RBC Bearings INC
Form S-1/A
August 08, 2005

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As filed with the Securities and Exchange Commission on August 8, 2005

Registration No. 333-124824

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Amendment No. 4
to

FORM S-1

REGISTRATION STATEMENT
Under the Securities Act of 1933

RBC BEARINGS INCORPORATED

(Exact Name of Registrant as Specified in its Charter)

Delaware	**3562**	**95-4372080**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code number)	(I.R.S. Employer Identification No.)

One Tribology Center
Oxford, CT 06478
Telephone: (203) 267-7001
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Corporation Service Company
2711 Centerville Road
Suite 400
Wilmington, DE 19808
Telephone: (800) 927-9800

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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(212) 446-4800	**(212) 859-8000**

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

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: **o**

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. **o**

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(1)
Common Stock, par value $0.01 per share(2)	$152,499,200	$17,949.16(3)

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(2) Includes amount attributable to shares of Common Stock that may be purchased by the underwriters under an option to purchase additional shares.

(3) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

Subject to Completion
Preliminary Prospectus dated August 8, 2005

PROSPECTUS

8,288,000 Shares

Common Stock

This is RBC Bearings Incorporated's initial public offering. RBC Bearings Incorporated is selling 6,273,000 shares and certain of our stockholders are selling 2,015,000 shares.

We expect the public offering price to be between $14.00 and $16.00 per share. Currently, no public market exists for the shares. Our common stock has been approved for quotation on the Nasdaq National Market under the symbol "ROLL."

Investing in the common stock involves risks that are described in the "Risk Factors" section beginning on page 10 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$
Proceeds, before expenses, to the selling stockholders	$	$

The underwriters may also purchase up to an additional 761,516 shares from us, and up to an additional 481,684 shares from the selling stockholders, at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments.

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

The shares will be ready for delivery on or about , 2005.

Merrill Lynch & Co.

KeyBanc Capital Markets

Jefferies & Company, Inc.

The date of this prospectus is , 2005.

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

In this prospectus, unless the context otherwise requires, "Company," "RBCI," "we," "our" and "us" refer to RBC Bearings Incorporated and our subsidiaries; "RBCA" refers to Roller Bearing Company of America, Inc., our wholly-owned subsidiary and principal operating company; and "Whitney" refers to Whitney & Co., LLC, our principal equity sponsor. Our fiscal year consists of 52 or 53 weeks, ending on the Saturday closest to March 31; therefore, references to "fiscal 2005," "fiscal 2004," "fiscal 2003," "fiscal 2002" and "fiscal 2001" refer to our fiscal years ended April 2, 2005, April 3, 2004, March 29, 2003, March 30, 2002 and March 31, 2001, respectively.

This prospectus contains our registered and unregistered trademarks, service marks and trade names including: "Aerocres," "Heim," "Pitchlign," "Quadlube," "RBC Bearings," "RBC Roller," "Schaublin" and "Unibal." This prospectus also contains trademarks, service marks, copyrights and trade names of other companies.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. As a result, it does not contain all of the information that you should consider before investing in our common stock. You should read this entire prospectus, especially the section entitled "Risk Factors" and the consolidated financial statements and the related notes.

RBC Bearings Incorporated

We are a well known 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 estimate that over one-fourth of our net sales are derived from products for which we are the sole supplier and the only manufacturer able to provide the required bearing solution. We believe that being the sole supplier for these products provides us with a competitive advantage due to the lengthy and rigorous certification processes and/or approvals required by a majority of these customers or government agencies, which typically take anywhere from six months to six years to complete, and due to our long track record with most of these customers of delivering high quality and uniquely designed and engineered products in a timely manner. We estimate that approximately two-thirds of our net sales during fiscal 2005 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 16 manufacturing facilities in three countries.

We design, manufacture and market a broad portfolio of bearing products. The following table provides a summary of our product segments:

Segment	FY 2005 Sales	Representative Applications
Plain Bearings	$ 93,250 (38%)	Aircraft engine controls and landing gear Helicopter rotors and missile launchers Mining and construction equipment
Roller Bearings	$ 92,281 (38%)	Aircraft hydraulics Military and commercial truck chassis Packaging machinery and gear pumps
Ball Bearings	$ 41,881 (17%)	Radar and night vision systems Airframe control and actuation Semiconductor equipment
Other	$15,604 (7%)	Precision ground ball screws for robotic handling and missile guidance Collets for machine tools

Our End Markets

We serve a broad range of end markets where we can add value with our specialty, precision bearing applications. We classify our customers into three principal categories: diversified industrial, aerospace and defense.

Diversified Industrial (64% of fiscal 2005 net sales). We manufacture bearing products for a wide range of diversified industrial markets, including construction and mining, heavy truck, packaging and semiconductor machinery. Our diversified industrial products target specialized market applications in which our engineering and manufacturing capabilities provide us with unique competitive advantages. We believe opportunities exist for growth and margin expansion in this market as a result of increasing demand for industrial machinery, the introduction of new products and the expansion of aftermarket sales.

Aerospace (28% of fiscal 2005 net sales). We manufacture bearing products for a wide range of aerospace applications, including commercial airframes, commercial aircraft engines and private aircraft applications. We supply bearings for many of the commercial aircraft currently operating world-wide and are the primary supplier for many of our product lines. 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. We believe that growth and margin expansion in this segment will be driven primarily by expanding our international presence, new aircraft builds and the refurbishment and maintenance of existing commercial aircraft.

Defense (8% of fiscal 2005 net sales). 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. 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. We believe that our current installed base of bearing products and our sophisticated engineering and manufacturing capabilities position us to benefit from growing replacement part demand caused by increased equipment utilization as well as the introduction of new weapons and transport systems.

Our Competitive Strengths

Leading Market Positions. We compete in specialized markets where we believe we are often the only supplier with the manufacturing expertise, business plan and engineering resources required to provide the required bearing solution. We estimate that approximately two-thirds of our net sales during fiscal 2005 were generated by products for which we hold the number one or two market position.

Diversified Revenue Base. We sell a wide array of bearing products to customers across many diverse end markets, each of which is influenced by different fundamental economic factors. Our products are sold to more than 6,100 customers, including original equipment manufacturers, or OEMs, and aftermarket distributors and service providers.

Large Installed Product Base with Recurring Aftermarket Revenue Stream. We provide bearings to a large and growing number of applications for which our products have been tested and certified. Our bearing products are approved for over 32,000 applications, many of which are part of aerospace, defense and industrial platforms that can be in service for as long as several decades, thereby requiring continuing aftermarket support. Aftermarket sales of replacement parts for existing equipment platforms represented approximately 56% of our net sales for fiscal 2005.

Proprietary Design and Manufacturing Capabilities. We believe that our design and manufacturing capabilities will allow us to maintain a leadership position as our customers continue to rely on us to develop new bearing solutions that can be manufactured cost effectively.

Disciplined Acquisition Program with History of Successful Integration. 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. Since October 1992 we have completed 12 acquisitions which have significantly broadened our end markets, products, customer base and geographic reach.

Experienced Management Team. Our management team possesses extensive managerial experience in the bearing industry, with our top five operating executives averaging over 20 years of bearing industry experience. We intend to retain and attract experienced professionals by leveraging our reputation as a premier provider of precision bearing solutions.

Our Growth Strategy

We intend to grow our business while continuing to focus on specialized markets for highly engineered bearing solutions. Key elements of our growth strategy include:

Continue to Develop Innovative Bearing Solutions. We intend to leverage our design and manufacturing expertise and our extensive customer relationships to continue to develop new products for markets where we believe there are substantial growth opportunities. Our ability to develop new custom engineered products strengthens existing customer relationships and creates new business opportunities for us.

Expand Customer Base and Penetrate End Markets. We continually seek opportunities to penetrate new customers, geographic locations and bearing platforms with existing products or profitable new product opportunities. We intend to continue to expand our sales force, customer base and end markets and have identified a number of attractive growth opportunities domestically and abroad, including current projects in semiconductor machinery, airframe controls and missile guidance systems. In addition, our OEM relationships, coupled with our design expertise, provide us with extensive cross-selling opportunities on platforms that we do not currently supply.

Increase Aftermarket Sales. We intend to increase the percentage of our revenues derived from the replacement market by continuing to implement several initiatives. First, we will continue to seek opportunities to increase our sales to key existing distributors as well as expand our base of third party customers. Second, our new product and new end market initiatives are focused on high-growth platforms, such as 300 millimeter semiconductor manufacturing systems and the U.S. government's Joint Strike Fighter program that we expect will be in service for long periods and therefore create significant demand for replacement parts. Additionally, we will seek opportunities to develop new products that can be used as replacement parts for existing platforms. We believe that increasing our aftermarket sales of replacement parts will further enhance the continuity and predictability of our revenues and increase our profitability.

Pursue Selective Acquisitions. We believe that there will continue to be consolidation within the bearing industry that may present us with acquisition opportunities, particularly within the industrial and aerospace markets. We regularly evaluate opportunities to acquire bearing and precision-engineered component manufacturers which have complementary products, customers or distribution channels, provide significant potential for margin enhancement and further expand the breadth of our product portfolio.

Whitney & Co., LLC

Whitney & Co., LLC is our major equity sponsor and provides financial consulting and management advisory services to us. Whitney was established in 1946 by John Hay Whitney as one of the first U.S. firms involved in the development of the private equity industry. Today, Whitney remains a private firm owned by investing professionals, and its main activities are to provide private equity and debt capital for middle market growth companies. Whitney manages approximately $4 billion of assets for endowments, foundations and pension plans and is currently investing its fifth outside equity fund, Whitney V, L.P., a fund with committed capital of $1.1 billion.

Our Corporate Profile

RBC Bearings Incorporated is a Delaware corporation, and our principal executive offices are located at One Tribology Center, Oxford, CT 06478. Our telephone number is (203) 267-7001. Our website address is *www.rbcbearings.com*. Information on our website is not deemed to be a part of this prospectus.

The Offering

Common stock offered:	
By us	6,273,000 shares
By the selling stockholders	2,015,000 shares
Common stock outstanding after the offering	15,458,833 shares
Use of proceeds	We estimate that our net proceeds from this offering without exercise of the overallotment option will be approximately $85.7 million. We intend to use these net proceeds, together with the net proceeds of approximately $38.3 million from an increase in our term loan under our amended and restated senior credit facility, for:
	repayment of certain indebtedness, including:
	all of our $38.6 million in aggregate principal amount 13% Senior Subordinated Discount Debentures due 2009 plus redemption premium;
	all of our outstanding indebtedness, plus prepayment fee, under our $45.0 million Second Lien Term Loan; and
	redemption of all of our Class C preferred stock, including any accrued and unpaid dividends, for $30.5 million, and repurchase of 50% of our Class D preferred stock for $4.0 million.
	Any excess proceeds will be used to reduce outstanding indebtedness or for general corporate purposes. We will not receive any proceeds from the sale of the shares by the selling stockholders, including the exercise of options and warrants by them pursuant to a net share settlement. See "Use of Proceeds," "Pre-Offering Transactions" and "Related Party Transactions."
Risk factors	See "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of the common stock.
Nasdaq National Market symbol	"ROLL"

The number of shares of our common stock that will be outstanding after this offering as shown above is based on the number of shares outstanding after giving effect to the Pre-Offering Transactions, the exercise of options and warrants by certain selling stockholders pursuant to a net share settlement and this offering, and excludes:

- 3,071,653 shares of our common stock issuable upon the exercise of stock options under our stock option plans and warrants to purchase common stock that will be outstanding and unexercised after the consummation of this offering, at a weighted average exercise price of $5.42 per share; and

455,668 additional shares of our common stock reserved for future grants under our 2005 Long-Term Incentive Plan.

Unless otherwise specifically stated or the context otherwise requires, the information in this prospectus:

- assumes no exercise of the underwriters' overallotment option to purchase an aggregate of 1,243,200 shares of our common stock, consisting of 761,516 shares from us and 481,684 shares from the selling stockholders;
- gives effect to the redemption of all of our outstanding shares of preferred stock with cash or shares of common stock, which will occur concurrently with the closing of this offering;
- gives retroactive effect to a 5-for-2 stock split of our common stock which will occur prior to the closing of this offering;
- reflects the filing of our amended and restated certificate of incorporation, referred to in this prospectus as our certificate of incorporation, and the adoption of our amended and restated bylaws, referred to in this prospectus as our bylaws, which will both occur prior to the closing of this offering; and
- assumes that this offering is consummated at an initial public offering price of $15.00 per share, the midpoint of the range on the front cover of this prospectus, on August 1, 2005.

See "Use of Proceeds" and "Pre-Offering Transactions."

Summary Financial Data

The summary financial data for the fiscal years ended March 29, 2003, April 3, 2004 and April 2, 2005 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 "Selected Consolidated Historical Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included elsewhere in this prospectus.

	Fiscal Year Ended		
	March 29, 2003	April 3, 2004	April 2, 2005
	(in thousands, except share and per share amounts)		
Statement of Operations Data:			
Net sales[1]	$ 172,860	$ 187,331	$ 243,016
Cost of sales	124,086	135,433	174,602
Gross margin	48,774	51,898	68,414
Selling, general and administrative	26,647	28,107	32,749
Other, net	1,424	1,662	3,526
Operating income	20,703	22,129	32,139
Interest expense, net	21,023	20,380	19,669
Loss (gain) on early extinguishment of debt[2]	(780)		6,950
Other non-operating expense (income)	298	16	(355)
Income before income taxes	162	1,733	5,875
Provision for (benefit from) income taxes	113	1,070	(1,385)
Net income	49	663	7,260
Preferred stock dividends	(1,313)	(2,144)	(2,280)
Participation rights of preferred stock in undistributed earnings			(1,142)
Net income (loss) available to common stockholders	$ (1,264)	$ (1,481)	$ 3,838
Net income (loss) per common share:			
Basic:			
Class A common stock	$ (0.20)	$ (0.24)	$ 0.62
Class B common stock	$ (0.20)	$ (0.24)	$ 0.62
Diluted:			
Class A common stock	$ (0.20)	$ (0.24)	$ 0.40
Class B common stock	$ (0.20)	$ (0.24)	$ 0.00
Weighted average number of common and common equivalent shares outstanding:			
Basic:			
Class A common stock	6,188,653	6,188,653	6,202,365
Class B common stock	250	250	250
Diluted:			
Class A common stock	6,188,653	6,188,653	9,552,579
Class B common stock	250	250	1,302,005

	Fiscal Year Ended		
	March 29, 2003	April 3, 2004	April 2, 2005
	(in thousands, except share and per share amounts)		
Pro Forma Data:(3)			
Pro forma net income			$10,765
Pro forma net income per common share:			
Basic			$ 0.70
Diluted			$ 0.62
Pro forma weighted average number of common and common equivalent shares outstanding:			
Basic			15,458,833
Diluted			17,421,506
Other Financial Data:			
EBITDA(4)	$ 29,224	$ 31,295	$41,279
Capital expenditures	6,522	4,951	9,526

	As of April 2, 2005	
	Actual	Pro Forma(3)
	(in thousands)	
Balance Sheet Data:		
Cash	$ 2,635	$ 6,802
Working capital	120,656	130,325
Total assets	250,169	261,481
Total debt	220,079	177,130
Total stockholders' equity (deficit)	(7,759)	46,502

(1)

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)

Loss on 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.

(3)

Assumes the following transactions were effected as of April 4, 2004 with respect to the Pro Forma Statement of Operations Data, and as of April 2, 2005 with respect to the Pro Forma Balance Sheet Data, presented above: (1) the Pre-Offering Transactions, (2) the sale by us of 6,273,000 shares in this offering at an assumed initial public offering price of $15.00 per share, (3) the repayment of all of our $38.6 million in aggregate principal amount of 13% Senior Subordinated Discount Debentures due 2009, (4) the repayment of all outstanding indebtedness under our $45.0 million Second Lien Term Loan; and (5) the Refinancing Transaction. In addition, pro forma amounts have been adjusted to reflect the exercise of options and warrants by some of the selling stockholders with respect to shares to be sold in the offering. These selling stockholders will exercise these options or warrants through a net share settlement. See "Unaudited Pro Forma Condensed Consolidated Financial Statements," "Pre-Offering Transactions," "Use of Proceeds" and "Prospectus Summary The Offering."

(4)

EBITDA consists of net income (loss), plus interest expense, net, loss (gain) on early extinguishment of debt, provision for (benefit from) income taxes and depreciation and amortization. EBITDA is not a measure of operating performance under generally accepted accounting principles in the United States, or GAAP, and should not be considered as an alternative or substitute for GAAP profitability measures such as operating earnings (loss) from continuing operations, discontinued operations, extraordinary items and net income (loss). EBITDA as an operating performance measure has material limitations since it excludes, among other things, the statement of operations impact of depreciation and amortization expense, interest expense, net, loss (gain) on early extinguishment of debt and the provision for (benefit from) income taxes and therefore does not necessarily represent an accurate measure of profitability, particularly in situations where a company is highly leveraged or has a disadvantageous tax structure. We use a significant amount of capital assets and depreciation and amortization expense is a necessary element of our costs and ability to generate revenue and therefore its exclusion from EBITDA is a material limitation. We also have a significant amount of debt and interest expense is a necessary element of our costs and ability to generate revenue and therefore its exclusion from EBITDA is a material limitation. We generally incur significant U.S. federal, state and foreign income taxes each year and the provision for (benefit from) income taxes is a necessary element of the our costs and therefore its exclusion from EBITDA is a material limitation. As a result, EBITDA should be evaluated in conjunction with net income (loss) for a more complete analysis of our profitability, as net income (loss) includes the financial statement impact of these items and is the most directly comparable GAAP operating performance measure to EBITDA. As EBITDA is not defined by GAAP, our definition of EBITDA may differ from and therefore may not be comparable to similarly titled measures used by other companies, thereby limiting its usefulness as a comparative measure. Because of the limitations that EBITDA has as an analytical tool, investors should not consider it in isolation or as a substitute for analysis of our operating results as reported under GAAP.

We use EBITDA as a supplementary non-GAAP operating performance measure to assist with our overall evaluation of our and our subsidiaries' operating performance (including the performance of subsidiary management) relative to outside peer group companies. In addition, we use EBITDA as an operating performance measure in financial presentations to our board of directors, stockholders, the banks participating in our credit facility and rating agencies, among others, as a supplemental non-GAAP operating measure to assist them in their evaluation of our performance. We are also active in mergers, acquisitions and divestitures and use EBITDA as an additional operating performance measure to assess our, our subsidiaries' and potential acquisition target enterprise value and to assist in the overall evaluation of our, our subsidiaries' and potential acquisition target performance on an internal basis and relative to peer group companies. We use EBITDA in conjunction with traditional GAAP operating performance measures as part of our overall assessment of potential valuation and relative performance and therefore do not place undue reliance on EBITDA as our only measure of operating performance. We believe EBITDA is useful for our management and investors as it is a commonly used analytical measurement for comparing company profitability, which eliminates the effects of financing, differing valuations of fixed and intangible assets and tax structure decisions. We believe that EBITDA is specifically relevant to us, due to the different degrees of leverage among our competitors. We have included EBITDA as a supplemental operating performance measure, which should be evaluated by investors in conjunction with the traditional GAAP performance measures for a complete evaluation of our operating performance. The following table provides a reconciliation of net income, the most directly comparable GAAP measure, to EBITDA.

	Fiscal Year Ended		
	March 29, 2003	**April 3, 2004**	**April 2, 2005**
		(in thousands)	
Net income	$ 49	$ 663	$ 7,260
Add:			
Provision for (benefit from) income taxes	113	1,070	(1,385)
Interest expense, net	21,023	20,380	19,669
Loss (gain) on early extinguishment of debt	(780)		6,950
Depreciation and amortization	8,819	9,182	8,785
EBITDA	$ 29,224	$ 31,295	$ 41,279

RISK FACTORS

Our business, operating results 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 32% of our net sales during fiscal 2005. 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 2005, 8% of our sales were made directly, and we estimate that approximately an additional 11% of our 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 budgets. A shift in government defense spending to other programs in which we are not involved or future reductions in U.S. government defense spending generally could materially reduce our revenues, cash flow 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 flow 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. Raw materials represented approximately 30% of our overall costs for fiscal 2005, the majority of which consisted of steel and related 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 sales and profitability.

For example, we purchase steel at market prices, which during the past 24 months have increased to historical highs as a result of a relatively low level of supply and a relatively high level of demand, and we have recently received notices of additional price increases from our suppliers. 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 12 weeks 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.

We may not be able to address technological advances or maintain customer relationships which are necessary to remain competitive within our businesses.

We believe that our customers rigorously evaluate their suppliers on the basis of product quality, price competitiveness, technical expertise, new product innovation, reliability and timeliness of delivery, product design capability, manufacturing expertise, operational flexibility and customer service. Our success will depend on our ability to continue to meet our customers' changing specifications with respect to these criteria. We must remain committed to product research and development, advanced manufacturing techniques and service to remain competitive. We may not be able to address technological advances in metallurgy or in materials science or introduce new products that may be necessary to remain competitive within our businesses, or our competitors may develop products superior to our products. Furthermore, we may be unable to adequately protect any of our own technological developments to produce a sustainable competitive advantage.

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 in excess of 32,000 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 Federal Aviation Administration, or 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 Parts Manufacturer Approval, or PMA, process), which enables suppliers who currently sell their products to the Production Approval Holders, to sell products to the aftermarket. We have received over 2,400 PMA application approvals to date. Our foreign sales may be subject to similar approvals. 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.

Under certain circumstances, the U.S. government has the right to debar or suspend us from acting as a U.S. government contractor or subcontractor, and if we are suspended or debarred from acting as a government supplier for any reason, such an action would materially reduce our revenues and profitability.

In connection with our performance of government contracts, the federal government audits and reviews our performance, pricing practices and compliance with applicable laws, regulations and standards. It is possible that as a result of these audits, our revenues, cash flow or results of operations could be materially reduced as a result of lost sales or penalties. For example, the government could disallow certain costs that it originally reimbursed, and we may be required to refund cash already collected. It is also possible that a government audit, review or investigation could uncover improper or illegal activities that would subject us to civil, criminal and/or administrative sanctions, including, but not limited to, termination of contracts, reimbursement of payments received, fines, forfeiture of profits and suspension or debarment from doing business with federal government agencies. If any allegations of impropriety were made against us, whether or not true, our reputation could be adversely affected. If we were suspended or debarred from contracting with the federal government, or any specific agency, if our reputation was impaired or if the government ceased or significantly decreased the amount of business it does with us, our revenues and cash flow could be reduced. As a government contractor, we are also subject to various federal laws, regulations and standards. New laws, regulations or standards or changes to existing laws, regulations or standards could subject us to additional costs of compliance or liabilities and could result in material reductions to our results of operations, cash flow or revenues.

We have outstanding debt, and may incur additional debt in the future for acquisitions or other purposes, which could materially impact our business.

As of April 2, 2005, our total outstanding debt was $220.1 million, of which $114.2 million was outstanding under our $165.0 million senior credit facility, referred to as our Senior Credit Facility, comprised of a $55.0 million revolving credit facility, or Revolving Credit Facility, and a $110.0 million term loan, or Term Loan, which will be increased by $40.0 million to $150.0 million, in connection with the amendment and restatement of our Senior Credit Facility in connection with the Refinancing Transaction. As of April 2, 2005, on a pro forma basis after giving effect to the Pre-Offering Transactions, including the Refinancing Transaction, and this offering, our total outstanding debt would have been $177.1 million, of which $154.2 million would have been outstanding under our $205.0 million amended and restated Senior Credit Facility. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Pre-Offering Transactions Refinancing Transaction."

To service our debt, we will require a significant amount of cash. Our ability to generate cash, make scheduled payments or to refinance our obligations depends on our successful financial and operating performance. Our financial and operating performance, cash flow and capital resources depend upon prevailing economic conditions and certain financial, business and other factors, many of which are beyond our control.

We may incur additional indebtedness in the future for acquisitions and other purposes, and the significant debt servicing costs associated with that indebtedness could have significant effects on our operations, including:

- limit our ability to obtain additional financing to operate our business;
- require us to dedicate a substantial portion of our cash flow to payments on our debt, reducing our ability to use our cash flow to fund working capital, capital expenditures and other general operational requirements;
- limit our flexibility to plan for and react to changes in our business or industry;
- place us at a competitive disadvantage relative to some of our competitors that have less debt than us; and
- increase our vulnerability to general adverse economic and industry conditions, including changes in interest rates or a downturn in our business or the economy.

The occurrence of any one of these events could materially impact our business, financial condition, results of operations and ability to grow our business.

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

The Senior Credit Facility, our $45.0 million second lien term loan, or Second Lien Term Loan, and our swiss franc 14.0 million Swiss credit facility (approximately $11.6 million as of April 2, 2005), or Swiss Credit Facility, contain 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 Senior Credit Facility and the Second Lien Term Loan contain 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 Second Lien Term Loan prohibits us from incurring capital expenditures of more than $10 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. In connection with the refinancing of our Senior Credit Facility, the amended and restated Senior Credit Facility will incorporate substantially similar restrictive covenants to those in our existing Senior Credit Facility and Second Lien Term Loan.

As of April 2, 2005, we had outstanding borrowings of $5.0 million and letters of credit of $20.3 million under our $55.0 million Revolving Credit Facility. Under the Revolving Credit Facility, we had borrowing availability of $26.1 million as of April 2, 2005. Under the revolving credit facility under our Swiss Credit Facility, or Swiss Revolver, we had borrowing availability of approximately $3.5 million (4.0 million SFr) as of April 2, 2005.

If interest rates increase, interest expense will increase and could materially reduce our profitability and cash flow.

As of April 2, 2005, after giving effect to the offering and the Pre-Offering Transactions, including the Refinancing Transaction, substantially all of our debt will be variable rate debt. On December 31, 2004, we entered into a Rate Cap Transaction Agreement capping LIBOR at 5.00% on a notional amount of $50.0 million. This agreement expires on December 31, 2005. We may or may not enter into similar agreements in the future. An increase in interest rates will increase our interest expense and could materially reduce our profitability and cash flow and our ability to service our indebtedness and to make distributions to our stockholders. In addition, an increase in interest rates may inhibit our ability to incur additional debt in the future, which may impair our ability to consummate desirable acquisitions. A 1% increase in interest rates would increase our interest expense by approximately $1.8 million over a 12-month period.

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

As of April 2, 2005, approximately 29% of our hourly employees in the U.S. and abroad were represented by labor unions. 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. We most recently experienced a four-month work stoppage in calendar years 2003-2004 at our Nice Bearings facility. This strike did not materially impact our operations, but we cannot assure you that a work stoppage at one or more of our facilities will not materially impair our ability to operate our business in the future. 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. One of our collective bargaining agreements covering approximately 50 employees was originally due to expire in July 2004 and was extended to October 29, 2005. Of our remaining four collective bargaining agreements, one agreement covering approximately 51 employees will expire in June of 2007, two agreements covering approximately 121 employees will expire in January of 2008 and one agreement covering approximately 125 employees will expire in June of 2008.

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 flow from our operations.

Our ability to remain competitive, sustain our growth and expand our operations largely depends on our cash flow from operations and our access to capital. We intend to fund our cash needs through operating cash flow and borrowings under our Senior Credit Facility. 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 and inhibit our growth.

The occurrence of extraordinary events, such as a major terrorist attack in the U.S., may adversely affect our business, resulting in a decrease in our revenues.

Future terrorist attacks cannot be predicted, and their occurrence can be expected to negatively affect the economy of the U.S. and other countries in which we do business. Such attacks may have a material impact on the markets in which we operate, particularly commercial aerospace, as increased terrorist activity around the world is likely to cause a reduction in air travel. For example, in the period following September 11, 2001, aircraft orders declined significantly and materially reduced our sales to the aerospace market. Similar effects are likely to result if there is a significant increase in terrorist activity around the world, particularly if commercial airliners are again involved in one or more major terrorist incidents. Other kinds of significant terror incidents may also impair our ability to conduct our manufacturing and other business activities for extended periods depending on the nature and severity of the event.

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 cannot assure you that we will be successful in identifying attractive acquisition candidates or completing acquisitions on favorable terms in the future. 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 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.

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. Dr. Hartnett is the only member of our senior management team with a long-term employment contract. The remainder of our key executives are at-will employees.

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 and Switzerland. Of our 18 facilities, 4 are located outside the U.S., including 2 manufacturing facilities.

Approximately one-fifth of our sales were derived directly or indirectly from sales outside the U.S. during fiscal year 2005. We expect that this proportion is likely to increase as we seek to increase our penetration of foreign markets, 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 and our French operations utilize the Euro 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 "Management's Discussion and Analysis of Financial Condition and Results of Operations Foreign Currency Exchange Rates."

Our pension plans are underfunded, and we may be required to make significant future contributions to the plans.

As of April 2, 2005, we maintained noncontributory defined benefit pension plans covering substantially all of our union employees in our Heim division plant in Fairfield, Connecticut, our Nice subsidiary plant in Kulpsville, Pennsylvania, our Bremen subsidiary plant in Plymouth, Indiana and our Tyson subsidiary plant in Glasgow, Kentucky. As of April 2, 2005, our plans were underfunded by $3.4 million, which is the amount by which the accumulated benefit obligations exceed the sum of the fair market value of plans' assets. We are required to make cash contributions to our pension plans to the extent necessary to comply with minimum funding requirements imposed by employee benefit and tax laws. The amount of any such required contributions is determined based on annual actuarial valuation of the plans 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 plans 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 plans or if the plans become unable to pay benefits, then the Pension Benefit Guaranty Corporation could terminate the plans and take control of their 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 plans and plan liabilities, see Note 13 to our consolidated financial statements attached to this prospectus.

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 of any of our products results in personal injury or death, property damage or does 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 regulations 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 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.

The interests of certain stockholders, particularly Whitney Investor and Dr. Hartnett, could conflict with those of other holders of our securities.

When this offering is completed, our executive officers, directors and stockholders who beneficially owned more than 5% of our common stock before the completion of this offering, will, in aggregate, beneficially own shares representing approximately 50.9% of our capital stock assuming exercise of options and warrants only by such persons. Whitney RBHC Investor, LLC, or Whitney Investor, and Dr. Hartnett and his affiliates will control 44.7% and 10.8% of our common stock, respectively, assuming exercise of options and warrants only by such persons. In addition, if these stockholders were to choose to act together, or with other significant stockholders, they could control, and will, in any event, have a large degree of influence over, matters submitted to our stockholders for approval, as well as our management and affairs. For example, these persons, if they choose to act together, could control the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of our company on terms that other stockholders may desire.

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, U.S. 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. 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. To date we are not currently engaged in and have not had any material infringement or other claims pertaining to our intellectual property brought by us or against us in recent years. 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 April 2, 2005, we had an order backlog of $134.8 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. We are in the process of instituting changes to our internal procedures to satisfy the requirements of the Sarbanes-Oxley Act of 2002, which require management and our auditors to evaluate and assess the effectiveness of our internal controls by March 31, 2007. Implementing these changes may take a significant amount of time and may require specific compliance training of our directors, officers and other personnel. To date we have not detected any material weakness or significant deficiencies in our internal control 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. We cannot assure you that we will be able to complete the work necessary to fully comply with the requirements of the Sarbanes-Oxley Act or that management or our auditors will conclude that our internal controls are effective.

We will face new challenges and increased costs as a public company.

Our management team has historically operated our business as a privately held company. We expect that the obligations of being a public company, including substantial public reporting and investor relations obligations, will require significant legal, accounting and other additional expenditures, as well as stock exchange listing requirements, which will place additional demands on our management and may require the hiring of additional personnel. These obligations and related expenses will increase our operating expenses and could divert our management's attention from our operations. We also expect these new rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these new rules, and we cannot accurately predict the amount of additional costs we may incur or the timing of such costs, but we have estimated for purposes of our Unaudited Pro Forma Condensed Consolidated Financial Statements that such costs would be equal to approximately $1.5 million per year.

Risk Factors Related to this Offering

Provisions in our charter documents and under Delaware law may prevent or frustrate attempts by our stockholders to change our management and 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 in which you might otherwise receive a premium for your shares. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management. These provisions include:

- a classified board of directors;
- advance notice requirements for stockholder proposals and nominations;
- the inability of stockholders to act by written consent or to call special meetings; and
- the ability of our board of directors to designate the terms of and issue new series of preferred stock without stockholder approval.

The affirmative vote of the holders of at least $66^2/_3$% of our shares entitled to vote is necessary to amend or repeal the above provisions of our certificate of incorporation. In addition, absent approval of our board of directors, many of our bylaw provisions may only be amended or repealed by the affirmative vote of the holders of at least $66^2/_3$% of our shares entitled to vote.

Our certificate of incorporation authorizes the issuance of "blank check" preferred stock with such designations, rights and preferences as may be determined from time to time by our board of directors. Accordingly, the board of directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights that could materially adversely affect the voting power or other rights of the holders of our common stock, including purchasers in this offering. Holders of the common stock will 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 RBCI. Although we have no present intention to issue any new shares of preferred stock, we may do so in the future.

In addition, Section 203 of the Delaware General Corporation Law prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person which together with its affiliates owns, or within the last three years has owned, 15% of our voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. Accordingly, Section 203 may discourage, delay or prevent a change in control of our company.

If you purchase shares of common stock in this offering, you will suffer immediate and substantial dilution of your investment.

Purchasers of common stock in this offering will pay a price per share that substantially exceeds the per share value of our tangible assets after subtracting our liabilities and the per share price paid by our existing stockholders and by persons who exercise currently outstanding options and warrants to acquire our common stock. Accordingly, based on the initial public offering price of $15.00 per share, you will experience immediate and substantial dilution of $13.84 per share, representing the difference between our pro forma net tangible book value per share after giving effect to the Pre-Offering Transactions and this offering at the initial public offering price. If the underwriters exercise their overallotment option, or if outstanding options and warrants to purchase our common stock are exercised, you will experience additional dilution. See "Dilution."

An active trading market for our common stock may not develop.

Prior to this offering, there has been no public market for our common stock. Although our common stock has been approved for quotation on the Nasdaq National Market, an active trading market for our shares may never develop or be sustained following this offering. The initial public offering price for our common stock was determined through negotiations with the underwriters. This initial public offering price may vary from the market price of our common stock after the offering. Investors may not be able to sell their common stock at or above the initial public offering price. We cannot assure you that a market will develop for our common stock or what the market price of our common stock will be. If a market does not develop or is not sustained, it may be difficult for you to sell your shares of common stock at an attractive price or at all. We cannot predict the prices at which our common stock will trade.

If there are substantial sales of our common stock, our stock price could decline.

If our existing stockholders sell a large number of shares of our common stock or the public market perceives that existing stockholders might sell shares of our common stock, the market price of our common stock could decline significantly. Substantially all of the existing holders of our equity securities prior to the completion of this offering have executed 180-day lock-up agreements (or 90-day lock-up agreements with respect to 2.5% of our pro forma fully diluted shares of common stock) for their shares. The shares will be eligible for sale pursuant to Rule 144 upon the expiration of the lock-up agreements. See "Shares Eligible for Future Sale."

Upon completion of this offering, Whitney Investor will have rights to require us to register its shares of common stock with the SEC. If we register Whitney Investor's shares of common stock following the expiration of the lock-up agreement, Whitney Investor can sell those shares in the public market. See "Related Party Transactions Amended and Restated Stockholders Agreement Registration Rights."

Not earlier than 90 days following this offering, we intend to register approximately 3,071,653 shares of common stock that are authorized for issuance under our stock option plans and outstanding warrants. We will also be able to issue 455,668 additional options after this offering under our 2005 Long-Term Incentive Plan. Once we register the shares authorized for issuance under our stock option plans, they can be freely sold in the public market upon issuance, subject to the lock-up agreements referred to above and the restrictions imposed on our affiliates under Rule 144.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains "forward-looking statements." 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, 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" or "anticipate" and other similar words.

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 and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as those disclosed in this prospectus. 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:

- weakness 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;
- suspension or debarment from acting as a government supplier;
- 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 address technological advances in metallurgy or in material advances and introduce new products to remain competitive;
- our ability to acquire and integrate complementary businesses;
- unexpected equipment failures, catastrophic events or capacity constraints;
- development 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;
- acts of terrorism or major catastrophic events;
- 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 prospectus, including under the headings "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and in our "Summary Financial Data" and our "Unaudited Pro Forma Condensed Consolidated Financial Statements" and related notes. We do not intend, and undertake no obligation, to update any forward-looking statement. The Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act do not protect forward-looking statements we make in connection with this offering.

Before deciding whether to invest in our common shares, you should carefully consider the matters set forth under the heading "Risk Factors" and all other information contained in this prospectus. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements.

USE OF PROCEEDS

Assuming a public offering price of $15.00 per share, the midpoint of the range on the front cover of this prospectus, we estimate that the net proceeds from this offering (without exercise of the overallotment option), after deducting the underwriting discount and estimated expenses of the offering, will be approximately $85.7 million. If the underwriters' overallotment option is exercised in full, we estimate that we will receive net proceeds of approximately $96.3 million. We will not receive any of the proceeds from the sale of shares by the selling stockholders, including the exercise of options and warrants by them pursuant to a net share settlement. We intend to use these net proceeds, together with net proceeds of approximately $38.3 million from an increase in our Term Loan under our amended and restated Senior Credit Facility, to:

- redeem all of our $38.6 million in aggregate principal amount 13% Senior Subordinated Discount Debentures due 2009 plus redemption premium;

- repay all of our outstanding indebtedness, plus prepayment fee, under our $45.0 million Second Lien Term Loan, which had an interest rate equal to 11.6% as of April 2, 2005 and matures in 2011; and

- redeem all of our Class C preferred stock for $30.5 million, including any accrued and unpaid dividends, and repurchase 50% of our Class D preferred stock for $4.0 million, in connection with our Pre-Offering Transactions. See "Pre-Offering Transactions."

Any remaining proceeds will be used to repay outstanding indebtedness or for general corporate purposes.

INDUSTRY AND MARKET DATA

The data included in this prospectus regarding markets, product categories, ranking and percentage of our sales to the aftermarket, including, but not limited to, the size of certain markets, product categories and sales volumes and our position and the positions of our competitors within these markets and product categories, are based on our estimates and definitions, which have been derived from management's knowledge and experience in the areas in which the relevant businesses operate. Estimates for the anticipated rate of growth for the bearing industry have been obtained from a report titled *Freedonia Focus on Bearings* published in November 2004 by The Freedonia Group, Inc. and obtained by us after a payment by us to The Freedonia Group, Inc. of a licensing fee. We believe that these sources, in each case, provide reasonable estimates. However, market share data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey of market shares. In addition, consumption patterns and customer preferences can and do change. In addition, we may define our markets in a way that may be different from how our competitors or others define their markets. References herein to our being a leader in a certain market or product category refer to our having a leading position based on sales in fiscal year 2005 of bearing products in such market or product category, unless the context otherwise requires.

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.

PRE-OFFERING TRANSACTIONS

The following transactions, referred to as the Pre-Offering Transactions, will occur prior to the completion of this offering:

Recapitalization

We currently have three classes of capital stock outstanding: Class B preferred stock, Class A common stock and Class B common stock. Prior to the consummation of this offering, we will effectuate a series of transactions in order to, among other things, simplify our capital structure. Our simplified capital structure will have two classes of authorized capital stock (common stock and preferred stock), of which only shares of common stock will be outstanding after the offering. The recapitalization transaction will involve a number of steps to be effectuated contemporaneously with the consummation of the Refinancing Transaction (discussed below) and this offering. These steps will be as follows:

Stock Split. We will amend our certificate of incorporation to effect a 5-for-2 stock split of our common stock.

Conversion of Class B Preferred Stock. Immediately prior to the consummation of the Recapitalization, all outstanding shares of Class B preferred stock will be converted in accordance with their terms into 1,846,396 (on a post stock split basis) shares of Class A common stock, shares of Class C preferred stock and shares of Class D preferred stock. All shares of Class C and Class D preferred stock will be redeemed with cash or common stock as described below.

Redemption of Class C Preferred Stock. Immediately after the conversion of the Class B preferred stock, we shall use proceeds from this offering and the Refinancing Transaction to redeem all outstanding Class C preferred stock, including any accrued and unpaid dividends, for an aggregate redemption price determined in accordance with our pre-offering certificate of incorporation. Assuming a August 1, 2005 redemption date, the aggregate redemption price of the Class C preferred stock would be approximately $30.5 million. This amount will increase at a rate of approximately 0.02% for each additional day that the Class C preferred stock remains outstanding as a result of preferred dividends which will continue to accrue thereon.

Repurchase of Class D Preferred Stock. Immediately after the conversion of the Class B preferred stock, we shall repurchase all of the outstanding Class D preferred stock for an aggregate repurchase price equal to $8.0 million payable as follows: $4.0 million of the repurchase price shall be paid in cash using proceeds from this offering and the Refinancing Transaction, and $4.0 million shall be paid in shares of our Class A common stock based on the offering price (before giving effect to underwriters' discounts or commissions).

Reclassification of Class A Common Stock and Class B Common Stock. Immediately after the transactions described above, we will amend and restate our certificate of incorporation to provide for, among other things, authorized capital stock of 60.0 million shares of common stock and 10.0 million shares of preferred stock after giving effect to a 5-for-2 stock split. As a result, all of our Class A common stock and Class B common stock (including shares of Class A common stock issued upon conversion of the Class B preferred stock and repurchase of the Class D preferred stock) will be reclassified as common stock, on a one-for-one basis.

Stock Options and Warrants. Following the reclassification of our shares, all outstanding options and warrants to purchase our Class A common stock and Class B common stock will become exercisable into shares of our newly created common stock in accordance with the terms of our stock option plans and stock option and warrant agreements. We will freeze our existing 1998 Stock Option Plan and 2001 Stock Option Plan such that no further awards or grants may be made under them. We will establish a new 2005 Long-Term Incentive Plan which will provide for the issuance of stock options or other equity awards equal to 1,139,170 shares of common stock. Of these options, 683,502 will be awarded to Dr. Hartnett upon the consummation of this offering at the offering price, subject to vesting, and the remainder will be reserved for grants to our employees (other than Dr. Hartnett) at the discretion of our compensation committee. With the exception of options and warrants that are exercised in connection with this offering, substantially all outstanding options and warrants to purchase common stock will be subject to a lock-up period of not less than 180 days (2.5% of our pro forma fully diluted shares of common stock will be subject to a lock-up period of 90 days) following the date of this prospectus. See "Use of Proceeds" and "Related Party Transactions Pre-Offering Transactions."

Refinancing Transaction

We have entered into a commitment letter with GE Capital to amend and restate our existing Senior Credit Facility to increase borrowings under our Term Loan by $40.0 million and to reduce the interest rate on our Revolving Credit Facility and Term Loan by approximately 1.00%, referred to as the Refinancing Transaction. The Refinancing Transaction is subject to customary terms and conditions, including consummation of this offering. We expect to close the Refinancing Transaction simultaneously with the closing of this offering. The proceeds from the Refinancing Transaction and the proceeds from this offering will be used for the purposes described under "Use of Proceeds."

CAPITALIZATION

The following table sets forth our cash and capitalization as of April 2, 2005 on an actual and pro forma basis to give effect to the offering and Pre-Offering Transactions, as if they had occurred on that date.

This table should be read in conjunction with "Use of Proceeds," "Summary Financial Data," "Selected Consolidated Historical Financial Data" and the historical financial statements and related notes thereto included elsewhere in this prospectus. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources," "Description of Certain Indebtedness," "Pre-Offering Transactions" and "Unaudited Pro Forma Condensed Consolidated Financial Statements."

	As of April 2, 2005	
	Actual	Pro Forma
	(in thousands)	
Cash	$ 2,635	$ 6,802
Debt		
Term loan	$ 109,175	$ 149,175
Revolving credit facility[(1)]	5,000	5,000
Discount debentures	37,949	
Second lien term loan	45,000	
Other debt[(2)]	22,955	22,955
Total debt	220,079	177,130
Stockholders' equity[(3)]		
Preferred stock	2	
Common stock	62	155
Additional paid-in capital	34,252	85,293
Deferred compensation	(349)	4,519
Accumulated other comprehensive loss	(2,532)	(2,532)
Accumulated deficit	(39,194)	(40,933)
Total stockholders' equity (deficit)	(7,759)	46,502
Total capitalization	$ 212,320	$ 223,632

(1) The amount shown for the Revolving Credit Facility excludes $20.3 million of letters of credit drawn under our $25.0 million letter of credit subfacility under our Senior Credit Facility.

(2) Other debt consists of $6.2 million outstanding under the Swiss Term Loan, $16.7 million aggregate principal amount of our industrial revenue bonds and other debt of $0.1 million.

(3) Reflects the filing of our amended and restated certificate of incorporation upon completion of this offering, authorizing 60.0 million shares of common stock, 15,458,833 of which will be issued and outstanding after the consummation of this offering, and 10.0 million shares of undesignated preferred stock, none of which will be issued or outstanding as of the consummation of this offering. As of April 2, 2005, there were 6,202,519 shares of our Class A common stock and 250 shares of our Class B common stock outstanding. Additionally, as of such date, there were outstanding (a) warrants and options to purchase up to an additional 1,911,235 shares of our Class A common stock, (b) warrants and options to purchase 1,372,865 shares of our Class B common stock, and (c) 240,000 shares of our Class B exchangeable convertible participating preferred stock, or Class B preferred stock. All of our then outstanding classes of Class A and Class B common stock and Class B preferred stock will be converted into common stock, redeemed or repurchased for

cash or for common stock in connection with the Pre-Offering Transactions. See "Pre-Offering Transactions."

DILUTION

Our pro forma net tangible book value as of April 2, 2005 was approximately ($65.9) million, or ($7.18) per share of common stock. Pro forma net tangible book value per share represents total tangible assets less total liabilities, divided by the number of outstanding shares of common stock after giving effect to the Pre-Offering Transactions and the exercise of options and warrants pursuant to a net share settlement by the selling stockholders. See "Pre-Offering Transactions." After giving effect to the Pre-Offering Transactions, the exercise of options and warrants by the selling stockholders pursuant to a net share settlement, the sale of the shares of common stock offered by us at an assumed initial public offering price of $15.00 per share, the midpoint of the range on the front cover of this prospectus, after deducting underwriting discounts and estimated offering expenses, and giving effect to the use of proceeds from this offering, the pro forma as adjusted net tangible book value as of April 2, 2005 would have been $18.0 million, or approximately $1.16 per share of common stock. This represents an immediate increase in net tangible book value of $8.34 per share to existing stockholders and an immediate dilution in net tangible book value of $13.84 per share to new investors in this offering. The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share		$15.00
Pro forma net tangible book value per share as of April 2, 2005	($7.18)	
Increase per share attributable to new investors	8.34	
Pro forma as adjusted net tangible book value per share after this offering		1.16
Dilution per share to new investors		$13.84

The following table summarizes, as of April 2, 2005, and, after giving pro forma effect to the Pre-Offering Transactions, the exercise of options and warrants by the selling stockholders pursuant to a net share settlement and this offering as if these transactions had occurred as of such date, the differences between existing stockholders and the new investors with respect to the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid before deducting the underwriting discount and commissions and our estimated offering expenses, at an assumed initial public offering price of $15.00 per share.

	Shares Purchased		Total Consideration		
	Number	Percent	Amount	Percent	Average Price Per Share
Existing Stockholders	9,185,833	59.4%	$ 83,936,264	47.1%	$ 9.14
New Investors	6,273,000	40.6%	94,095,000	52.9%	15.00
Total	15,458,833	100.0%	$ 178,031,264	100.0%	

If the underwriters' overallotment option is exercised in full:

- the percentage of our shares of common stock held by our existing holders of capital stock will decrease to approximately 41.9% of the total number of common shares outstanding immediately after this offering; and

- the number of shares of common stock held by investors purchasing common stock in this offering will increase to 9,531,200 shares, or approximately 58.1% of the total number of shares of common stock outstanding immediately after this offering; in each case, based upon shares outstanding as of April 2, 2005 and calculated on a pro forma basis as described above.

The discussion and tables above assume no exercise of stock options or warrants, or the options to be granted to Dr. Hartnett under our 2005 Long-Term Incentive Plan simultaneously with the closing of this offering, outstanding as of April 2, 2005, other than options and warrants exercised on a net share settlement basis, in each case by the selling stockholders in connection with this offering. After giving effect to the Pre-Offering Transactions and this offering and the options to be granted to Dr. Hartnett under our 2005 Long-Term Incentive Plan simultaneously with the closing of this offering, we will have options and warrants outstanding to purchase a total of 3,071,653 shares of common stock, with a weighted average exercise price of $5.42 per share. Assuming the exercise in full of these stock options and warrants, the number of shares purchased by existing stockholders would increase to 12,257,486, total consideration paid by them would increase to $100.6 million and the average price per share paid by them would be decreased to $8.20 per share.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma condensed consolidated financial statements are based on our historical consolidated financial statements included elsewhere in this prospectus, adjusted to give effect to the following transactions:

- Pre-Offering Transactions, including the Refinancing Transaction, pursuant to which we will amend and restate our Senior Credit Facility to increase borrowings under our Term Loan by $40.0 million and lower our interest rate under such facility;

- sale of 6,273,000 shares of common stock by us in this offering at an assumed public offering price of $15.00 per share, less the underwriting discount and estimated offering expenses payable by us;

- application of net proceeds from this offering, together with net proceeds from the Refinancing Transaction, to (i) redeem all of our $38.6 million in aggregate principal amount 13% Senior Subordinated Discount Debentures plus redemption premium; (ii) repay all of our outstanding indebtedness, plus prepayment fee, under our $45.0 million Second Lien Term Loan; and (iii) redeem all of our Class C preferred stock for $30.5 million, including any accrued and unpaid dividends, and repurchase 50% of our Class D preferred stock for $4.0 million, in connection with the Pre-Offering Transactions. See "Use of Proceeds" and "Pre-Offering Transactions"; and

- exercise of 895,949 employee stock options and warrants by certain selling stockholders pursuant to a net share settlement, resulting in 870,000 newly issued shares of common stock at an assumed public offering price of $15.00 per share, all of which are sold in this offering by the selling stockholders.

The unaudited pro forma condensed consolidated balance sheet as of April 2, 2005 and the unaudited pro forma condensed consolidated statement of operations for the year ended April 2, 2005 give effect to the transactions described above as if they had occurred on April 2, 2005 and April 4, 2004, respectively.

The pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable. The unaudited pro forma condensed consolidated financial statements do not purport to represent what our financial condition or results of operations would actually have been had these transactions in fact occurred as of the dates indicated above or to project our results of operations for these periods indicated or for any other period. This unaudited pro forma condensed consolidated financial information should be read in conjunction with "Prospectus Summary The Offering," "Use of Proceeds," "Pre-Offering Transactions," "Selected Consolidated Historical Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes appearing elsewhere in this prospectus.

RBC Bearings Incorporated

Unaudited Pro Forma Condensed Consolidated Balance Sheet

April 2, 2005

	Historical	Pro Forma Adjustments	Pro Forma
		(in thousands)	
ASSETS			
Current assets:			
Cash	$ 2,635	$ 4,167(1)(2)(3)	$ 6,802
Accounts receivable, net of allowance for doubtful accounts of $628	53,967		53,967
Inventory	95,654		95,654
Deferred income taxes	4,509	5,902(4)(5)	10,411
Prepaid expenses and other current assets	2,226		2,226
Total current assets	158,991	10,069	169,060
Property, plant and equipment, net	55,343		55,343
Goodwill	25,150		25,150
Intangible assets, net of accumulated amortization of $949	3,333		3,333
Deferred financing costs, net of accumulated amortization of $1,280	4,755	1,243(6)	5,998
Other assets	2,597		2,597
Total assets	$ 250,169	$ 11,312	$ 261,481

See accompanying notes.

	Historical	Pro Forma Adjustments	Pro Forma
	(in thousands, except share and per share amounts)		
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Accounts payable	$ 19,243		$ 19,243
Accrued expenses and other current liabilities	10,621		10,621
Current portion of long-term debt	8,245	$ 400 (7)	8,645
Capital lease obligations	226		226
Total current liabilities	38,335	400	38,735
Long-term debt, less current portion	211,834	(43,349)(7)(8)	168,485
Capital lease obligations, less current portion	205		205
Other non-current liabilities	7,554		7,554
Total liabilities	257,928	(42,949)	214,979
Class C redeemable preferred stock, $0.01 par value; authorized shares: 900,000; none issued and outstanding			
Stockholders' equity (deficit):			
Class A preferred stock, $0.01 par value; authorized shares: 15,500; none issued and outstanding			
Class B exchangeable convertible participating preferred stock, $0.01 par value; authorized shares: 240,000; issued and outstanding shares: 240,000	2	(2)(9)	
Class D preferred stock, $0.01 par value; authorized shares: 240,000; none issued and outstanding			
Class A voting common stock, $0.01 par value; authorized shares: 20,000,000; issued and outstanding shares: 6,202,519	62	(62)(9)	
Class B super voting common stock, $0.01 par value; authorized shares: 2,500,000; issued and outstanding shares: 250			
Common stock, $0.01 par value; authorized shares: 60,000,000; issued and outstanding shares: 15,458,833		155 (9)	155
Preferred stock, $0.01 par value; authorized shares: 10,000,000; none issued and outstanding			
Additional paid-in capital	34,252	51,041 (9)	85,293
Deferred compensation	(349)	4,868 (4)	4,519
Accumulated other comprehensive loss	(2,532)		(2,532)
Accumulated deficit	(39,194)	(1,739)(5)(10)	(40,933)
Total stockholders' equity (deficit)	(7,759)	54,261	46,502
Total liabilities and stockholders' equity (deficit)	$ 250,169	$ 11,312	$ 261,481

See accompanying notes.

RBC Bearings Incorporated

Unaudited Pro Forma Condensed Consolidated Statement of Operations

Fiscal Year Ended April 2, 2005

	Historical	Pro Forma Adjustments	Pro Forma
	(in thousands, except share and per share amounts)		
Net sales	$243,016		$243,016
Cost of sales	174,602		174,602
Gross margin	68,414		68,414
Operating expenses:			
Selling, general and administrative	32,749	$ 1,500 (11)	34,249
Other, net	3,526	(474)(12)	3,052
Total operating expenses	36,275		37,301
Operating income	32,139		31,113
Interest expense, net	19,669	(9,389)(13)	10,280
Loss on early extinguishment of debt	6,950	2,773 (10)	9,723
Other non-operating (income)	(355)		(355)
Income before income taxes	5,875		11,465
Provision for (benefit from) income taxes	(1,385)	2,085 (14)	700
Net income	7,260	3,505	10,765
Preferred stock dividends	(2,280)	2,280 (15)	
Participation rights of preferred stock in undistributed earnings	(1,142)	1,142 (15)	
Net income available to common stockholders	$ 3,838	$ 6,927	$ 10,765
Net income per common share:			
Basic:			
Class A common stock	$ 0.62		
Class B common stock	$ 0.62		
Common stock			$ 0.70
Diluted:			
Class A common stock	$ 0.40		
Class B common stock	$ 0.00		
Common stock			$ 0.62
Weighted average common shares:			
Basic:			
Class A common stock	6,202,365		
Class B common stock	250		
Common stock			15,458,833
Diluted:			
Class A common stock	9,552,579		
Class B common stock	1,302,005		
Common stock			17,421,506

See accompanying notes.

Notes to the unaudited pro forma condensed consolidated financial statements (in thousands, except share and per share amounts):

1. Reflects the estimated net proceeds from the issuance of 6,273,000 shares of common stock by us in this offering at an assumed public offering price of $15.00 per share, after deducting the underwriting discount and estimated fees and expenses of collectively approximately $8,427.

2. Reflects the estimated net proceeds to us from the Refinancing Transaction of approximately $38,300, after deducting estimated fees and expenses of approximately $1,700.

3. Reflects the use of net proceeds by us from this offering, together with net proceeds from the Refinancing Transaction, to: (i) redeem all of our $38,562 in aggregate principal amount 13% Senior Subordinated Discount Debentures plus redemption premium of $1,253; (ii) repay all of our outstanding indebtedness, plus prepayment fee of $450, under our $45,000 Second Lien Term Loan; and (iii) redeem all of our Class C preferred stock for $30,536, including any accrued and unpaid dividends, and repurchase 50% of our Class D preferred stock for $4,000.

4. Reflects a balance sheet adjustment for the income tax benefit of $4,868 in connection with compensation expense related to exercise of employee non-qualified stock options and warrants by the selling stockholders via a net share settlement.

5. Reflects the income tax benefit of $1,034 related to the loss on early extinguishment of debt as described in Note (10) below.

6. Reflects new deferred financing fees of $1,700 in connection with the Refinancing Transaction and the write-off of remaining deferred financing fees of $457 related to our 13% Senior Subordinated Discount Debentures and Second Lien Term Loan.

7. Reflects the Refinancing Transaction to increase our Term Loan borrowings under our Senior Credit Facility by $40,000.

8. Reflects the redemption of all of our $38,562 in aggregate principal amount 13% Senior Subordinated Discount Debentures with a carrying value of $37,949 as of April 2, 2005, and repayment of all of our outstanding indebtedness under our $45,000 Second Lien Term Loan.

9. Reflects adjustments related to the Pre-Offering Transactions, exercise of employee stock options and warrants by the selling stockholders pursuant to a net share settlement, this offering and the use of proceeds as described in Note (3) above. Specifically, such adjustments consist of the following:

   - conversion of 240,000 shares of Class B preferred stock with $0.01 par value into 1,846,396 shares of Class A common stock with $0.01 par value;

   - redemption of Class C preferred stock, including any accrued and unpaid dividends, for an aggregate cash redemption price of $30,536;

   - repurchase of all outstanding Class D preferred stock for an aggregate repurchase price of $8,000, $4,000 of which will be paid in cash with proceeds from this offering and the Refinancing Transaction, and the remainder will be paid in shares of Class A common stock based on the offering price before giving effect to underwriters' discount or commissions. Based on an assumed offering price of $15.00, the midpoint of the range on the front cover of this prospectus, we will issue in aggregate 266,668 shares of Class A common stock for the portion of the repurchase price funded with common stock;

   - reclassification of all of our outstanding Class A and Class B common stock (including shares of Class A common stock issued upon conversion of the Class B preferred stock and repurchase of the Class D preferred stock) as common stock on a 1-for-1 basis;

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exercise of 895,949 employee stock options and warrants by certain selling stockholders pursuant to a net share settlement, resulting in 870,000 newly issued shares of common stock at an assumed public offering price of $15.00 per share;

sale of 6,273,000 shares of common stock with $0.01 par value by us in this offering at an assumed public offering price of $15.00 per share; and

deduction of the underwriting discount and estimated fees and expenses of collectively approximately $8,427. The following table illustrates these adjustments to each related stockholders' equity account.

	Class B Preferred Stock	Class A Common Stock	Common Stock	Additional Paid-in Capital
Conversion of Class B preferred stock	$(2)	$	$ 18	$ (16)
Redemption of Class C preferred stock				(30,536)
Repurchase of Class D preferred stock			3	(4,003)
Reclassification of Class A common stock and Class B common stock		(62)	62	
Exercise of employee stock options and warrants pursuant to a net share settlement			9	(9)
Sale of common stock by us in this offering			63	94,032
Deduction of underwriting discount and estimated fees and expenses				(8,427)
Total adjustments	$(2)	$ (62)	$ 155	$ 51,041

10. Reflects $1,253 redemption premium and write-off of $613 unamortized bond discount related to the redemption of our 13% Senior Subordinated Discount Debentures, $450 prepayment fee related to repayment of all of our $45,000 Second Lien Term Loan and the write-off of the remaining $457 deferred financing fees.

11. Reflects an income statement adjustment for the estimated annual incremental costs of $1,500 to operate as a public company, consisting of the following: (i) an increase in directors and officers insurance premium of approximately $400; (ii) professional services fees incurred in connection with the implementation of Section 404 of the Sarbanes-Oxley Act of approximately $400; (iii) an increase in legal and public company audit fees of approximately $200; (iv) public company listing and investor relations services fees of approximately $200; (v) an increase in compensation expense of approximately $200 for additional accounting personnel; and (vi) financial printing and other professional services fees of approximately $100. These amounts are based on actual market quotations and management's estimates.

12. Reflects the elimination of management fees payable to Whitney, which will terminate upon consummation of this offering.

13.

The following table illustrates the adjustments to interest expense after giving effect to the Pre-Offering Transactions, including the Refinancing Transaction, this offering and the use of proceeds thereof.

	Fiscal Year Ended April 2, 2005
Elimination of historical interest expense:	
Interest on 13% senior subordinated discount debentures	$ (5,013)
Interest on second lien term loan with an average interest rate of 11.2%	(3,782)
Interest on $9^5/_8$% senior subordinated notes	(2,559)
Interest on prior and existing senior credit facilities	(5,745)
Amortization of related deferred financing costs and discounts	(1,076)
	(18,175)
Interest on new borrowings:	
Interest on $150,000 borrowings under amended and restated Term Loan	8,503
Amortization of related deferred financing costs	283
Net interest expense adjustment	$ (9,389)

For computing interest expense on $150,000 borrowings under our amended and restated Term Loan, we assumed an interest rate of 5.67%. On a pro forma basis as of April 2, 2005 after giving effect to the Pre-Offering Transactions, including the Refinancing Transaction, and this offering, our total outstanding debt would have been $177,130. If our weighted average interest rate increases by 0.125%, our interest expense will increase by $221, lowering net income by $139 at an assumed tax rate of 37.3%.

14.

Reflects the tax provision related to the pro forma adjustments for this offering at an assumed tax rate of 37.3%.

15.

Reflects the elimination of preferred stock dividends and participation rights of preferred stock in undistributed earnings after giving effect to the conversion of all outstanding Class B preferred stock and the redemption and repurchase of all of the outstanding Class C and Class D preferred stock with cash or common stock in connection with the Pre-Offering Transactions. See "Pre-Offering Transactions."

SELECTED CONSOLIDATED HISTORICAL 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 30, 2002, March 29, 2003, April 3, 2004 and April 2, 2005 have been derived from our historical consolidated financial statements audited by Ernst & Young LLP, independent registered public accounting firm. The selected financial data as of and for the fiscal year ended March 31, 2001 have been derived from our historical consolidated financial statements. 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 prospectus.

	Fiscal Year Ended				
	March 31, 2001	**March 30, 2002**	**March 29, 2003**	**April 3, 2004**	**April 2, 2005**
	(in thousands, except share and per share amounts)				
Statement of Operations Data:					
Net sales[1]	$ 176,435	$ 168,331	$ 172,860	$ 187,331	$243,016
Cost of sales	116,245	114,575	124,086	135,433	174,602
Gross margin	60,190	53,756	48,774	51,898	68,414
Selling, general and administrative	27,043	25,641	26,647	28,107	32,749
Other, net	776	937	1,424	1,662	3,526
Operating income	32,371	27,178	20,703	22,129	32,139
Interest expense, net	23,335	23,440	21,023	20,380	19,669
Financing costs	3,600				
Loss (gain) on early extinguishment of debt[2]			(780)		6,950
Other non-operating expense (income)	16	17	298	16	(355)
Income before income taxes	5,420	3,721	162	1,733	5,875
Provision for (benefit from) income taxes	2,326	2,052	113	1,070	(1,385)
Income before extraordinary gain	3,094	1,669	49	663	7,260
Extraordinary gain, net	521				
Net income	3,615	1,669	49	663	7,260
Preferred stock dividends			(1,313)	(2,144)	(2,280)
Participation rights of preferred stock in undistributed earnings					(1,142)
Net income (loss) available to common stockholders	$ 3,615	$ 1,669	$ (1,264)	$ (1,481)	$ 3,838
Net income (loss) per common share:					
Basic:					
Class A common stock	$ 1.04	$ 0.27	$ (0.20)	$ (0.24)	$ 0.62
Class B common stock	$ 1.04	$ 0.27	$ (0.20)	$ (0.24)	$ 0.62
Diluted:					
Class A common stock	$ 0.48	$ 0.22	$ (0.20)	$ (0.24)	$ 0.40
Class B common stock	$ 0.25	$ 0.00	$ (0.20)	$ (0.24)	$ 0.00
Weighted average number of common and common equivalent shares outstanding:					

	Fiscal Year Ended					
Basic:						
Class A common stock	2,788,107	6,188,653	6,188,653	6,188,653		6,202,365
Class B common stock	674,573	250	250	250		250
Diluted:						
Class A common stock	6,045,762	7,607,418	6,188,653	6,188,653		9,552,579
Class B common stock	2,775,001	1,284,227	250	250		1,302,005
Pro Forma Data:(3)						
Pro forma net income					$	10,765
Pro forma net income per common share:						
Basic					$	0.70
Diluted					$	0.62
Pro forma weighted average number of common and common equivalent shares outstanding:						
Basic						15,458,833
Diluted						17,421,506

	Fiscal Year Ended				
	March 31, 2001	March 30, 2002	March 29, 2003	April 3, 2004	April 2, 2005
	(in thousands)				
Other Financial Data:					
EBITDA[(4)]	$ 37,917	$ 36,266	$ 29,224	$ 31,295	$ 41,279
Capital expenditures	6,619	5,941	6,522	4,951	9,526

	As of				As of April 2, 2005	
	March 31, 2001	March 30, 2002	March 29, 2003	April 3, 2004	Actual	Pro Forma[(3)]
	(in thousands)					
Balance Sheet Data:						
Cash	$ 4,071	$ 7,185	$ 3,553	$ 3,250	$ 2,635	$ 6,802
Working capital	56,980	70,957	89,411	105,550	120,656	130,325
Total assets	209,372	219,376	232,356	234,746	250,169	261,481
Total debt	218,249	226,713	210,933	215,224	220,079	177,130
Total stockholders' equity (deficit)	(38,134)	(37,567)	(17,649)	(16,285)	(7,759)	46,502

(1)

Net sales were $168.3 million in fiscal 2002 compared to $176.4 million in fiscal 2001, a decrease of $8.1 million, or 4.6%. Net sales related to the RBC Oklahoma acquisition, which was effective on August 20, 2001, were $3.7 million in fiscal 2002. Net sales, excluding the RBC Oklahoma acquisition, decreased $11.8 million or 6.7% from fiscal 2001, primarily due to softness in the OEM heavy truck market, the industrial aftermarkets and the aerospace market after September 11, 2001.

Net sales were $172.9 million in fiscal 2003 compared to $168.3 million in fiscal 2002, an increase of $4.6 million, or 2.7%. Net sales in the compared periods included net sales totaling $2.1 million in fiscal 2003 for RBC France, which was acquired in December 2002, and $5.2 million in fiscal 2003 and $3.7 million in fiscal 2002 generated by RBC Oklahoma, which was acquired effective August 2001. Excluding RBC France and RBC Oklahoma's sales, our net sales increased $1.0 million or 0.6% from period to period.

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)

Loss on 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.

(3)

Assumes the following transactions were effected as of April 4, 2004 with respect to the Pro Forma Statement of Operations Data, and as of April 2, 2005 with respect to the Pro Forma Balance Sheet Data, presented above: (1) the Pre-Offering Transactions, (2) the sale by us of 6,273,000 shares in this offering at an assumed initial public offering price of $15.00 per share, (3) the repayment of all of our $38.6 million in aggregate principal amount of 13% Senior Subordinated Discount Debentures due 2009, (4) the repayment of all outstanding indebtedness under our $45.0 million Second Lien Term Loan and (5) the Refinancing Transaction. In addition, pro forma amounts have been adjusted to reflect the exercise of options and warrants by some of the selling stockholders with respect to shares to be sold in the offering. These selling stockholders will exercise these options or warrants through a net share settlement. See "Unaudited Pro Forma Condensed Consolidated Financial Statements," "Pre-Offering Transactions," "Use of Proceeds" and "Prospectus Summary The Offering."

(4)

EBITDA consists of net income (loss), plus interest expense, net, loss (gain) on early extinguishment of debt, provision for (benefit from) income taxes and depreciation and amortization. EBITDA is not a measure of operating performance under generally accepted accounting principles in the United States, or GAAP, and should not be considered as an alternative or substitute for GAAP profitability measures such as operating earnings (loss) from continuing operations, discontinued operations, extraordinary items and net income (loss). EBITDA as an operating performance measure has material limitations since it excludes, among other things, the statement of operations impact of depreciation and amortization expense, interest expense, loss (gain) on early extinguishment of debt and the provision for (benefit from) income taxes and therefore does not necessarily represent an accurate measure of profitability, particularly in situations where a company is highly leveraged or has a disadvantageous tax structure. We use a significant amount of capital assets and depreciation and amortization expense is a necessary element of our costs and ability to generate revenue and therefore its exclusion from EBITDA is a material limitation. We also have a significant amount of debt and interest expense is a necessary element of our costs and ability to generate revenue and therefore its exclusion from EBITDA is a material limitation. We generally incur significant U.S. federal, state and foreign income taxes each year and the provision for (benefit from) income taxes is a necessary element of the our costs and therefore its exclusion from EBITDA is a material limitation. As a result, EBITDA should be evaluated in conjunction with net income (loss) for a more complete analysis of our profitability, as net income (loss) includes the financial statement impact of these items and is the most directly comparable GAAP operating performance measure to EBITDA. As EBITDA is not defined by GAAP, our definition of EBITDA may differ from and therefore may not be comparable to similarly titled measures used by other companies, thereby limiting its usefulness as a comparative measure. Because of the limitations that EBITDA has as an analytical tool, investors should not consider it in isolation or as a substitute for analysis of our operating results as reported under GAAP.

We use EBITDA as a supplementary non-GAAP operating performance measure to assist with our overall evaluation of our and our subsidiaries' operating performance (including the performance of subsidiary management) relative to outside peer group companies. In addition, we use EBITDA as an operating performance measure in financial presentations to our board of directors, stockholders, the banks participating in our credit facility and rating agencies, among others, as a supplemental non-GAAP operating measure to assist them in their evaluation of our performance. We are also active in mergers, acquisitions and divestitures and use EBITDA as an additional operating performance measure to assess our, our subsidiaries' and potential acquisition target enterprise value and to assist in the overall evaluation of our, our subsidiaries' and potential acquisition target performance on an internal basis and relative to peer group companies. We use EBITDA in conjunction with traditional GAAP operating performance measures as part of our overall assessment of potential valuation and relative performance and therefore do not place undue reliance on EBITDA as our only measure of operating performance. We believe EBITDA is useful for our management and investors as it is a commonly used analytical measurement for comparing company profitability, which eliminates the effects of financing, differing valuations of fixed and intangible assets and tax structure decisions. We believe that EBITDA is specifically relevant to us, due to the different degrees of leverage among our competitors. We have included EBITDA as a supplemental operating performance measure, which should be evaluated by investors in conjunction with the traditional GAAP performance measures for a complete evaluation of our operating performance. The following table provides a reconciliation of net income, the most directly comparable GAAP measure, to EBITDA.

	Fiscal Year Ended				
	March 31, 2001	**March 30, 2002**	**March 29, 2003**	**April 3, 2004**	**April 2, 2005**
	(in thousands)				
Net income	$ 3,615	$ 1,669	$ 49	$ 663	$ 7,260
Add:					
Provision for (benefit from) income taxes	2,326	2,052	113	1,070	(1,385)
Interest expense, net	23,335	23,440	21,023	20,380	19,669
Loss (gain) on early extinguishment of debt			(780)		6,950
Depreciation and amortization	8,641	9,105	8,819	9,182	8,785
EBITDA	$ 37,917	$ 36,266	$ 29,224	$ 31,295	$ 41,279

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

The following discussion should be read in conjunction with the "Selected Consolidated Historical Financial Data," "Description of Certain Indebtedness" and our consolidated financial statements and the related notes included elsewhere in this prospectus. This prospectus contains, in addition to historical information, forward-looking statements that include risks, uncertainties and assumptions. See "Disclosure Regarding Forward-Looking Statements" for information about our presentation of forward-looking information in this prospectus. Factors that could cause such differences include those described under "Risk Factors."

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 2005 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 16 manufacturing facilities in three 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 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, defense and diversified industrial segments, by increasing sales to the aftermarket and by focusing on developing highly customized solutions.

During fiscal 2005, the world economy continued to emerge from the slowdown experienced from 2000 to 2003, and we experienced favorable conditions across our three major markets: diversified industrial, aerospace and defense. In particular the economy of our diversified industrial market has been driven by strong requirements in non-residential construction, mining and the oil and gas sectors. These conditions have resulted in robust demand for bearings for both OEM and replacement markets. In the aerospace market a very strong recovery began, and we believe it is at its early stages. 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. In addition, demand for corporate aircraft remained strong. 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 $3^1/_2$ years. For fiscal year 2005, approximately one-fifth of our revenues were derived from sales directly or indirectly outside the U.S. We expect this component of our business to increase in response to our emphasis on continued penetration of foreign markets, particularly those in aerospace and defense. These factors have resulted in favorable customer order volume resulting in total order bookings for fiscal 2005 of $281.8 million, an increase of $91.3 million, or 47.9%, compared to $190.5 million for the comparable period last year. Excluding our RBC-API unit acquired from The Timken Company in December 2003, total order bookings for fiscal 2005, were $256.2 million, an increase of $68.0 million, or 36.1%, compared to $188.2 million for fiscal 2004.

Approximately 30% of our costs are attributable to raw materials, a majority of which are related to steel and related products. During the past 24 months, 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 12 weeks.

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 12 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, the aerospace market and the defense market. Sales are often made pursuant to sole-source relationships, long-term agreements and purchase orders with our clients. We recognize revenues principally from the sale of products at the point of passage of title, which is at the time of shipment. In certain instances, however, we recognize revenues under the contract method of accounting.

Sales to the diversified industrial market accounted for 64% of our net sales for fiscal 2005. Sales to the aerospace and defense markets accounted for 36% 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 56% of our net sales for fiscal 2005. 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 segment. We believe these activities increase the stability of our revenue base, strengthen our brand identity and provide multiple paths for revenue growth.

Approximately one-fifth of our sales were derived from sales directly or indirectly outside the U.S. for fiscal 2005, an increase from 19% in fiscal 2004. We expect that this proportion will increase as we seek to increase our penetration of foreign markets, particularly within the aerospace and defense sectors. In fiscal 2005, our top ten customers, six of which were OEMs and the remaining four were distributors, generated 32% of our net sales. Out of the 32% of net sales generated by our top ten customers during fiscal 2005, 19% was generated by our top four customers. No single customer was responsible for generating more than 5% 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 fiscal 2005 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 12 weeks 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 less than 4% 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 and the additional costs associated with operating as a public company.

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, 2003	**April 3, 2004**	**April 2, 2005**
Statement of Operations Data:			
Net sales	100.0%	100.0%	100.0%
Gross margin	28.2	27.7	28.2
Selling, general and administrative	15.4	15.0	13.5
Other, net	0.8	0.9	1.5
Operating income	12.0	11.8	13.2
Interest expense, net	12.2	10.9	8.1
Loss (gain) on early extinguishment of debt	(0.5)		2.9
Other non-operating expense (income)	0.2	0.0	(0.2)
Income before income taxes	0.1	0.9	2.4
Provision for (benefit from) income taxes	0.1	0.6	(0.6)
Net income	0.0	0.3	3.0

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, 2003	April 3, 2004	April 2, 2005
	(in thousands)		
Net External Sales			
Plain	$ 67,448	$ 77,578	$ 93,250
Roller	60,788	63,106	92,281
Ball	34,038	35,801	41,881
Other	10,586	10,846	15,604
Total	$ 172,860	$ 187,331	$ 243,016
Operating Income			
Plain	$ 16,782	$ 18,573	$ 22,647
Roller	8,459	11,259	17,030
Ball	7,009	6,676	9,070
Other	1,779	378	797
Corporate	(13,326)	(14,757)	(17,405)
Total	$ 20,703	$ 22,129	$ 32,139

Geographic Information

The following table summarizes our sales, by destination, for the periods shown:

	Fiscal Year Ended		
	March 29, 2003	April 3, 2004	April 2, 2005
	(in thousands)		
Geographic Revenues			
Domestic	$ 155,579	$ 166,763	$ 215,381
Foreign	17,281	20,568	27,635
Total	$ 172,860	$ 187,331	$ 243,016

For additional information concerning our business segments see Note 20 to our Consolidated Financial Statements.

Fiscal 2005 Compared to Fiscal 2004

Net Sales. Our net sales for fiscal 2005 were $243.0 million, an increase of $55.7 million, or 29.7%, compared to $187.3 million for fiscal 2004. During fiscal 2005, we experienced net sales growth in each of our four segments, driven by strong demand across our end markets as well as our continued efforts to supply new products to existing and new customers. Overall, we experienced significant growth in net sales to our diversified industrial and aerospace customers, driven principally by increased build rates of industrial machinery and commercial and military aircraft, respectively. We believe these trends will continue for the near future and we believe opportunities exist for our expansion within each of these markets. In particular, we expect to benefit from the current acceleration in aerospace build rates and anticipate that net sales from the aerospace market will represent a larger percentage of our overall net sales going forward.

Our Plain Bearing segment achieved net sales of $93.3 million for fiscal 2005, an increase of $15.7 million, or 20.2%, compared to $77.6 million for the prior year. Net sales to our diversified industrial customers accounted for $9.0 million of the increase, driven primarily by strong demand in the construction and mining heavy equipment sectors, strong aftermarket demand for rail products, and several new product introductions we made during the year targeted at both existing and new customers. The commercial and military aerospace market accounted for $8.2 million of the increase due to an increase in airframe and aerospace engine bearing shipments resulting from better penetration of existing customers and a number of new contract wins as well as recovering build rates and maintenance requirements for commercial aircraft. Direct sales to the defense market decreased by $1.5 million due to exceptionally strong demand in the last six months of fiscal 2004 compared to the same period for fiscal 2005.

Our Roller Bearing segment achieved net sales of $92.3 million for fiscal 2005, an increase of $29.2 million, or 46.2%, compared to $63.1 million for the prior year. $13.2 million of the increase was attributable to the inclusion of a full year of results for the RBC-API business unit which was purchased in December 2003. Excluding RBC-API, net sales for the Roller Bearing segment were $73.0 million for fiscal 2005, an increase of $16.0 million, or 28.1%, compared to $57.0 million for fiscal 2004. $14.8 million of this increase was attributable to sales to our customers in the industrial market, where we have selectively increased our penetration of the class 8 truck market, and benefited from strong demand from mining, construction equipment and general industrial applications. The aerospace market accounted for the remaining $1.2 million of the increase, driven primarily by increasing build rates and maintenance requirements for military aircraft.

Our Ball Bearing segment achieved net sales of $41.9 million for fiscal 2005, an increase of $6.1 million, or 17.0%, compared to $35.8 million for the prior year. $3.4 million of the increase was attributable to sales to our customers in the industrial market, driven primarily by increased demand from semiconductor applications and by increased demand from industrial distributors for aftermarket parts. Commercial and military aerospace accounted for the remaining $2.7 million of the increase, driven principally by increased demand from airframe, electro-optical, and satellite and communications applications and our increased penetration of the airframe market.

Our Other segment, which is focused mainly on the sale of precision ball screws and machine tool collets, achieved net sales of $15.6 million, an increase of $4.8 million, or 43.9%, compared to $10.8 million for the same period last year. This increase was primarily due to increased sales of our machine tool collets as a result of our increased penetration of the U.S. machine tool collet market and due to increasing overall market demand.

Gross Margin. Our gross margin was $68.4 million, or 28.2% of net sales, for fiscal 2005, versus $51.9 million, or 27.7% of net sales, for fiscal 2004. The increase in our gross margin as a percentage of net sales was primarily the result of an overall increase in volume, slightly higher prices, and a shift in mix toward higher margin products, partially offset by increased raw material and labor costs which negatively impacted gross margin by 4.0%. We were able to grow our gross margin percentage through price increases and raw material surcharges to customers which offset the impact of raw material price increases of up to 40%.

Selling, General and Administrative. Our SG&A expenses increased by $4.6 million, or 16.5%, to $32.7 million for fiscal 2005 compared to $28.1 million for fiscal 2004. Excluding the RBC-API acquisition, SG&A increased by $4.1 million in fiscal 2005, or 14.7%, compared to fiscal 2004. The $4.1 million increase was primarily due to an increase in personnel necessary to support our increased volume, higher professional service fees and $0.4 million of compensation expense recorded for the intrinsic value of options issued during fiscal 2005. As a percentage of net sales, SG&A declined to 13.5% for fiscal 2005 compared to 15.0% for fiscal 2004. The decline was primarily due to continued control of fixed costs and controlled expansion of headcount. We expect our SG&A to remain relatively constant as a percentage of net sales over the next few years, including the anticipated costs associated with operating as a public company.

Other, net. Other, net for fiscal 2005 was $3.5 million compared to $1.7 million for fiscal 2004. For fiscal 2005, other, net included an expense of $2.0 million for the disposal of manufacturing fixed assets, $0.5 million of Whitney management fees, $0.5 million of bad debt expense and $0.6 million of other expenses. For fiscal 2004, other, net consisted of $0.5 million of Whitney management fees, fixed asset disposals of $0.2 million, $0.4 million of acquisition costs and $0.5 million of other expenses.

Operating Income. Operating income was $32.1 million, or 13.2% of net sales, for fiscal 2005 compared to $22.1 million, or 11.8% of net sales for fiscal 2004. Operating income for the Plain Bearing segment was $22.6 million, or 24.3% of net sales, compared to the prior year's $18.6 million, or 23.9% of net sales. Our Roller Bearing segment achieved an operating income of $17.0 million, or 18.5% of net sales, compared to $11.3 million, or 17.8% of net sales, for the prior year, owing primarily to the full year inclusion of RBC-API. Our Ball Bearing segment achieved an operating income of $9.1 million, or 21.7% of net sales, for fiscal 2005, compared to $6.7 million, or 18.6% of net sales, for fiscal 2004. Our Other segment achieved an operating income of $0.8 million, or 5.1% of net sales, for fiscal 2005, compared to $0.4 million, or 3.5% of net sales, for fiscal 2004. The increase in operating income in each of our segments was driven primarily by an increase in net sales. In addition, our operating income as a percentage of net sales increased for each of our segments primarily as a result of leveraging our fixed cost base over higher net sales.

Interest Expense, net. Interest expense, net decreased by $0.7 million to $19.7 million for fiscal 2005 compared to $20.4 million for fiscal 2004. Amortization of deferred financing costs and debt discount are recorded as a component of net interest expense. Amortization expenses included in interest expense, net were $1.1 million for fiscal 2005 compared to $1.6 million for fiscal 2004.

Loss on Early Extinguishment of Debt. For fiscal 2005, loss on extinguishment of debt of $7.0 million 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 in interest expense for the 30 day call period related to the early extinguishment of our $110.0 million of $9^5/_8$% senior subordinated notes in July of 2004.

Income Before Income Taxes. Income before taxes increased by $4.2 million, to $5.9 million in fiscal 2005 compared to $1.7 million in fiscal 2004 primarily as a result of higher gross margin, partially offset by higher operating expenses, disposal of manufacturing fixed assets, and loss on extinguishment of debt.

Income Taxes. Income tax for fiscal 2005 provided a benefit of $1.4 million compared to an expense of $1.1 million for fiscal 2004. Our effective income tax rate for fiscal 2005 was a benefit of 23.6% compared to an effective rate of 61.7% for fiscal 2004. In fiscal 2005, the income tax benefit was impacted predominantly by the reduction of income tax expense by $3.8 million for the undistributed earnings of our foreign subsidiaries on which income taxes were previously recorded. We have reassessed our needs internationally and have determined that our undistributed foreign earnings of approximately $18.0 million as of April 2, 2005 will be re-invested indefinitely as further described in Note 15 to our consolidated financial statements. Additionally, our effective tax rate for fiscal 2005 was impacted by a foreign tax rate differential of $0.4 million and adjustments of taxes to correspond to tax returns as filed of $0.8 million. Our effective tax rate for fiscal 2004 was impacted predominantly by the adjustments of taxes to correspond to tax returns as filed and other miscellaneous permanent differences. As of April 2, 2005, net operating loss carry forwards were approximately $5.5 million (federal) and $7.0 million (state) to offset future income taxes, which expire at various dates through 2024. Alternative minimum tax credit carry forwards totaled approximately $1.9 million as of April 2, 2005.

Net Income. Net income increased by $6.6 million to $7.3 million for fiscal 2005 compared to $0.7 million for fiscal 2004.

Fiscal 2004 Compared to Fiscal 2003

Net sales. Our net sales for fiscal 2004 were $187.3 million, an increase of $14.4 million, or 8.4%, compared to $172.9 million for fiscal 2003. We acquired RBC-API in December 2003, which contributed $6.1 million to the Roller Bearing segment in fiscal 2004. Overall we began experiencing increased demand from our diversified industrial and aerospace customers in the fourth quarter of fiscal 2004.

Our Plain Bearing segment achieved net sales of $77.6 million for fiscal 2004, an increase of $10.1 million, or 15.0%, compared to $67.4 million in fiscal 2003. $6.4 million of this increase was due to the inclusion of a full year of net sales for the RBC France business unit which was acquired in December 2002. Net sales to our commercial and military aerospace customers accounted for $4.2 million of the increase due to an increase in aerospace engine bearing shipments, mainly for military applications. Net sales to our diversified industrial customers declined $0.5 million, driven mainly by low industrial activity in the first nine months of the year.

Our Roller Bearing segment achieved net sales of $63.1 million for fiscal 2004, an increase of $2.3 million, or 3.8%, compared to $60.8 million for fiscal 2003. Included in fiscal 2004 were net sales for the RBC-API business unit which was acquired in December 2003. Excluding RBC-API, net sales for the Roller Bearing segment decreased by $3.8 million in fiscal 2004 due principally to the continued contraction in the industrial and heavy truck markets for these bearings in the first nine months of the fiscal year.

Our Ball Bearing segment achieved net sales of $35.8 million for fiscal 2004, an increase of $1.8 million, or 5.2%, compared to $34.0 million for fiscal year 2003. Net sales to our diversified industrial customers accounted for $1.0 million of the increase, driven by increased demand from industrial distributors for aftermarket parts and increased penetration of the industrial distributor market. The remaining $0.8 million of the increase was driven by increased demand for airframe applications.

Our Other segment achieved net sales of $10.8 million for fiscal 2004, an increase of $0.2 million, or 2.5%, compared to $10.6 million for fiscal year 2003. This increase was primarily due to increased sales of our machine tool collets to the machine tool industry.

Gross Margin. Our gross margin was $51.9 million in fiscal 2004, or 27.7% of net sales, versus $48.8 million, or 28.2% of net sales, for fiscal 2003. Gross margins for fiscal 2004 and fiscal 2003 reflected one-time expenses associated with the start-up of our Mexican manufacturing operations, the reengineering of manufacturing operations at our Tyson facility, and the relocation of our Bremen, Indiana manufacturing facility to Plymouth, Indiana. These charges totaled $1.7 million in fiscal 2004 and $2.3 million in fiscal 2003. Excluding these costs, and the additive gross margin in fiscal 2004 from our RBC-API acquisition, our gross margin decreased $0.5 million, primarily the result of a shift in mix toward lower margin products.

Selling, General and Administrative Expenses. SG&A expenses increased by approximately 5.5%, or $1.5 million, to $28.1 million in fiscal 2004 from $26.6 million in fiscal 2003. The increase of $1.5 million was mainly due to the addition of RBC-API in December 2003. Excluding the effects of the RBC-API acquisition in fiscal year 2004, SG&A expenses increased $0.7 million, or 2.6%. As a percentage of net sales, SG&A expenses were 15.0% for fiscal 2004 compared to 15.4% for fiscal 2003.

Other, net. Other, net for fiscal 2004 was $1.7 million compared to $1.4 million for fiscal 2003. Fiscal 2004 expenses consisted of Whitney management fees of $0.5 million, fixed asset disposals of $0.2 million, acquisition expenses of $0.4 million and $0.6 million of other expenses. Fiscal 2003 expenses included Whitney management fees of $0.4 million, fixed asset disposals of $0.9 million associated with the relocation of our Bremen, Indiana manufacturing facility and $0.2 million of other expenses.

Operating Income. Operating income was $22.1 million, or 11.8% of net sales, for fiscal 2004 compared to $20.7 million, or 12.0% of net sales in fiscal 2003. Operating income for the Plain Bearing segment was $18.6 million, or 23.9% of sales, compared to the prior year's $16.8 million, or 24.9% of net sales. Our Roller Bearing segment achieved an operating income of $11.3 million, or 17.8% of net sales, compared to the prior year's $8.5 million, or 13.9% of net sales. Our Ball Bearing segment achieved an operating income of $6.7 million, or 18.6% of net sales, compared to the prior year's $7.0 million, or 20.6% of net sales. Our Other segment achieved an operating income of $0.4 million, or 3.5% of net sales, compared to the prior year's $1.8 million, or 16.8% of sales. Changes in operating income in our Plain Bearing and Roller Bearing segments were driven primarily by changes in net sales. Changes in operating income in our Ball Bearing and Other segments were driven by changes in net sales, offset by increased SG&A expenses and a shift in mix toward lower margin products.

Interest Expense, net. Interest expense, net decreased by $0.6 million to $20.4 million in fiscal 2004 as compared to $21.0 million in fiscal 2003. Amortization of deferred financing costs and debt discount are recorded as a component of net interest expense. Amortization expenses included in interest expense, net were $1.6 million in fiscal 2004 and $3.3 million in fiscal 2003. Excluding the amortization of deferred financing costs and debt discount, interest expense, net increased by $1.1 million.

Gain on Early Extinguishment of Debt. In fiscal 2003 we retired early $28.8 million of debentures which resulted in a gain of $0.8 million.

Income Before Income Taxes. Income before income taxes increased by $1.5 million to $1.7 million in fiscal 2004 from $0.2 million in fiscal 2003. This increase was primarily due to fiscal 2004 higher operating income of $1.4 million.

Income Taxes. Income tax expense was $1.1 million for fiscal 2004 as compared to $0.1 million for the comparable period last year. As a percentage of pre-tax income, the fiscal 2004 effective tax rate was 61.7% compared to 69.8% for fiscal year 2003. For fiscal 2004, the difference between the statutory and effective tax rates was primarily due to the adjustment of taxes to correspond to tax returns filed and other miscellaneous permanent differences. For fiscal 2003 the rate differential related to various minor permanent differences. As of April 3, 2004, we had net operating loss carryforwards of approximately $9.9 million to offset future federal and state income taxes, which expire at various dates through 2024. In addition, we had an alternative minimum tax credit carryforwards of approximately $1.6 million as of April 3, 2004.

Net Income. Net income increased $0.6 million in fiscal 2004 to $0.7 million compared to $0.1 million in fiscal 2003.

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 private investors.

Liquidity

On June 29, 2004, we entered into the $165.0 million Senior Credit Facility, comprised of a $55.0 million Revolving Credit Facility and a $110.0 million Term Loan. In addition, on June 29, 2004, we entered into a $45.0 million Second Lien Term Loan. Each loan is secured by a lien against substantially all of our assets and subjects us to standard affirmative and negative covenants, as well as financial leverage tests. As of April 2, 2005, we were in compliance with all such covenants and leverage tests. The Second Lien Term Loan also contains a covenant that limits our capital expenditures to $10.0 million per annum and requires that a portion of the proceeds from this offering is used to repay outstanding indebtedness under the Second Lien Term Loan. The Senior Credit Facility and the Second Lien Term Loan bear interest at floating rates. As of April 2, 2005, the blended interest rate for the Senior Credit Facility and the Second Lien Term Loan was equal to 7.6%. As of April 2, 2005, we had outstanding borrowings of $5.0 million and outstanding letters of credit of $20.3 million under the Revolving Credit Facility and borrowing availability of $26.1 million. See "Description of Certain Indebtedness Senior Credit Facility."

Mandatory prepayments in respect of the Term Loan or permanent reductions to the commitments under the Revolving Credit Facility, as applicable, are required in an amount equal to (a) 100% of the net cash proceeds from all asset sales and dispositions by RBCI and its subsidiaries, subject to certain exceptions, (b) 100% of the net cash proceeds from extraordinary receipts (including, without limitation, proceeds from certain key-man life policies) and (c) 100% of the net cash proceeds from equity issuances by us and our subsidiaries, subject to certain exceptions; provided that in the event of certain qualified public offerings of equity securities by us, net cash proceeds thereof shall be used first to repay our outstanding 13% Senior Subordinated Discount Debentures, or Discount Debentures, until paid in full, second 50% of any remaining proceeds must be used to repay our Second Lien Term Loan and third, any remaining proceeds, up to 50% may be used to make restricted payments, including redemptions of our common and preferred stock, and up to 50% may be used to repay our Second Lien Term Loan and any remaining unused balance may be used for general corporate purposes. This offering will constitute a qualified public offering as defined under the Senior Credit Facility. Accordingly, all of the outstanding Discount Debentures will be paid in full out of the proceeds from this offering. In addition, a change of control will result in a default under the Senior Credit Facility and the Second Lien Term Loan. Because this offering is a qualified public offering, as defined in the Senior Credit Facility and the Second Lien Term Loan, this offering will not constitute a change of control under either of these agreements.

On December 8, 2003, Schaublin entered into a bank credit facility, or Swiss Credit Facility, with Credit Suisse providing for 10.0 million Swiss Francs, or approximately $8.0 million, of term loan, or Swiss Term Loan, and up to 2.0 million Swiss Francs, or approximately $1.6 million, of revolving credit loans and letters of credit, or the Swiss Revolver. 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 April 2, 2005, we were in compliance with all such covenants. On November 8, 2004, we amended the Swiss Credit Facility to increase the Swiss Revolver to 4.0 million Swiss Francs, or approximately $3.5 million. As of April 2, 2005, $6.2 million was outstanding under the Swiss Term Loan, and no loans or letters of credit were outstanding under the Swiss Revolver.

In connection with this offering and the Refinancing Transaction, we expect to amend and restate our Senior Credit Facility to provide for additional borrowings under our Term Loan in an amount of $40.0 million. See "Pre-Offering Transactions Refinancing Transaction."

We will be required to make a cash payment of $5.2 million to our CEO in the first half of fiscal 2006 in connection with the payment of the settlement bonus as described under the heading "Related Party Transactions Dr. Hartnett Settlement Bonus." We will fund this payment with either cash on hand or borrowings under our Revolving Credit Facility.

We believe that after giving effect to this offering and the Refinancing Transaction, our cash and cash equivalents, cash flow from operations and capacity under the Revolving Credit Facility and Swiss Revolver will provide adequate cash to fund our working capital, capital expenditure, debt service and other cash requirements for our existing businesses for the foreseeable future. Our ability to meet future working capital, capital expenditure 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 cash or non-cash charges in connection with them.

Cash Flows

Fiscal 2005 Compared to Fiscal 2004

In fiscal 2005, we generated cash of $9.9 million from operating activities compared to $7.5 million for fiscal 2004. The increase of $2.4 million was mainly a result of an increase of $6.7 million in net income, net of non-cash charges over fiscal 2004, offset by a change in working capital investment of $4.4 million over fiscal 2004. The change in working capital investment was primarily the result of an increase in accounts receivable due to strong fourth quarter net sales and a build in inventory in the fourth quarter to service increasing demand.

Cash flow from investing activities in fiscal 2005 was in-line with fiscal 2004. Cash required for acquisitions decreased by $5.2 million due to the impact of the RBC-API acquisition in fiscal 2004. Capital expenditures increased $4.6 million in fiscal 2005 compared to fiscal 2004 due to increased investment in manufacturing assets to expand capacity and improvements in leaseholds.

Financing activities used $0.3 million in fiscal 2005 and provided $2.9 million in fiscal 2004, both related to debt refinancing transactions.

Fiscal 2004 Compared to Fiscal 2003

In fiscal 2004, we generated cash of $7.5 million from operating activities compared to $4.0 million for fiscal 2003. The increase of $3.5 million was mainly driven by a decrease in working capital investment of $3.0 million as a result of a decrease in inventory investment of approximately $8.8 million and a decrease in prepaids and other assets of approximately $1.3 million offset by an increase of $5.5 million in accounts receivable due to strong fourth quarter net sales and an increase in accounts payable and accrued liabilities of approximately $7.6 million.

Cash flow from investing activities in fiscal 2004 increased by $2.6 million due to higher investment in acquisitions, the RBC-API transaction, over fiscal 2003. Capital expenditures decreased by $1.6 million in fiscal 2004 compared to fiscal 2003.

Financing activities used approximately $1.0 million more in fiscal 2004 than in fiscal 2003 mainly to finance the acquisition of RBC-API.

Capital Expenditures

We expect to make capital expenditures of approximately $12.0 million during fiscal 2006 in connection with our existing business. We intend to fund our fiscal 2006 capital expenditures principally through existing cash, internally generated funds and borrowings under our Revolving Credit Facility. We generally expect capital expenditures to remain at higher levels than fiscal 2005 as we invest in new manufacturing capability. We may also make substantial additional capital expenditures in connection with acquisitions. Although there are no present understandings, commitments or agreements with respect to the acquisition of any other businesses, we do evaluate acquisition opportunities regularly.

Obligations and Commitments

The following tables outline what we regard as our significant contractual obligations and commercial commitments as of April 2, 2005, on (a) an actual basis and (b) a pro forma basis after giving effect to this offering, the Pre-Offering Transactions and repayments of indebtedness using the proceeds thereof. The tables do not represent all of our contractual obligations and commercial commitments that we have entered into.

Actual

	Payments Due By Period				
Significant Contractual Obligations	**Total**	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**
			(in thousands)		
Total debt[(1)]	$ 220,079	$ 8,245	$ 5,315	$ 41,188	$ 165,331
Capital lease obligations	431	226	205		
Operating leases	13,033	2,863	4,727	2,438	3,005
Interest payments[(2)]	110,451	19,782	38,904	34,542	17,223
Pension and post-retirement benefits[(3)]	8,293	1,948	3,208	1,354	1,783
Total significant contractual cash obligations	$ 352,287	$ 33,064	$ 52,359	$ 79,522	$ 187,342

Pro Forma

	Payments Due By Period				
Significant Contractual Obligations	**Total**	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**
			(in thousands)		
Total debt[(4)]	$ 177,130	$ 8,645	$ 6,115	$ 4,039	$ 158,331
Capital lease obligations	431	226	205		
Operating leases	13,033	2,863	4,727	2,438	3,005
Interest payments[(2)]	65,659	10,774	20,846	20,190	13,849
Pension and post-retirement benefits[(3)]	8,293	1,948	3,208	1,354	1,783
Total significant contractual cash obligations	$ 264,546	$ 24,456	$ 35,101	$ 28,021	$ 176,968

(1)

Includes (a) the Senior Credit Facility, including $5.0 million outstanding under the Revolving Credit Facility, excluding amounts drawn under our letter of credit subfacility, (b) the Second Lien Term Loan, (c) Discount Debentures and (d) other senior debt consisting of the Swiss Term Loan, industrial revenue bonds and other debt of $23.0 million.

(2)

Interest payments are calculated based on beginning of period debt balances that reflect contractual debt amortization over the term of the instruments and assume constant LIBOR of 3.4%. On a pro forma basis, interest payments reflect a reduction in interest rates of 1.00% under our amended and restated Senior Credit Facility.

(3) Includes minimum cash contribution to pension plans and post-retirement health care benefit payments. See Notes 13 and 14 to our Consolidated Financial Statements.

(4) Reflects repayment of all of our outstanding Discount Debentures and the Second Lien Term Loan and the increase in our borrowings under our Senior Credit Facility resulting from the Refinancing Transaction. See "Pre-Offering Transactions Refinancing Transaction."

Quarterly Results of Operations

	Quarter Ended							
	June 28, 2003	**Sept 27, 2003**	**Dec 27, 2003**	**April 3, 2004**	**July 3, 2004**	**Oct 2, 2004**	**Jan 1, 2005**	**April 2, 2005**
	(in thousands, except per share data)							
Net sales	$ 39,737	$ 42,449	$ 42,901	$ 62,244	$ 56,195	$ 56,391	$ 58,145	$ 72,285
Gross margin	10,966	11,708	11,668	17,556	15,293	15,381	16,732	21,008
Operating income	4,572	5,107	4,185	8,265	5,916	7,360	8,405	10,458
Net income (loss)	$ (185)	$ (40)	$ (720)	$ 1,608	$ (3,822)	$ 1,668	$ 2,462	$ 6,952
Net income (loss) per common share:								
Basic:(1)(2)								
Class A common stock	$ (0.11)	$ (0.09)	$ (0.20)	$ 0.13	$ (0.71)	$ 0.14	$ 0.23	$ 0.77
Class B common stock	$ (0.11)	$ (0.09)	$ (0.20)	$ 0.13	$ (0.71)	$ 0.14	$ 0.23	$ 0.77
Diluted:(1)(2)								
Class A common stock	$ (0.11)	$ (0.09)	$ (0.20)	$ 0.09	$ (0.71)	$ 0.09	$ 0.15	$ 0.71
Class B common stock	$ (0.11)	$ (0.09)	$ (0.20)	$ 0.00	$ (0.71)	$ 0.00	$ 0.00	$ 0.00

(1) See Note 2 to the Consolidated Financial Statements for a discussion of net income (loss) per common share.

(2) Net income (loss) per common share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly earnings per share may not necessarily equal the total for the year.

Recent Accounting Pronouncements

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4." The amendments made by SFAS No. 151 clarify that abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) should be recognized as current-period charges and require the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. It is not believed that the adoption of SFAS No. 151 will have a material impact on our consolidated financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment." SFAS No. 123(R) that will require that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. SEAS No. 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. SFAS No. 123(R) replaces FASB Statement No. 123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123, as originally issued in 1995, established as preferable a fair value-based method of accounting for share-based payment transactions with employees. However, that Statement permitted entities the option of continuing to apply the guidance in APB Opinion No. 25 as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair value-based method been used. Public entities will be required to apply SFAS No. 123(R) as of the beginning of the first fiscal year beginning after June 15, 2005. SFAS No. 123(R) permits public companies to adopt its requirements using one of two methods:

1. A "modified prospective" method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS No. 123(R) for all share-based payments granted after the effective date and (b) based on requirements of SFAS No. 123 for all awards granted to employees prior to the effective date of SFAS No. 123(R) that remain unvested on the effective date.

2. A "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amount previously recognized under SFAS No. 123 for purpose of pro forma disclosures either (a) all prior periods presented or (b) prior interim periods of the year of adoption.

We are currently evaluating these transition methods and determining the effect on our consolidated results of operations and whether the adoption will result in amounts that are similar to the current pro forma disclosures under SFAS No. 123. For fiscal 2005, we will continue to disclose stock-based compensation information in accordance with SFAS No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure an Amendment of FASB Statement No. 123," and SFAS No. 123.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to product returns, bad debts, inventories, recoverability of intangible assets, income taxes, financing operations, pensions and other post-retirement benefits and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition. We recognize revenue in accordance with SEC Staff Accounting Bulletin 101 "Revenue Recognition in Financial Statements as amended by Staff Accounting Bulletin 104. The SEC requires that the following four basic criteria must be met before the Company recognizes revenue:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred or services have been rendered;
- The seller's price to the buyer is fixed or determinable; and
- Collectibility is reasonably assured.

We recognizes revenue upon the passage of title on the sale of manufactured goods, which is at time of shipment, and under the units-of-delivery method in a limited number of aerospace long-term projects.

Accounts Receivable. We are required to estimate the collectability of our accounts receivable, which requires a considerable amount of judgment in assessing the ultimate realization of these receivables, including the current credit-worthiness of each customer. Changes in required reserves may occur in the future as conditions in the marketplace change.

Inventory. Inventories are stated at the lower of cost or market value. Cost is principally determined by the first-in, first-out method. We account for inventory under a full absorption method. We record adjustments to the value of inventory based upon past sales history and forecasted plans to sell our inventories. The physical condition, including age and quality, of the inventories is also considered in establishing its valuation. These adjustments are estimates, which could vary significantly, either favorably or unfavorably, from actual requirements if future economic conditions, customer inventory levels or competitive conditions differ from our expectations.

Goodwill and Intangible Assets. We adopted the provisions of SFAS No. 141, "Business Combinations," and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," ("SFAS No. 142") at the beginning of fiscal 2003. These standards require that all business combinations be accounted for using the purchase method and that goodwill (representing the excess of the amount paid to acquire a company over the estimated fair value of the net assets acquired) and intangible assets with indefinite useful lives not be amortized but instead be tested for impairment annually (performed by us during the fourth quarter of each fiscal year), or when events or circumstances indicate that its value may have declined. This determination of any goodwill impairment is made at the reporting unit level and consists of two steps. First, we determine the fair value of a reporting unit and compare it to our carrying amount. Second, if the carrying amount of the reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the goodwill's implied fair value. The fair value of our reporting units is calculated by comparing the weighted average of the net present value of future cash flows and a market approach based on our reporting units' carrying value. We utilized a discount rate of 12.1% based on a weighted average cost of capital. The discount rate was derived using an analysis of similar companies which we believe have a comparable level of risk. Although no changes are expected, if the assumptions management makes regarding estimated cash flows are less favorable than expected, we may be required to record an impairment charge in the future. Goodwill had been amortized by the straight-line method over a 40-year period through March 30, 2002. Effective with fiscal 2003, goodwill amortization was suspended in conjunction with the adoption of SFAS No. 142. The determination of impairment for intangible assets with indefinite useful lives is based on a comparison of the fair value of the intangible asset with its carrying value.

Definite-lived intangible assets are being amortized over their useful lives of 5 to 15 years. Also included in intangible assets is an asset relating to our minimum pension liability.

Income Taxes. As part of the process of preparing the consolidated financial statements, we are required to estimate the income taxes in each jurisdiction in which we operate. This process involves estimating the actual current tax liabilities together with assessing temporary differences resulting from the differing treatment of items for tax and financial reporting purposes. These differences result in deferred tax assets and liabilities, which are included in the Consolidated Balance Sheet. We must then assess the likelihood that the deferred tax assets will be recovered, and to the extent that we believe that recovery is not more than likely, we are required to establish a valuation allowance. If a valuation allowance is established or increased during any period, we are required to include this amount as an expense within the tax provision in the Consolidated Statements of Operations. Significant judgment is required in determining our provision for income taxes, deferred tax assets and liabilities and any valuation allowance recognized against net deferred tax assets.

We have determined that a valuation allowance against deferred tax assets is not necessary based on our estimates of taxable income in the jurisdictions that we operate and over the period in which the deferred tax assets will be recoverable. We estimate that we will need to generate approximately $13.2 million of taxable income in the future to fully realize our net deferred tax asset.

Pension Plans and Post-retirement Health Care. We have noncontributory defined benefit pension plans covering union employees in our Heim division plant in Fairfield, Connecticut, in our Nice subsidiary plant in Kulpsville, Pennsylvania, in our Bremen subsidiary plant in Plymouth, Indiana and in our Tyson subsidiary plant in Glasgow, Kentucky. Our funding policy is to make the minimum annual contribution required by the Employee Retirement Income Security Act of 1974. Plan obligations and annual pension expense are determined by independent actuaries using a number of assumptions provided by us including assumptions about employee demographics, retirement age, compensation levels, pay rates, turnover, expected long-term rate of return on plan assets, discount rate and the amount and timing of claims. Each plan assumption reflects our best estimate of the plan's future experience. The most sensitive assumption in the determination of plan obligations for pensions is the discount rate. The discount rate used in determining the funded status as of April 2, 2005 and April 3, 2004 was 5.9% and 6.25%, respectively. In developing the overall expected long-term rate of return on plan assets assumption, a building block approach was used in which rates of return in excess of inflation were considered separately for equity securities and debt securities. The excess returns were weighted by the representative target allocation and added along with an appropriate rate of inflation to develop the overall expected long-term rate of return on plan assets assumption.

The discount rate that we use for determining future pension obligations is based on a review of long-term bonds that receive one of the two highest ratings given by a recognized rating agency. The discount rate determined on this basis has decreased from 6.50% at March 29, 2003 to 6.25% at April 3, 2004, and to 5.90% at April 2, 2005.

Lowering the expected long-term rate of return on the assets of our pension plans by 1.00% (from 9.00% to 8.00%) would have increased our pension expense for fiscal 2005 by approximately $108,000. Increasing the expected long-term rate of return on the assets of our pension plans by 1.00% (from 9.00% to 10.00%) would have reduced our pension expense for fiscal 2005 by approximately $108,000.

Lowering the discount rate assumption used to determine net periodic pension cost by 1.00% (from 6.25% to 5.25%) would have increased our pension expense for fiscal 2005 by approximately $205,000. Increasing the discount rate assumption used to determine net periodic pension cost by 1.00% (from 6.25% to 7.25%) would have reduced our pension expense for fiscal 2005 by approximately $165,000.

Lowering the discount rate assumption used to determine the funded status as of April 2, 2005 by 1.00% (from 5.90% to 4.90%) would have increased the projected benefit obligation of our pension plans by approximately $2.1 million. Increasing the discount rate assumption used to determine the funded status as of April 2, 2005 by 1.00% (from 5.90% to 6.90%) would have reduced the projected benefit obligation of our pension plans by approximately $1.8 million.

We recorded a minimum pension liability of $3.4 million and $4.6 million as of April 2, 2005 and April 3, 2004, respectively. This liability represented the amount by which the accumulated benefit obligation exceeded the sum of the fair market value of plan assets. The additional minimum pension liability as of April 2, 2005 and April 3, 2004 of $3.3 million and $4.0 million, respectively, was offset by an intangible asset to the extent of previously unrecognized prior service cost. The intangible assets of $0.6 million and $0.6 million as of April 2, 2005 and April 3, 2004, respectively, were included on the line item entitled "Intangible assets" in our consolidated balance sheet. The remaining amounts of $1.7 million and $2.0 million, net of deferred income taxes of $1.0 million and $1.4 million, respectively, were recorded as a component of stockholders' deficit on the line item titled "Accumulated other comprehensive loss" in our consolidated balance sheet as of April 2, 2005 and April 3, 2004, respectively. The intangible asset in 2005 and 2004 was greater than the unrecognized prior service cost because two of our plans had an unrecognized negative prior service cost.

Our investment program objective is to achieve a rate of return on plan assets which will fund the plan liabilities and provide for required benefits while avoiding undue exposure to risk to the plan and increases in funding requirements. Our target allocation of plan assets was 100 percent equity investments as of April 2, 2005 and April 3, 2004.

For the benefit of employees at our Heim, West Trenton, Nice, Tyson and Bremen facilities, we sponsor contributory defined benefit health care plans that provide post-retirement medical and life insurance benefits to union employees who have attained certain age and/or service requirements while employed by us. The plans are unfunded and costs are paid as incurred. Post-retirement benefit obligations as of April 2, 2005 and April 3, 2004 were $3.7 million and $4.2 million, respectively, and are included in "Other non-current liabilities" in our consolidated balance sheet.

We use a March 31 measurement date for our plans. We expect to contribute approximately $0.3 million to our post-retirement benefit plans in fiscal year 2006.

On December 8, 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the "Act") was signed into law. Our prescription drug benefit for all post-retirement plans is capped at a set amount each month, which is paid to the retirees so they can obtain prescription drug coverage. As such, we are not self-insured for prescription drugs, and the Act has no impact on the recorded obligation.

During fiscal 2004, the plans were amended to contractually limit the benefit to be provided for certain groups of current and future retirees. As a result, there is no health care trend associated with these groups. The discount rate used in determining the accumulated post-retirement benefit obligation was 5.9% as of April 2, 2005 and 6.25% as of April 3, 2004. The discount rate used in determining the net periodic benefit cost was 6.25% for fiscal 2005, 6.50% for fiscal 2004 and 7.25% for fiscal 2003.

The discount rate that we use for determining net periodic benefit cost for these benefits is based on a review of long-term bonds that receive one of the two highest ratings given by a recognized rating agency. The discount rate determined on this basis has decreased from 6.50% at March 31, 2003 to 6.25% at April 3, 2004, and to 5.90% at April 2, 2005.

Lowering the discount rate assumption used to determine net periodic benefit cost by 1.00% (from 6.25% to 5.25%) would have increased our post-retirement expense for fiscal 2005 by approximately $25,000. Increasing the discount rate assumption used to determine net periodic benefit cost by 1.00% (from 6.25% to 7.25%) would have reduced our post-retirement expense for fiscal 2005 by approximately $28,000.

Lowering the discount rate assumption used to determine the accumulated post-retirement benefit obligation as of April 2, 2005 by 1.00% (from 5.90% to 4.90%) would have increased the accumulated post-retirement benefit obligation of our post-retirement plans by approximately $425,000. Increasing the discount rate assumption used to determine the accumulated post-retirement benefit obligation, as of April 2, 2005 by 1.00% (from 5.90% to 6.90%) would have reduced the accumulated post-retirement benefit obligation of our post-retirement plans by approximately $357,000.

Stock-Based Compensation. We account for our stock compensation arrangements with employees under the provisions of Accounting Principles Board (APB) Opinion No. 25 "Accounting for Stock Issued to Employees."

We have granted to our employees options and warrants to purchase our common stock at exercise prices determined by our management and board of directors. We record stock-based compensation as necessary to the extent that the deemed value of the stock at the date of grant exceeds the exercise price of the option. These valuations depend upon our determination of the fair value of our stock and can vary based upon the value of our company and liquidity assumptions over time. In the event we issue options at below fair value, we would be required to record an additional charge.

Management employed the intrinsic value method pursuant to APB No. 25 under which compensation cost is recognized only if the exercise price of grants issued is below the fair value of our common stock at the date of grant as determined by the board of directors. Had compensation cost for option grants and warrant grants to employees been determined based on the fair value at the grant dates consistent with SFAS No. 123, "Accounting for Stock-Based Compensation," our net income would have been reduced to the following pro forma amounts:

	Fiscal Year Ended		
	March 29, 2003	April 3, 2004	April 2, 2005
Net income, as reported	$ 49	$ 663	$ 7,260
Plus: stock-based compensation expense included in reported net income, net of the tax (see further discussion below)			264
Less: stock-based compensation expense determined under fair value method, net of tax	(56)	(131)	(540)