$ 33.70	$ 27.19	$ 19.33
Second Quarter	42.67	31.77	25.57	19.63
Third Quarter	43.98	33.46	30.12	23.78
Fourth Quarter	43.87	27.48	34.88	25.81

The last reported sale price of our common stock on the Nasdaq National Market on May 20, 2008 was $39.19 per share.

Dividend Policy

We have never declared or paid any cash dividends on our common stock and do not expect to pay cash dividends for the foreseeable future. Our current policy is to retain all of our earnings to finance future growth. In addition, covenants in our credit facilities restrict our ability to pay dividends. Any future declaration of dividends will be determined by our board of directors, based upon our earnings, capital requirements, financial condition, debt covenants, tax consequences and other factors deemed relevant by our board of directors.

Issuer Purchases of Equity Securities

On June 15, 2007, our board of directors authorized us to repurchase up to $10.0 million of our common stock from time to time on the open market, through block trades, or in privately negotiated transactions depending on market conditions, alternative uses of capital and other factors. Purchases may be commenced, suspended or discontinued at any time without prior notice. The new program, which does not have an expiration date, replaces a $7.5 million program that expired on March 31, 2007.

Total share repurchases for the three months ended March 29, 2008 are as follows:

Period	Total number of shares purchased	Average price paid per share	Number of shares purchased as part of the publicly announced program	Approximate dollar value of shares still available to be purchased under the program (000's)
12/30/2007 – 01/26/2008	—	$ —	—	$ 9,250
01/27/2008 – 02/23/2008	9,798	31.20	9,798	8,944
02/24/2008 – 03/29/2008	45,569	32.60	45,569	$ 7,458
Total	55,367	$ 32.36	55,367	

During the fourth quarter of fiscal 2008, we did not issue any common stock that was not registered under the Securities Act.

Equity Compensation Plans

Information regarding equity compensation plans required to be disclosed pursuant to this Item is included elsewhere in Note 16, Item 8 of this Annual Report on Form 10-K.

Performance Graph

The following graph shows the total return to our stockholders compared to a peer group and the Nasdaq Composite over the period from August 10, 2005 (the date of our initial public offering) to March 29, 2008. Each line on the graph assumes that $100 was invested in our common stock on August 10, 2005 or in the respective indices at the closing price on August 10, 2005. The graph then presents the value of these investments, assuming reinvestment of dividends, through the close of trading on March 29, 2008.

16

	August 10, 2005	April 1, 2006	March 31, 2007	March 29, 2008
RBC Bearings Incorporated	$ 100.00	$ 134.25	$ 218.93	$ 237.00
Nasdaq Composite Index	100.00	109.00	114.16	106.85
Peer Group	100.00	124.18	179.46	176.90

The peer group consists of Kaydon Corporation, Moog Inc., NN Inc., Precision Industries Castparts Corp., Timken Company and Triumph Group Inc., which in our opinion, most closely represent the peer group for our business segments.

*The cumulative total return shown on the stock performance graph indicates historical results only and is not necessarily indicative of future results.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected consolidated historical financial and other data as of the dates and for the periods indicated. The selected financial data as of and for the years ended March 29, 2008, March 31, 2007, April 1, 2006, April 2, 2005, and April 3, 2004 have been derived from our historical consolidated financial statements audited by Ernst & Young LLP, independent registered public accounting firm. Historical results are not necessarily indicative of the results expected in the future. You should read the data presented below together with, and qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included elsewhere in this Form 10-K.

	Fiscal Year Ended				
	March 29, 2008	March 31, 2007	April 1, 2006	April 2, 2005	April 3, 2004
	(in thousands, except share and per share amounts)				
Statement of Operations Data:					
Net sales[1]	$ 330,600	$ 306,062	$ 274,509	$ 243,016	$ 187,331
Cost of sales	217,022	205,953	191,561	174,602	135,433
Gross margin	113,578	100,109	82,948	68,414	51,898
Selling, general and administrative[2]	48,904	42,256	41,945	32,749	28,107
Other, net	1,824	5,934	2,424	3,526	1,662
Operating income	62,850	51,919	38,579	32,139	22,129
Interest expense, net	3,407	5,780	15,657	19,669	20,380
Loss on early extinguishment of debt[3]	27	3,576	3,771	6,950	—
Other non-operating expense (income)	(463)	(1,504)	78	(355)	16
Income before income taxes	59,879	44,067	19,073	5,875	1,733
Provision for (benefit from) income taxes	19,685	15,588	6,634	(1,385)	1,070
Net income	40,194	28,479	12,439	7,260	663
Preferred stock dividends	—	—	(893)	(2,280)	(2,144)
Participation rights of preferred stock in undistributed earnings	—	—	(630)	(1,142)	—
Net income (loss) available to common stockholders	$ 40,194	$ 28,479	$ 10,916	$ 3,838	$ (1,481)
Net income (loss) per common share:[4]					
Basic	$ 1.87	$ 1.38	$ 0.84	$ 0.62	$ (0.24)
Diluted	$ 1.84	$ 1.33	$ 0.76	$ 0.35	$ (0.24)
Weighted average common shares:[4]					
Basic	21,457,846	20,579,498	12,931,185	6,202,615	6,188,903
Diluted	21,802,711	21,335,307	14,452,264	10,854,584	6,188,903
Other Financial Data:					
Capital expenditures	$ 17,758	$ 16,174	$ 10,341	$ 9,526	$ 4,951

	As of				
	March 29, 2008	March 31, 2007	April 1, 2006	April 2, 2005	April 3, 2004
	(in thousands)				
Balance Sheet Data:					
Cash	$ 9,859	$ 5, 184	$ 16,126	$ 2,635	$ 3,250
Working capital	176,269	138,970	146,612	120,656	105,550
Total assets	337,112	273,713	275,923	250,169	234,746
Total debt	57,750	59,405	165,747	220,079	215,224
Total stockholders' equity (deficit)	223,910	168,171	73,340	(7,759)	(16,285)

(1) Net sales were $330.6 million in fiscal 2008 compared to $306.1 million in fiscal 2007, an increase of $24.5 million. Net sales in the compared periods included net sales of $5.4 million for Phoenix (acquired in May 2007), $2.7 million for CBS (acquired in July 2007), $0.3 million for AID (acquired in March 2008) and $0.3 million for BEMD (acquired in March 2008).

Net sales were $306.1 million in fiscal 2007 compared to $274.5 million in fiscal 2006, an increase of $31.6 million. Net sales in the compared periods included net sales of $8.4 million in fiscal 2007 for All Power, which was acquired in September 2006.

Net sales were $274.5 million in fiscal 2006 compared to $243.0 million in fiscal 2005, an increase of $31.5 million. Net sales in the compared periods included net sales of $1.7 million in fiscal 2006 for SWP, which was acquired in September 2005.

Net sales were $243.0 million in fiscal 2005 compared to $187.3 million in fiscal 2004, an increase of $55.7 million. Net sales in the compared periods included net sales of $19.3 million in fiscal 2005 and $6.1 million in fiscal 2004 for RBC-API, which was acquired in December 2003.

(2) Selling, general and administrative expense for the fiscal year ended April 1, 2006 included non-recurring compensation expense of $5.2 million.

(3) Loss on early extinguishment of debt in fiscal 2007 was $3.6 million for the non-cash write-off of deferred financing costs associated with the early termination of the senior credit facility.

Loss on early extinguishment of debt of $3.8 million in fiscal 2006 included $1.6 million for non-cash write-off of deferred financing fees and unamortized bond discount associated with retired debt, $1.3 million of redemption premium associated with the retirement of all of our 13% discount debentures in September 2005, $0.5 million of prepayment fees related to the repayment of all of the outstanding balance under our second lien term loan in August 2005 and $0.4 million in interest expense for the 30-day call period related to the early extinguishment of our 13% discount debentures.

Loss on early extinguishment of debt of $7.0 million in fiscal 2005 included $4.3 million for non-cash write-off of deferred financing fees associated with retired debt, $1.8 million of redemption premium and $0.9 million of accrued interest for the 30-day call period related to the early extinguishment of $110.0 million of $9\,{}^{5}/_{8}$% senior subordinated notes in July 2004.

(4) Amounts for the fiscal year ended March 31, 2007 reflect the consummation of our secondary public offering in April 2006, which included: (1) the sale by us of 8,989,550 shares of our common stock (5,995,529 sold by certain of our stockholders) at the offering price of $20.50 per share and (2) the repayment of $57.8 million of our Term Loan.

Amounts for the fiscal year ended April 1, 2006 reflect the consummation of our initial public offering in August 2005, which included: (1) the sale by us of 7,034,516 shares at the offering price of $14.50 per share, (2) the repayment of all of our $38.6 million in aggregate principal amount of 13% senior subordinated discount debentures due 2009, (3) the repayment of all outstanding indebtedness under our $45.0 million second lien term loan, (4) the addition of $40.0 million to our Term Loan and (5) the redemption of all of our then outstanding Class C and Class D preferred stock for an aggregate redemption price of $38.6 million.

Amounts shown for periods prior to August 15, 2005 include shares of both Class A common stock and Class B common stock, all of which were reclassified into a single class of common stock on a one-for-one basis in connection with our initial public offering as of such date.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Overview

We are a well known international manufacturer of highly engineered precision plain, roller and ball bearings. Our precision solutions are integral to the manufacture and operation of most machines and mechanical systems, reduce wear to moving parts, facilitate proper power transmission and reduce damage and energy loss caused by friction. While we manufacture products in all major bearing categories, we focus primarily on the higher end of the bearing market where we believe our value added manufacturing and engineering capabilities enable us to differentiate ourselves from our competitors and enhance profitability. We estimate that approximately two-thirds of our net sales during fiscal 2008 were generated by products for which we hold the number one or two market position. We have been providing bearing solutions to our customers since 1919. Over the past ten years, under the leadership of our current management team, we have significantly broadened our end markets, products, customer base and geographic reach. We currently operate 25 facilities of which 22 are manufacturing facilities in four countries.

Demand for bearings generally follows the market for products in which bearings are incorporated and the economy as a whole. Purchasers of bearings include industrial equipment and machinery manufacturers, producers of commercial and military aerospace equipment such as missiles and radar systems, agricultural machinery manufacturers, construction, mining and specialized equipment manufacturers and automotive and commercial truck manufacturers. The markets for our products are cyclical, and general market conditions could negatively impact our operating results. We have endeavored to mitigate the cyclicality of our product markets by entering into sole-source relationships and long-term purchase orders, through diversification across multiple market segments within the aerospace and defense and diversified industrial segments, by increasing sales to the aftermarket and by focusing on developing highly customized solutions.

During fiscal 2008, the world economy continued to grow and expand, and we experienced favorable conditions across our two major markets: diversified industrial and aerospace and defense. In particular, the diversified industrial market has been driven by requirements in non-residential construction, mining and the oil and gas sectors. These conditions have resulted in demand for bearings for both OEM and replacement markets. In the aerospace market a strong recovery continued, and we believe it is at the mid-stages of an extended cycle. Expansion of the commercial aircraft sector, in response to increased passenger demand and the need of the carriers to upgrade the worldwide fleet, drove increased build schedules at Boeing and Airbus. The defense sector continued to replace and develop its weapons and cargo platforms. This sector demonstrated increased requirements for replacement bearings for combat systems strained by extensive use in harsh environments over the past four years.

Approximately 22% of our costs are attributable to raw materials, a majority of which are related to steel and related products. During the past three years, steel prices have increased to historically high levels, responding to unprecedented levels of world demand. To date, we have generally been able to pass through these costs to our customers through price increases and the assessment of surcharges, although there can be a time lag of up to 3 months or more.

Competition in specialized bearing markets is based on engineering design, brand, lead times and reliability of product and service. These markets are generally not as price sensitive as the markets for standard bearings.

We have demonstrated expertise in acquiring and integrating bearing and precision-engineered component manufacturers that have complementary products or distribution channels and provide significant potential for margin enhancement. We have consistently increased the profitability of acquired businesses through a process of methods and systems improvement coupled with the introduction of complementary and proprietary new products. Since October 1992 we have completed 18 acquisitions which have significantly broadened our end markets, products, customer base and geographic reach.

Sources of Revenue

Revenue is generated primarily from sales of bearings to the diversified industrial market and the aerospace and defense markets. Sales are often made pursuant to sole-source relationships, long-term agreements and purchase orders with our customers. We recognize revenues principally from the sale of products at the point of passage of title, which is at the time of shipment.

Sales to the diversified industrial market accounted for 47% of our net sales for the fiscal year ended March 29, 2008. Sales to the aerospace and defense markets accounted for 53% of our net sales for the same period. We anticipate that sales to the aerospace and defense markets will increase as a percentage of our net sales.

Aftermarket sales of replacement parts for existing equipment platforms represented approximately 58% of our net sales for fiscal 2008. We continue to develop our OEM relationships which have established us as a leading supplier on many important aerospace and defense platforms. Over the past several years, we have experienced increased demand from the replacement parts market, particularly within the aerospace and defense sectors; one of our business strategies has been to increase the proportion of sales derived from this sector. We believe these activities increase the stability of our revenue base, strengthen our brand identity and provide multiple paths for revenue growth.

Approximately 27% of our net sales were derived from sales directly or indirectly outside the U.S. for fiscal 2008, compared to 24% for fiscal 2007. We expect that this proportion will increase as we seek to increase our penetration of foreign markets, particularly within the aerospace and defense sectors. Our top ten customers, generated 31% and 32% of our net sales in fiscal 2008 and 2007, respectively. Out of the 31% of net sales generated by our top ten customers during the fiscal year ended March 29, 2008, 20% of net sales was generated by our top four customers. No single customer was responsible for generating more than 8% of our net sales for the same period.

Cost of Revenues

Cost of sales includes employee compensation and benefits, materials, outside processing, depreciation of manufacturing machinery and equipment, supplies and manufacturing overhead.

During the past four years, our gross margin was impacted by rising raw material prices, in particular, steel and related products. In response, we have, to date, managed to pass on the majority of these price increases of raw materials to our customers through steel surcharges assessed on, or price increases of, our bearing products. However, we have from time to time experienced a time lag of up to 3 months or more in our ability to pass through steel surcharges to our customers, which has negatively impacted our gross margin. We will continue to pass on raw material price increases as competitive conditions allow.

We have not been significantly impacted by recent increases in energy prices because energy costs, the most significant component of which is natural gas used in heat treating operations, represent approximately 3% of our overall costs.

We monitor gross margin performance through a process of monthly operation management reviews. We will develop new products to target certain markets allied to our strategies by first understanding volume levels and product pricing and then constructing manufacturing strategies to achieve defined margin objectives. We only pursue product lines where we believe that the developed manufacturing process will yield the targeted margins. Management monitors gross margins of all product lines on a monthly basis to determine which manufacturing processes or prices should be adjusted.

Selling, General and Administrative Expenses

Selling, general and administrative, or SG&A, expenses relate primarily to the compensation and associated costs of selling, general and administrative personnel, professional fees, insurance, facility costs and information technology. We expect SG&A expenses will increase in absolute terms as we increase our sales efforts and incur increased costs related to the anticipated growth of our business.

Other Expenses

In December 2007, our RBC Aircraft Products, Inc. subsidiary relocated from a leased to an owned facility within Torrington, Connecticut. Moving expenses related to the relocation of this manufacturing facility resulted in a charge of approximately $0.5 million in fiscal 2008.

In February 2007, our Tyson Bearing Company, Inc. subsidiary and the United Steelworkers of America (AFL-CIO) Local 7461-01 entered into a shutdown agreement in connection with our decision to close operations at our Glasgow, Kentucky facility. Under the shutdown agreement, the union agreed to take no action against us in connection with such shutdown. The agreement also addressed closure and other transition issues related to pensions, workers compensation insurance, adjustment assistance and other matters. The production that was conducted at the Tyson facility has been moved to other RBC locations. This consolidation resulted in a charge of approximately $5.1 million in fiscal 2007. Approximately $2.2 million of this charge related to the disposal of fixed assets.

In February 2006, our RBC Nice Bearings, Inc. subsidiary and the United Steelworkers of America (AFL-CIO) Local 6816-12 entered into a shutdown agreement in connection with our decision to close operations at our Kulpsville, Pennsylvania facility. Under the shutdown agreement, the union agreed to take no action against us in connection with such shutdown. The agreement also addressed closure and other transition issues related to pensions, workers compensation insurance, adjustment assistance and other matters. The production that was conducted at the Nice facility has been moved to other RBC locations. Shutdown costs included $0.6 million of severance and $0.4 million for fixed asset impairments which were recorded in fiscal 2006.

Results of Operations

The following table sets forth the various components of our consolidated statements of operations, expressed as a percentage of net sales, for the periods indicated that are used in connection with the discussion herein:

	Fiscal Year Ended		
	March 29, 2008	**March 31, 2007**	**April 1, 2006**
Statement of Operations Data:			
Net sales	100.0%	100.0%	100.0%
Gross margin	34.4	32.7	30.2
Selling, general and administrative	14.8	13.8	15.3
Other, net	0.6	1.9	0.9
Operating income	19.0	17.0	14.0
Interest expense, net	1.0	1.9	5.7
Loss on early extinguishment of debt	—	1.2	1.4
Other non-operating expense (income)	(0.1)	(0.5)	—
Income before income taxes	18.1	14.4	6.9

Provision for income taxes	6.0	5.1	2.4
Net income	12.1%	9.3%	4.5%

Segment Information

We have four reportable product segments: Plain Bearings, Roller Bearings, Ball Bearings and Other. Other consists primarily of precision ball screws and machine tool collets. The following table shows our net sales and operating income with respect to each of our reporting segments plus Corporate for the last three fiscal years:

	Fiscal Year Ended		
	March 29, 2008	March 31, 2007	April 1, 2006
	(in thousands)		
Net External Sales			
Plain	$ 154,535	$ 143,907	$ 115,091
Roller	97,019	92,123	96,466
Ball	56,677	50,466	46,378
Other	22,369	19,566	16,574
Total	$ 330,600	$ 306,062	$ 274,509
Operating Income			
Plain	$ 40,982	$ 41,163	$ 30,955
Roller	28,818	18,766	23,340
Ball	14,284	12,523	9,692
Other	2,669	2,200	1,478
Corporate	(23,903)	(22,733)	(26,886)
Total	$ 62,850	$ 51,919	$ 38,579

Geographic Information

The following table summarizes our net sales, by shipping location, for the periods shown:

	Fiscal Year Ended		
	March 29, 2008	March 31, 2007	April 1, 2006
	(in thousands)		
Geographic Revenues			
Domestic	$ 280,510	$ 265,644	$ 243,576
Foreign	50,090	40,418	30,933
Total	$ 330,600	$ 306,062	$ 274,509

For additional information concerning our business segments, see Item 8, Note 21.

Fiscal 2008 Compared to Fiscal 2007

Net Sales. Net sales for fiscal 2008 were $330.6 million, an increase of $24.5 million, or 8.0%, compared to $306.1 million for the same period in fiscal 2007. During fiscal 2008, we experienced net sales growth in all our four segments, driven by demand across end markets as well as continued efforts to supply new products to existing and new customers. Overall, net sales to aerospace and defense customers grew 14.5% in fiscal 2008 compared to the same period last year, driven mainly by commercial and military aerospace aftermarket, OEM demand and a full year of All Power which was acquired in fiscal 2007. Net sales to diversified industrial customers grew 1.7% in fiscal 2008 compared to the same period last year. Reflected in this change, our core markets of construction, mining, semiconductor capital equipment and distribution were up 8.8% offset by a decline in year-over-year volume in our Class 8 truck market. The addition of CBS and Phoenix during fiscal 2008 contributed $8.0 million towards this core growth.

The Plain Bearings segment achieved net sales of $154.5 million in fiscal 2008, an increase of $10.6 million, or 7.4%, compared to $143.9 million for the same period in the prior year. The commercial and military aerospace market grew $15.2 million due to an increase in airframe and aerospace bearing shipments to aircraft manufacturers and continued demand for aftermarket product. The inclusion of AID accounted for $0.3 million of this increase. This was offset by a $4.6 million decline in net sales to our diversified industrial customers. This decline was mainly due to a shift in manufacturing capacity in response to growing aerospace demand and lower industrial OEM demand.

The Roller Bearings segment achieved net sales of $97.0 million in fiscal 2008, an increase of $4.9 million, or 5.3%, compared to $92.1 million for the same period in the prior year. Net sales to the aerospace and defense market increased by $2.9 million, while the inclusion of Phoenix accounted for $5.3 million of diversified industrial market sales, offset by a decrease of $3.3 million in diversified industrial market sales primarily driven by a continued slowdown in our Class 8 truck market.

The Ball Bearings segment achieved net sales of $56.7 million in fiscal 2008, an increase of $6.2 million, or 12.3%, compared to $50.5 million for the same period in the prior year. Of this increase, $2.5 million was driven principally by increased aerospace and defense-related demand. Sales to our customers in the industrial market increased $3.7 million compared to the same period in the prior year. The inclusion of CBS accounted for $2.7 million of the net diversified industrial sales increase.

The Other segment, which is focused mainly on the sale of precision ball screws and machine tool collets, achieved net sales of $22.4 million in fiscal 2008, an increase of $2.8 million, or 14.3%, compared to $19.6 million for the same period last year. This increase was primarily due to increased sales of machine tool collets in Europe. Included in this increase was $0.3 million for the recent acquisition of BEMD.

Gross Margin. Gross margin was $113.6 million, or 34.4% of net sales, in fiscal 2008, versus $100.1 million, or 32.7% of net sales, for the comparable period in fiscal 2007. The increase in our gross margin as a percentage of net sales was primarily the result of an overall increase in volume and a shift in mix toward higher margin products combined with the corresponding effects of efficiency improvements.

Selling, General and Administrative. SG&A expenses increased by $6.6 million, or 15.6%, to $48.9 million in fiscal 2008 compared to $42.3 million for the same period in fiscal 2007. The increase was primarily due to an increase of $5.4 million for personnel necessary to support increased volume, higher stock compensation expense of $0.5 million, and $0.7 million associated with acquisitions. As a percentage of net sales, SG&A was 14.8% in fiscal 2008 compared to 13.8% for the same period in fiscal 2007.

Other, net. Other, net in fiscal 2008 was $1.8 million compared to $5.9 million for the same period in fiscal 2007. In fiscal 2008, other, net included $1.3 million of amortization of intangibles, $0.5 million of moving expenses related to the relocation of our aircraft products manufacturing facility and a loss on disposal of fixed assets of $0.4 million, offset by other miscellaneous income of $0.4 million. In fiscal 2007, other, net included plant consolidation expenses for both the Tyson and Nice facilities of $3.2 million, a loss on disposal of fixed assets of $2.7 million relating primarily to the Tyson plant consolidation, a gain on the sale of the Nice facility of $0.8 million, amortization of intangibles of $0.7 million and $0.2 million of bad debt expense.

Operating Income. Operating income was $62.9 million, or 19.0% of net sales, in fiscal 2008 compared to $51.9 million, or 17.0% of net sales, in fiscal 2007. Operating income for the Plain Bearings segment was $41.0 million in fiscal 2008, or 26.5% of net sales, compared to $41.2 million for the same period last year, or 28.6% of net sales. The Roller Bearings segment achieved an operating income in fiscal 2008 of $28.8 million, or 29.7% of net sales, compared to $18.8 million, or 20.4% of net sales, in fiscal 2007. The Ball Bearings segment achieved an operating income of $14.3 million, or 25.2% of net sales, in fiscal 2008, compared to $12.5 million, or 24.8% of net sales, for the same period in fiscal 2007. The Other segment achieved an operating income of $2.7 million, or 11.9% of net sales, in fiscal 2008, compared to $2.2 million or 11.2% of net sales, for the same period in fiscal 2007. The increase in operating income in the Roller, Ball and Other segments was driven primarily by an increase in net sales and a shift in mix toward higher margin products. The decrease in operating income in the Plain segment was primarily driven by the decrease in net sales to industrial customers.

Interest Expense, net. Interest expense, net decreased by $2.4 million to $3.4 million in fiscal 2008, compared to $5.8 million in fiscal 2007, driven by debt reduction.

Loss on Early Extinguishment of Debt. For fiscal 2007, loss on early extinguishment of debt was $3.6 million for non-cash write-off of deferred financing fees.

Other Non-Operating Expense (Income). In fiscal 2008, we received approximately $0.3 million in payments under the U.S. Continued Dumping and Subsidy Offset Act (CDSOA) for 2007. This compared to $1.2 million in payments received in fiscal 2007 for 2006. The CDSOA distributes antidumping duties paid by overseas companies to domestic firms hurt by unfair trade.

Income Before Income Taxes. Income before taxes was $59.9 million in fiscal 2008 compared to income before taxes of $44.1 million in fiscal 2007.

Income Taxes. Income tax expense in fiscal 2008 was $19.7 million compared to $15.6 million in fiscal 2007. The effective income tax rate in fiscal 2008 was 32.9% compared to 35.4% in fiscal 2007. The decrease in the effective income tax rate was primarily due to a manufacturing deduction taken in 2008 and benefits related to research and development credits, partially offset by a lower international rate differential.

Net Income. Net income was $40.2 million in fiscal 2008 compared to net income of $28.5 million in fiscal 2007.

Fiscal 2007 Compared to Fiscal 2006

Net Sales. Net sales for fiscal 2007 were $306.1 million, an increase of $31.6 million, or 11.5%, compared to $274.5 million for the same period in fiscal 2006. During fiscal 2007, we experienced net sales growth in three of our four segments, driven by demand across end markets as well as continued efforts to supply new products to existing and new customers. Overall, net sales to aerospace and defense customers grew 25.8% in fiscal 2007 compared to the same period last year, driven mainly by commercial and military aerospace aftermarket, OEM demand and the inclusion of recently acquired All Power. Net sales to diversified industrial customers grew 0.3% in fiscal 2007 compared to the same period last year. Reflected in this change, our core markets of construction, mining, semiconductor capital equipment and distribution were up 6.8% offset by a decline in year-over-year volume in our Class 8 truck market.

The Plain Bearings segment achieved net sales of $143.9 million in fiscal 2007, an increase of $28.8 million, or 25.0%, compared to $115.1 million for the same period in the prior year. The commercial and military aerospace market accounted for $28.2 million of the increase due to an increase in airframe and aerospace bearing shipments to aircraft manufacturers and continued demand for aftermarket product. Net sales to diversified industrial customers accounted for $0.6 million of the increase driven by general industrial applications.

The Roller Bearings segment achieved net sales of $92.1 million in fiscal 2007, a decrease of $4.4 million, or 4.5%, compared to $96.5 million for the same period in the prior year. $8.1 million of this decrease was attributable to sales to customers in the industrial market, mainly a result of the slowdown in the class 8 truck market. The aerospace and defense market accounted for the offsetting $3.7 million increase, driven primarily by increasing build rates and maintenance requirements for commercial and military aircraft.

The Ball Bearings segment achieved net sales of $50.5 million in fiscal 2007, an increase of $4.1 million, or 8.8%, compared to $46.4 million for the same period in the prior year. The increase was driven principally by increased demand from airframe, electro-optical, and satellite and communications applications and increased penetration of the airframe market.

The Other segment, which is focused mainly on the sale of precision ball screws and machine tool collets, achieved net sales of $19.6 million in fiscal 2007, an increase of $3.0 million, or 18.1%, compared to $16.6 million for the same period last year. This increase was primarily due to increased sales of machine tool collets to the industrial market in Europe and precision ball screws to aerospace and industrial applications.

Gross Margin. Gross margin was $100.1 million, or 32.7% of net sales, in fiscal 2007, versus $82.9 million, or 30.2% of net sales, for the comparable period in fiscal 2006. The increase in our gross margin as a percentage of net sales was primarily the result of an overall increase in volume, higher prices, increased manufacturing efficiency, and overall product mix.

Selling, General and Administrative. SG&A expenses increased by $0.4 million, or 0.7%, to $42.3 million in fiscal 2007 compared to $41.9 million for the same period in fiscal 2006. The increase was primarily due to higher stock compensation expense of $0.4 million, higher professional service fees of $1.3 million and an increase of $3.9 million for personnel necessary to support increased volume, offset by $5.2 million in non-recurring compensation expense in fiscal 2006. As a percentage of net sales, SG&A was 13.8% in fiscal 2007 compared to 15.3% for the same period in fiscal 2006.

Other, net. Other, net in fiscal 2007 was $5.9 million compared to $2.4 million for the same period in fiscal 2006. In fiscal 2007, other, net included plant consolidation expenses for both the Tyson and Nice facilities of $3.2 million, a loss on disposal of fixed assets of $2.7 million relating primarily to the Tyson plant consolidation, a gain on the sale of the Nice facility of $0.8 million, amortization of intangibles of $0.7 million and $0.2 million of bad debt expense. In fiscal 2006, other, net included amortization of intangibles of $0.7 million, severance costs of $0.6 million and losses on fixed asset disposals of $0.4 million for the RBC Nice Bearings, Inc. plant consolidation, $0.2 million of non-recurring management fees, $0.3 million of bad debt expense, and $0.2 million of other expenses.

Operating Income. Operating income was $51.9 million, or 17.0% of net sales, in fiscal 2007 compared to $38.6 million, or 14.0% of net sales, in fiscal 2006. Operating income for the Plain Bearings segment was $41.2 million in fiscal 2007, or 28.6% of net sales, compared to $31.0 million for the same period last year, or 26.9% of net sales. The Roller Bearings segment achieved an operating income in fiscal 2007 of $18.8 million, or 20.4% of net sales, compared to $23.3 million, or 24.2% of net sales, in fiscal 2006. The Ball Bearings segment achieved an operating income of $12.5 million, or 24.8% of net sales, in fiscal 2007, compared to $9.7 million, or 20.9% of net sales, for the same period in fiscal 2006. The Other segment achieved an operating income of $2.2 million, or 11.2% of net sales, in fiscal 2007, compared to $1.5 million or 8.9% of net sales, for the same period in fiscal 2006. The increase in operating income in the Plain, Ball and Other segments was driven primarily by an increase in net sales. The decrease in operating income in the Roller segment was primarily driven by the decrease in net sales to industrial distributor customers.

Interest Expense, net. Interest expense, net decreased by $9.9 million to $5.8 million in fiscal 2007, compared to $15.7 million in fiscal 2006, driven by debt reduction.

Loss on Early Extinguishment of Debt. For fiscal 2007, loss on early extinguishment of debt was $3.6 million for non-cash write-off of deferred financing fees. For fiscal 2006, loss on early extinguishment of debt of $3.8 million included $1.6 million for non-cash write-off of deferred financing fees and unamortized bond discount associated with retired debt, $1.3 million of redemption premium associated with the redemption of all our 13% discount debentures in September 2005, $0.5 million prepayment fees related to the prepayment of all the outstanding balance under our second lien term loan in August 2005 and $0.4 million in interest expense for the 30-day call period related to the early extinguishment of our 13% debentures.

Other Non-Operating Expense (Income). In fiscal 2007, we received approximately $1.2 million in payments under the U.S. Continued Dumping and Subsidy Offset Act (CDSOA). The CDSOA distributes antidumping duties paid by overseas companies to domestic firms hurt by unfair trade.

Income Before Income Taxes. Income before taxes was $44.1 million in fiscal 2007 compared to income before taxes of $19.1 million in fiscal 2006.

Income Taxes. Income tax expense in fiscal 2007 was $15.6 million compared to $6.6 million in fiscal 2006. The effective income tax rate in fiscal 2007 was 35.4% compared to 34.8% in fiscal 2006. The increase in the effective income tax rate from year to year is primarily due to the recording of a valuation allowance on certain state net operating losses due to plant shutdowns as well as the elimination of the ETI benefit, partially offset by a reduction in state tax expense due to the elimination of most state franchise taxes.

Net Income. Net income was $28.5 million in fiscal 2007 compared to net income of $12.4 million in fiscal 2006.

Liquidity and Capital Resources

Our business is capital intensive. Our capital requirements include manufacturing equipment and materials. In addition, we have historically fueled our growth in part through acquisitions. We have historically met our working capital, capital expenditure requirements and acquisition funding needs through our net cash flows provided by operations, various debt arrangements and sale of equity to investors.

Liquidity

On June 26, 2006, RBCA entered into a credit agreement (the "KeyBank Credit Agreement") and related security and guaranty agreements with certain banks, KeyBank National Association, as Administrative Agent, and J.P. Morgan Chase Bank, N.A. as Co-Lead Arrangers and Joint Lead Book Runners. The KeyBank Credit Agreement provides RBCA, as borrower, with a $150.0 million five-year senior secured revolving credit facility which can be increased by up to $75.0 million, in increments of $25.0 million, under certain circumstances and subject to certain conditions (including the receipt from one or more lenders of the additional commitment).

Amounts outstanding under the KeyBank Credit Agreement generally bear interest at the prime rate, or LIBOR plus a specified margin, depending on the type of borrowing being made. The applicable margin is based on our consolidated ratio of net debt to adjusted EBITDA from time to time. Currently, our margin is 0.0% for prime rate loans and 0.625% for LIBOR rate loans. Amounts outstanding under the KeyBank Credit Agreement are due and payable on the expiration date of the credit agreement (June 24, 2011). We can elect to prepay some or all of the outstanding balance from time to time without penalty.

The KeyBank Credit Agreement requires us to comply with various covenants, including among other things, financial covenants to maintain a ratio of consolidated net debt to adjusted EBITDA not to exceed 3.25 to 1, and a consolidated fixed charge coverage ratio not to exceed 1.5 to 1. As of March 29, 2008, we were in compliance with all such covenants.

The KeyBank Credit Agreement allows us to, among other things, make distributions to shareholders, repurchase our stock, incur other debt or liens, or acquire or dispose of assets provided that we comply with certain requirements and limitations of the credit agreement. Our obligations under the KeyBank Credit Agreement are secured by a pledge of substantially all of our and RBCA's assets and a guaranty by us of RBCA's obligations.

On June 26, 2006, we borrowed approximately $79.0 million under the KeyBank Credit Agreement and used such funds to (i) pay fees and expenses associated with the KeyBank Credit Agreement and (ii) repay the approximately $78.0 million balance outstanding under a credit agreement in place at that time. We recorded a non-cash pre-tax charge of approximately $3.6 million in fiscal 2007 to write off deferred debt issuance costs associated with the early termination of the Amended Credit Agreement. Deferred financing fees of $0.9 million associated with the KeyBank Credit Agreement were also recorded in fiscal 2007.

On September 10, 2007, we entered into an amendment of the KeyBank Credit Agreement. Pursuant to the terms of the amendment, the commitment fees payable under the KeyBank Credit Agreement were decreased from a range of 10 to 27.5 basis points, based on our leverage ratio (as defined under the KeyBank Credit Agreement) to a range of 7.5 to 20 basis points. Further, the margin payable under the KeyBank Credit Agreement for revolving loans that are base rate loans, based on our leverage ratio, was decreased from a range of 0 to 75 basis points to a range of 0 to 25 basis points. The margin payable under the KeyBank Credit Agreement for revolving loans that are fixed rate loans, based on our leverage ratio (as defined under the agreement) was decreased from a range of 62.5 to 165 basis points to a range of 37.5 to 115 basis points. Also, the covenant requiring us to limit capital expenditures (excluding acquisitions) in any fiscal year to an amount not to exceed $20,000 was amended to increase the limit to an amount not to exceed $30,000. As of March 29, 2008, $41.0 million was outstanding under the KeyBank Credit Agreement. Approximately $21.6 million of the KeyBank Credit Agreement is being utilized to provide letters of credit to secure our obligations relating to certain Industrial Development Revenue Bonds (the "IRB's") and insurance programs. As of March 29, 2008, we had the ability to borrow up to an additional $87.4 million under the KeyBank Credit Agreement.

On December 8, 2003, Schaublin entered into a bank credit facility (the "Swiss Credit Facility") with Credit Suisse providing for 10.0 million Swiss francs, or approximately $10.0 million, of term loan (the "Swiss Term Loan") and up to 2.0 million Swiss francs, or approximately $2.0 million, of revolving credit loans and letters of credit (the "Swiss Revolving Credit Facility"). We pledged 99.4% of the present and future share capital of Schaublin S.A. (1,366 shares) against this facility. On November 8, 2004, Schaublin amended the Swiss Credit Facility to increase the Swiss Revolving Credit Facility to 4.0 million Swiss francs, or approximately $4.0 million. Borrowings under the Swiss Revolving Credit Facility bear interest at a floating rate of LIBOR plus 2.25%. As of March 29, 2008, the term loan was paid off in full and there were no borrowings outstanding under the Swiss Credit Facility. The credit agreement for the Swiss Credit Facility contains affirmative and negative covenants regarding the Schaublin financial position and results of operations and other terms customary to such financings. As of March 29, 2008, we were in compliance with all such covenants.

On April 18, 2006, pursuant to a purchase agreement with Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, KeyBanc Capital Markets and Robert W. Baird & Co., we, along with certain of our stockholders, sold 8,989,550 shares of our common stock (5,995,529 sold by certain of our stockholders). The offering yielded us aggregate net proceeds of approximately $57.0 million after payment of the underwriting discount, commissions and offering expenses. The full amount of the net proceeds were used to prepay outstanding balances under a term loan outstanding at that time.

On August 15, 2005, pursuant to a purchase agreement with Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, KeyBanc Capital Markets and Jefferies & Company, Inc., we, along with certain of our stockholders, sold 10,531,200 shares of our common stock (3,496,684 sold by certain of our stockholders). The offering yielded us aggregate net proceeds of $92.1 million after payment of the underwriting discount and offering expenses. After redemption of our Class C and Class D preferred stock for $34.6 million, our net proceeds were $57.5

million. Immediately prior to the consummation of the initial public offering, all outstanding shares of Class B preferred stock were converted in accordance with their terms into 1,846,396 shares of Class A common stock, 306,298 shares of Class C preferred stock and 240,000 shares of Class D preferred stock. All shares of Class C and Class D preferred stock were redeemed with cash or common stock and all shares of Class A and Class B common stock were reclassified as common stock on a one-for-one basis. In connection with the initial public offering, we filed an Amended and Restated Certificate of Incorporation (the "Amendment"). The Amendment increased our authorized capital stock to 70,000,000 shares, (i) 60,000,000 of which is common stock, $0.01 par value per share, and (ii) 10,000,000 of which is preferred stock, $0.01 par value per share.

Our ability to meet future working capital, capital expenditures and debt service requirements will depend on our future financial performance, which will be affected by a range of economic, competitive and business factors, particularly interest rates, cyclical changes in our end markets and prices for steel and our ability to pass through price increases on a timely basis, many of which are outside of our control. In addition, future acquisitions could have a significant impact on our liquidity position and our need for additional funds.

From time to time we evaluate our existing facilities and operations and their strategic importance to us. If we determine that a given facility or operation does not have future strategic importance, we may sell, partially or completely, relocate production lines, consolidate or otherwise dispose of those operations. Although we believe our operations would not be materially impaired by such dispositions, relocations or consolidations, we could incur significant cash or non-cash charges in connection with them.

Cash Flows

Fiscal 2008 Compared to Fiscal 2007

In the fiscal year ended March 29, 2008, we generated cash of $27.1 million from operating activities compared to $55.7 million for the fiscal year ended March 31, 2007. The decrease of $28.6 million was mainly a result of an increase of $11.7 million in net income, a change in operating assets and liabilities of $22.1 million and the net of non-cash charges of $18.2 million. The change in working capital investment was primarily attributable to an increase in inventory due to builds related to fiscal 2009 orders, an increase in accounts receivable related to higher sales, an increase in prepaid expenses and other current assets, an increase in non-current assets offset by an increase in accounts payable, an increase in accrued expenses and other current liabilities and an increase in other non-current liabilities.

Cash used for investing activities for fiscal 2008 included $17.7 million relating to capital expenditures compared to $16.2 million for fiscal 2007. Investing activities also included $13.9 million relating to the acquisitions of the Phoenix, CBS, AID and BEMD businesses.

In fiscal 2008, financing activities provided $8.6 million. We received $4.0 million from the exercise of stock options and an income tax benefit of $9.5 million related to the exercise of non-qualified stock options. This was offset by the repurchase of common stock of $2.5 million, a decrease in our revolving credit facility of $1.0 million, the payoff of an IRB for $1.2 million and capital lease payments of $0.2 million.

Fiscal 2007 Compared to Fiscal 2006

In the fiscal year ended March 31, 2007, we generated cash of $55.7 million from operating activities compared to $24.6 million for the fiscal year ended April 1, 2006. The increase of $31.1 million was mainly a result of an increase of $16.0 million in net income, a change in operating assets and liabilities of $9.2 million and the net of non-cash charges of $5.9 million. The change in working capital investment was primarily attributable to a decrease in inventory due to improved turns and a decrease in accounts payable offset by an increase in accounts receivable related to increased sales and an increase in non-current assets.

Cash used for investing activities for fiscal 2007 included $16.2 million relating to capital expenditures compared to $10.3 million for fiscal 2006. Investing activities also included $8.8 million relating to the acquisition of the All Power Manufacturing business offset by proceeds of $3.6 million related primarily to the sale of the RBC Nice Bearings facility.

In fiscal 2007, financing activities used $45.5 million. We received net proceeds of $57.8 million from our secondary offering (see Item 8, Note 1) which were used, in addition to $10.0 million in cash from operations, to pay down the term loan under the Amended Credit Agreement. The balance of approximately $78.0 million was refinanced and further reduced to $42.0 million by using approximately $36.0 million in cash from operations. In addition, we received $3.1 million from the exercise of stock options, received an income tax benefit of $3.4 million related to the exercise of non-qualified stock options, repurchased 37,356 shares of stock for $1.1 million, used $0.3 million of funds for capital lease obligations and paid $0.9 million of financing fees in connection with our KeyBank Credit Agreement.

Capital Expenditures

Our capital expenditures in fiscal 2008 were $17.7 million. We expect to make capital expenditures of approximately $15.0 to $20.0 million during fiscal 2009 in connection with our existing business and the expansion into the large bearing market segment. We have funded our fiscal 2008 capital expenditures, and expect to fund fiscal 2009 capital expenditures, principally through existing cash, internally generated funds and borrowings under our KeyBank Credit Agreement. We may also make substantial additional capital expenditures in connection with acquisitions.

Obligations and Commitments

The contractual obligations presented in the table below represent our estimates of future payments under fixed contractual obligations and commitments. Changes in our business needs, cancellation provisions and interest rates, as well as actions by third parties and other factors, may cause these estimates to change. Because these estimates are necessarily subjective, our actual payments in future periods are likely to vary from those presented in the table. The following table summarizes certain of our contractual obligations and principal and interest payments under our debt instruments and leases as of March 29, 2008:

		Payments Due By Period			
		Less than	1 to	3 to	More than
Contractual Obligations	**Total**	**1 Year**	**3 Years**	**5 Years**	**5 Years**