MICROCHIP TECHNOLOGY INC
Form DEF 14A
July 08, 2004

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14a INFORMATION

Proxy Statement Pursuant to Section 14A of the Securities Exchange Act of 1934

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary proxy statement	o	Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))
x	Definitive proxy statement		
o	Definitive additional materials		
o	Soliciting material under Rule ss 240.14a-11(c) or ss 240.14a-12		

Microchip Technology Incorporated

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies: _________________

(2) Aggregate number of securities to which transaction applies: _________________

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o Fee paid previously with preliminary materials.

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(1) Amount Previously Paid: _________________

(2) Form, Schedule or Registration Statement No.: _________________

(3) Filing Party: _________________

(4) Date Filed: _________________

MICROCHIP TECHNOLOGY INCORPORATED

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
August 20, 2004

TIME:	9:00 a.m. Pacific Daylight Time
PLACE:	Microchip Technology Inc., Gresham Facility 21015 S.E. Stark Street, Gresham, Oregon 97030
ITEMS OF BUSINESS:	(1) To elect directors to serve until the next annual meeting of stockholders and until their successors are elected and qualified. (2) To approve an amendment to our 1994 International Employee Stock Purchase Plan to increase by 100,000 shares the number of shares of common stock reserved for issuance under such plan. (3) To approve our 2004 Equity Incentive Plan, including approval of its material terms and performance goals for purposes of Internal Revenue Code Section 162(m). (4) To transact such other business as may properly come before the annual meeting or any adjournment thereof.
RECORD DATE:	Holders of Microchip common stock of record at the close of business on June 25, 2004 are entitled to vote at the annual meeting.
ANNUAL REPORT:	Microchip s 2004 Annual Report, which is not a part of the proxy soliciting material, is enclosed.
PROXY:	It is important that your shares be represented and voted at the annual meeting. You can vote your shares by completing and returning the proxy card sent to you. Stockholders who hold their shares in street name may also have a choice of voting their shares over the Internet or by telephone. If Internet or telephone voting is available to you, voting instructions are printed on the proxy card sent to you. You can revoke a proxy at any time prior to its exercise at the annual meeting by following the instructions in the accompanying proxy statement.

J. Eric Bjornholt
Secretary

Chandler, Arizona
July 9, 2004

MICROCHIP TECHNOLOGY INCORPORATED
2355 West Chandler Boulevard
Chandler, Arizona 85224-6199

PROXY STATEMENT

You are cordially invited to attend our annual meeting on Friday, August 20, 2004, beginning at 9:00 a.m., Pacific Daylight Time. The annual meeting will be held at our Gresham facility located at 21015 S.E. Stark Street, Gresham, Oregon 97030.

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Microchip Technology Incorporated of proxies to be voted at Microchip s 2004 annual meeting of stockholders and at any adjournment thereof.

Our fiscal year begins on April 1 and ends on March 31. References in this proxy statement to fiscal 2004 refer to the 12-month period from April 1, 2003 through March 31, 2004, and references to fiscal 2003 refer to the 12-month period from April 1, 2002 through March 31, 2003.

On June 25, 2004, the closing price of a share of our common stock as reported by the Nasdaq National Market was $30.70.

We anticipate first mailing this proxy statement and accompanying form of proxy on July 9, 2004 to holders of Microchip s common stock on June 25, 2004, the Record Date for the annual meeting.

PROXIES AND VOTING PROCEDURES

YOUR VOTE IS IMPORTANT. Because many stockholders cannot attend the annual meeting in person, it is necessary that a large number of stockholders be represented by proxy. Stockholders who hold their shares in street name may have a choice of voting over the Internet, by using a toll-free telephone number or by completing a proxy card and mailing it in the postage-paid envelope provided. Please refer to your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you. Under Delaware law, stockholders may submit proxies electronically. Please be aware that if you vote over the Internet, you may incur costs such as telephone and Internet access charges for which you will be responsible.

You can revoke your proxy at any time before it is exercised by timely delivery of a properly executed, later-dated proxy (including an Internet or telephone vote if these options are available to you) or by voting by ballot at the annual meeting.

The method by which you vote will in no way limit your right to vote at the annual meeting if you later decide to attend in person. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record, to be able to vote at the annual meeting.

All shares entitled to vote and represented by properly completed proxies received prior to the annual meeting and not revoked will be voted at the annual meeting in accordance with the instructions on such proxies. **IF YOU DO NOT INDICATE HOW YOUR SHARES SHOULD BE VOTED ON A MATTER, THE SHARES REPRESENTED BY YOUR PROPERLY COMPLETED PROXY WILL BE VOTED AS OUR BOARD OF DIRECTORS RECOMMENDS.**

If any other matters are properly presented at the annual meeting for consideration, including, among other things, consideration of a motion to adjourn the annual meeting to another time or place, the persons named as proxies and acting thereunder will have discretion to vote on those matters according to their best judgment to the same extent as the person delivering the proxy would be entitled to vote. At the date this proxy statement went to press, we did not anticipate that any other matters would be raised at the annual meeting.

Stockholders Entitled to Vote

Stockholders of record at the close of business on the Record Date, June 25, 2004, are entitled to notice of and to vote at the annual meeting. Each share is entitled to one vote on each matter properly brought before the annual meeting. On the Record Date, there were 207,073,600 shares of our common stock issued and outstanding.

In accordance with Delaware law, a list of stockholders entitled to vote at the annual meeting will be available at the annual meeting on August 20, 2004, and for 10 days prior to the annual meeting at 2355 West Chandler Boulevard, Chandler, Arizona, between the hours of 9:00 a.m. and 4:30 p.m., Mountain Standard Time.

Required Vote

Quorum, Abstentions and Broker Non-Votes

The presence, in person or by proxy, of the holders of a majority of the shares entitled to vote at the annual meeting is necessary to constitute a quorum at the annual meeting. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner (i.e., in street name) does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. Under the rules of the New York Stock Exchange, which apply to NYSE member brokers trading in non-NYSE stock, brokers have discretionary authority to vote shares on certain routine matters if customer instructions are not provided. Certain proposals to be considered at the annual meeting may be treated as routine matters. Consequently, if you do not return a proxy card, your broker may have discretion to vote your shares on such matters.

Pursuant to NYSE regulations that came into effect on June 30, 2003, brokers and other nominees that are NYSE member organizations are prohibited from voting in favor of proposals relating to equity compensation plans unless they receive specific instructions from the beneficial owner of the shares to vote on such matter. NASD member brokers are also prohibited from voting on such proposals without specific instructions from the beneficial owners of the shares to vote on that manner. Thus, if you hold shares through a broker or other nominee that is an NASD or NYSE member organization, such shares will only be voted in favor of Proposal Two and Proposal Three if you have provided specific voting instructions to your broker or other nominee to vote your shares in favor of such proposals.

Election of Directors

A plurality of the votes duly cast is required for the election of Directors (i.e., the five nominees receiving the greatest number of votes will be elected). Abstentions and broker non-votes will not affect the election of Directors.

Other Matters

The affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote at the annual meeting is required to adopt the amendment to our 1994 International Employee Stock Purchase Plan described in Proposal Two, and the adoption of our 2004 Equity Incentive Plan described in Proposal Three.

Abstentions will have the same effect as voting against these proposals. Broker non-votes are not counted for purposes of approving the amendment to our International Employee Stock Purchase Plan or adoption of our 2004 Equity Incentive Plan, and thus will not affect the outcome of the voting of such proposals.

Electronic Access to Proxy Statement and Annual Report

This proxy statement and our 2004 Annual Report are available at the Investor Relations section under SEC Filings on www.microchip.com. Our stockholders can elect to view future proxy statements and annual reports over the Internet instead of receiving paper copies in the mail. If you are a stockholder of record, you can choose this option and save us the cost of producing and mailing these documents by marking the appropriate box on your proxy card. You can also choose between paper documents and electronic access by calling our Investor Relations Department at 480-792-7761.

If you choose to view future proxy statements and annual reports over the Internet, you will receive a proxy card in the mail next year with instructions containing the Internet address of those materials. Your choice will remain in effect until you contact our Investor Relations Department and instruct us otherwise. You do not have to elect Internet access each year.

If you hold your Microchip stock through a bank, broker or other holder of record, please refer to the information provided by that entity for instructions on how to elect to view future proxy statements and annual reports over the Internet. Most stockholders who hold their Microchip stock through a bank, broker or other holder of record and who elect electronic access will receive an e-mail message next year containing the Internet address to use to access Microchip s proxy statement and annual report.

Cost of Proxy Solicitation

Microchip will pay the cost of soliciting proxies. Proxies may be solicited on behalf of Microchip by its directors, officers or employees in person or by telephone, facsimile or other electronic means. We may also, at our expense, engage a proxy solicitation firm to assist us in the distribution and solicitation of proxies. If we do so, we believe that the expense will not exceed $50,000. We may also reimburse brokerage firms and other custodians, nominees and fiduciaries for their expenses incurred in sending proxies and proxy materials to beneficial owners of Microchip common stock.

THE BOARD OF DIRECTORS

Meetings of the Board of Directors

Our Board of Directors met eight times in fiscal 2004. During fiscal 2004, each Director attended all of the meetings of the Board of Directors and of the committees on which such Director served. During fiscal 2003, the Board of Directors implemented the practice of meeting in executive session on a periodic basis without management or management directors (i.e., Mr. Sanghi) present, and continued this practice during fiscal 2004.

Communications from Stockholders

Stockholders may communicate with the Board of Directors or individual members of the Board of Directors, provided that all such communication is submitted in writing to the attention of the Secretary at Microchip Technology Inc., 2355 West Chandler Blvd., Chandler, Arizona 85224-6199, who will then forward such communication to the appropriate Director or Directors.

Committees of the Board of Directors

The following table lists our three Board committees, the Directors who currently serve on them and the number of committee meetings held in fiscal 2004:

Membership on Board Committees

Name	Audit	Compensation	Nominating and Governance
Mr. Chapman	C		
Mr. Day			C
Mr. Hugo-Martinez		C	
Mr. Meyercord			
Meetings held in Fiscal 2004	9	5	5

C = *Chair*
= *Member*

Audit Committee. The responsibilities of our Audit Committee are described in the committee charter, which is attached as Appendix A to this proxy statement.

The Board has determined that all members of the Audit Committee are independent directors as defined by applicable SEC rules and Nasdaq listing standards. The Board has also determined that each of Messrs. Chapman, Hugo-Martinez and Meyercord meet the requirements for being an audit committee financial expert as defined by applicable SEC rules.

The Audit Committee has adopted a policy with respect to (i) the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters; (ii) the confidential, anonymous submission by our employees of concerns regarding questionable accounting, internal accounting controls or auditing matters; and (iii) the prohibition of harassment, discrimination or retaliation arising from submitting concerns regarding questionable accounting, internal accounting controls or auditing matters or participating in an investigation regarding questionable accounting, internal accounting controls, or auditing matters. This policy was created in accordance with applicable SEC rules and Nasdaq listing requirements. A copy of this policy is available at the Investor Relations section under Mission Statement/Corporate Governance on www.microchip.com.

Compensation Committee. The Compensation Committee has oversight responsibility for the compensation and benefit programs for our executive officers and other employees, including administration of our stock option and employee stock purchase plans. The Board has determined that all members of the Compensation Committee are independent directors as defined by Nasdaq listing standards. For more information on our Compensation Committee, please turn to the *Compensation Committee Report on Executive Compensation* at page 21, herein.

Nominating and Governance Committee. The responsibilities of our Nominating and Governance Committee are described in the committee charter which is available at the Investor Relations section under Mission Statement/Corporate Governance on www.microchip.com. The Board has determined that all members of the Nominating and Governance Committee are independent directors as defined by Nasdaq listing standards.

When considering a candidate for a director position, the Nominating and Governance Committee looks for demonstrated character, judgment, relevant business, functional and industry experience, and a high degree of skill. The Nominating and Governance Committee evaluates director nominees recommended by a stockholder in the same manner as it would any other nominee. The Nominating and Governance Committee will consider nominees recommended by stockholders provided such recommendations are made in accordance with procedures described in this proxy statement under Requirements, Including Deadlines, for Receipt of Stockholders Proposals for the 2005 Annual Meeting of Stockholders; Discretionary Authority to Vote on Stockholder Proposals at page 29, herein. We do not pay any third party to identify or assist in identifying or evaluating potential nominees for director.

Attendance at the Annual Meeting of Stockholders

All Directors are encouraged, but not required, to attend our annual meeting of stockholders. All Directors were in attendance at the 2003 annual meeting of stockholders.

REPORT OF THE AUDIT COMMITTEE

The Board of Directors has adopted a written charter setting out the purposes and responsibilities of the Audit Committee. The Board and the Audit Committee review and assess the adequacy of the charter on an annual basis. A copy of the Audit Committee charter, as amended and restated through May 11, 2004, is attached to this proxy statement as Appendix A.

Each of the Directors who serves on the Audit Committee meets the independence and experience requirements of the SEC rules and Nasdaq listing standards. What this means is that the Microchip Board of Directors has determined that no member of the Audit Committee has a relationship to Microchip that may interfere with such member s independence from Microchip and its management, and that all members have the required knowledge and experience to perform their duties as committee members.

We have received from Ernst & Young the written disclosure and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and have discussed with Ernst & Young their independence from Microchip. We also discussed with Ernst & Young all matters required to be discussed by Statement on Auditing Standards No. 61 (Communications with Audit Committees). We have considered whether and determined that the provision of the non-audit services rendered to Microchip by Ernst & Young during fiscal year 2004 was compatible with maintaining the independence of Ernst & Young.

We have reviewed with management Microchip s audited annual financial statements included in its Annual Report on Form 10-K for the fiscal year ended March 31, 2004 and filed with the SEC, as well as the unaudited financial statements filed with Microchip s quarterly reports on Form 10-Q. We also met with both management and Ernst & Young to discuss those financial statements.

Based on these reviews and discussions, we recommended to the Board of Directors that Microchip s audited financial statements be included in Microchip s Annual Report on Form 10-K for the fiscal year ended March 31, 2004 for filing with the SEC.

By the Audit Committee of the Board of Directors [1]

Matthew W. Chapman (Chairman)	Wade F. Meyercord	Albert J. Hugo-Martinez

[1] The Report of the Audit Committee is not soliciting material and is not deemed filed with the Securities and Exchange Commission, and is not incorporated by reference into any filings of Microchip under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date of this proxy statement and irrespective of any general incorporation language contained in such filings.

Director Compensation

Director Fees

Non-employee Directors currently receive a $13,600 annual retainer (which will increase to $15,000 on October 1, 2004) paid in quarterly installments, and $1,700 (which will increase to $1,900 on October 1, 2004) for each meeting attended in person. Directors do not receive any compensation for telephonic meetings of the Board or for meetings of committees of the Board.

Stock Options

Under the terms of our 1993 Stock Option Plan, each non-employee Director is automatically granted:

- an option to purchase 12,000 shares of common stock upon his or her first election to the Board of Directors, and
- an option to purchase 6,000 shares of common stock immediately following the annual election of directors, granted as of the first business day of the month in which the annual stockholders meeting is held.

In the event our 2004 Equity Incentive Plan is approved by our stockholders at the annual meeting, such plan will provide for the same type of option grants to non-employee Directors and will replace the corresponding provision of the 1993 Stock Option Plan.

During fiscal 2004, each of Mr. Hugo-Martinez, Mr. Day, Mr. Chapman and Mr. Meyercord was granted an option, on August 1, 2003, to acquire 6,000 shares of common stock at an exercise price of $26.21 per share. Each such option vests in a series of 12 equal and successive monthly installments starting one month after the grant date.

Compensation Committee Interlocks and Insider Participation

In fiscal 2004, Mr. Hugo-Martinez and Mr. Day, two of our independent Directors, served on the Compensation Committee. Neither Mr. Hugo-Martinez nor Mr. Day had any contractual or other relationship or transaction with Microchip during fiscal 2004 except as a Director, and neither has ever served as an officer or employee of Microchip.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) and related rules under the Securities Exchange Act of 1934 require our Directors, executive officers and stockholders holding more than 10% of our common stock to file reports of holdings and transactions in Microchip stock with the SEC and to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms received by us during fiscal 2004, and written representations from our Directors and executive officers that no other reports were required, we believe that all Section 16(a) filing requirements applicable to our Directors, executive officers and stockholders holding more than 10% of our common stock with respect to fiscal 2004 were met, except that Messrs. Day, Chapman, Hugo-Martinez and Meyercord each filed one late Form 4 on August 29, 2003, with respect to a stock option each was granted on August 1, 2003.

PROPOSAL ONE

ELECTION OF DIRECTORS

A board of five Directors will be elected at the annual meeting. The persons named in the proxy card will vote such proxy for the election of each of the nominees named below, unless the named person indicates that your vote should be withheld. Each of the nominees is currently serving as a Director. If any of the nominees becomes unable or declines to serve as a Director at the time of the annual meeting, the persons named in the proxy card will vote such proxy for any nominee designated by the current Board of Directors to fill the vacancy. We do not expect that any of the nominees will be unable or will decline to serve as a Director.

The term of office of each person who is elected as a Director at the annual meeting will continue until the 2005 annual meeting of stockholders and until a successor has been elected and qualified.

Information on Nominees for Director

Name	Age	Position(s) Held
Steve Sanghi	48	Chairman, President and CEO
Albert J. Hugo-Martinez	58	Director
L.B. Day	59	Director
Matthew W. Chapman	53	Director
Wade F. Meyercord	63	Director

Steve Sanghi is currently, and has been since August 1990, a Director and President of Microchip Technology Inc. Since October 1991, he has served as CEO of Microchip, and since October 1993, as Chairman of the Board of Directors. On May 1, 2004, he became a member of the board of directors of Xyratex, a storage and network technology company.

Albert Hugo-Martinez has served as a Director of Microchip since October 1990. Since February 2000, he has served as Chief Executive Officer of Hugo-Martinez Associates, a consulting and advisory firm. From February 1999 to February 2000, he served as Chairman and Chief Executive Officer of Network Webware, Inc., an Internet software company. From March 1996 until November 1999, he served as President and Chief Executive Officer and a member of the board of directors of GTI Corporation, a manufacturer of ISDN-ADSL and local area network subcomponents. Mr. Hugo-Martinez is also a member of the board of directors of Ramtron International Corporation.

L.B. Day has served as a Director of Microchip since December 1994. Mr. Day serves as President of L.B. Day & Company, Inc., a consulting firm whose parent company he co-founded in 1977, which provides strategic planning, strategic marketing and organization design services to the elite of the high-technology world.

Matthew Chapman has served as a Director of Microchip since May 1997. Since January 2002, he has served as President and CEO of Centrisoft Corporation, an emerging software provider for application performance management. From August 2000 to January 2002, Mr. Chapman served as an advisor to early-stage technology companies in connection with developing business plans and securing funding. From 1988 until August 2000, he served as Chief Executive Officer, and from 1991 until August 2000 as Chairman, of Concentrex Incorporated, a supplier of integrated software solutions and services to financial institutions throughout the United States.

Wade Meyercord has served as a Director of Microchip since June 1999. Since October 2002, he has served as full-time President of Meyercord & Associates, a management consulting firm specializing in high technology company compensation matters (CEO, executive officer and board) and in stock plan consulting, a position he previously held part time beginning in 1987. From June 1999 to October 2002, Mr. Meyercord served as Senior Vice President and Chief Financial Officer of Rioport.com, an Internet applications service provider for the music industry. From October 1997 to June 1999, he served as Senior Vice President, e-commerce and Quality Assurance of Diamond Multimedia Systems, Inc., a supplier of Internet multimedia appliances. Mr. Meyercord is also a member of the board of directors of California Micro Devices Corporation, Endwave Corporation and Magma Design Automation, Inc.

PROPOSAL TWO

PROPOSAL TO AMEND OUR 1994 INTERNATIONAL EMPLOYEE STOCK PURCHASE PLAN TO INCREASE THE NUMBER OF SHARES THAT CAN BE ISSUED UNDER THE PLAN BY 100,000 SHARES

We are asking our stockholders to approve the addition of 100,000 shares of common stock to our 1994 International Employee Stock Purchase Plan, referred to as the IESPP. The IESPP is for the benefit of our employees in certain international locations. We also have a separate stock purchase plan for our U.S. employees.

Since the adoption of the IESPP, a total of 248,593 shares of common stock have been reserved for issuance under the IESPP. As of the Record Date, 225,028 shares of common stock have been issued under the IESPP.

As of March 31, 2004, 217 employees were eligible to participate in the IESPP, and 65 of these employees were participants.

The principal features of the IESPP are described at *Appendix B - Description of our 1994 International Employee Stock Purchase Plan*.

Why We Approved the Proposed Increase in Shares

The IESPP is intended to promote the best interests of Microchip and our stockholders by providing all eligible employees with the opportunity to become stockholders by purchasing common stock through payroll deductions. Our Board of Directors believes that the IESPP encourages employees to remain employed with Microchip and aligns our employees collective interests with those of our stockholders. Our continued success depends upon our ability to attract and retain talented employees. Equity incentives are necessary for us to remain competitive in the marketplace for qualified personnel, and an employee stock purchase plan is a key element of our equity incentive package.

We believe that over the term of the current offering period, we may add new subsidiaries to the IESPP, experience some international headcount growth, and that participation in the IESPP will increase. Based on the number of shares consumed in the IESPP during the current offering period, we believe that the shares remaining in the IESPP are insufficient to meet the estimated participation levels for upcoming offering periods unless more shares are added to the IESPP. Also, it is critical that the IESPP have sufficient shares at the start of each six-month purchase period to meet the purchase requirements of the entire six-month period in order to avoid potential adverse accounting consequences and allow the IESPP program to continue uninterrupted.

Based on the above factors, the Board of Directors believes that the shares currently reserved for issuance under the IESPP will not be sufficient to meet anticipated purchase requirements at the beginning of the six-month offering period commencing December 1, 2004.

We believe that the IESPP is an indispensable equity incentive made available to our employees that allows us to remain a competitive employer. Thus, we believe it is in the best interest of Microchip and our stockholders to ensure that our IESPP program continues uninterrupted.

Vote Required and Recommendation

The affirmative vote of a majority of the votes cast on the proposal will be required to approve this amendment of the IESPP. The Board of Directors has not determined what action it will take if the additional shares are not approved by stockholders.

The Board of Directors recommends that stockholders vote FOR Proposal Two. Proxies solicited by the Board of Directors will be so voted unless stockholders specify otherwise in their proxies.

PROPOSAL THREE

APPROVAL OF 2004 EQUITY INCENTIVE PLAN

The Board of Directors is asking our stockholders to approve our 2004 Equity Incentive Plan, which will:

- Transfer up to 7,500,000 remaining shares available for issuance under our 1993 Stock Option Plan and terminate the 1993 Stock Option Plan for any new grants,
- Transfer up to 7,900,000 remaining shares available for issuance under our 1997 Nonstatutory Stock Option Plan and terminate the 1997 Nonstatutory Stock Option Plan for any new grants,
- Transfer up to an additional 5,000,000 shares subject to outstanding options under the 1993 Stock Option Plan and 1997 Nonstatutory Stock Option Plans if they expire without being exercised, and
- Include the ability to grant restricted stock, stock appreciation rights, performance shares, performance units and deferred stock units as well as nonstatutory stock options.

Our stockholders are also being asked to approve the material terms of the 2004 Equity Incentive Plan and the performance goals thereunder for the purpose of helping awards under the 2004 Equity Incentive Plan qualify as performance-based compensation under Internal Revenue Code Section 162(m).

As of June 1, 2004, options to purchase a total of 23,617,317 shares were outstanding under our 1993 and 1997 stock option plans as follows:

1993 Stock Option Plan	7,191,579
1997 Nonstatutory Stock Option Plan	16,425,738

Proposed new accounting regulations are expected to require companies to record a charge to earnings for employee stock option grants, including options granted under plans similar to the proposed 2004 Equity Incentive Plan. The extent to which we will make grants of awards under the 2004 Equity Incentive Plan will depend on the developments in these accounting regulations as well as several other factors, including our assessment of the impact of the final rules on our earnings, actions by other companies (particularly those in our industry) with respect to the design and operation of equity incentive plans, and the attitude of financial analysts and investors towards these potentially significant non-cash charges. The 2004 Equity Incentive Plan will allow us to grant a wider range of awards than is permitted under our current stock option plans, including restricted stock, stock appreciation rights, performance shares, performance units and deferred stock units, which will help us achieve our goal of attracting, retaining and motivating our personnel. We believe that the 2004 Equity Incentive Plan will be an essential element of our competitive compensation package.

Our 2004 Equity Incentive Plan has been developed to replace our 1993 Stock Option Plan, which would otherwise terminate no later than January 19, 2013, and our 1997 Nonstatutory Stock Option Plan, which would otherwise terminate no later than November 10, 2007. Currently, our 1993 Stock Option Plan authorizes our Board of Directors to grant stock options to our eligible employees and consultants and provides for the automatic grant of stock options to non-employee members of the Board of Directors. Our 1997 Nonstatutory Stock Option Plan authorizes our Board of Directors to grant stock options to our eligible employees and consultants who are not officers or members of the Board of Directors. Our Board of Directors approved the 2004 Equity Incentive Plan in June 2004 to replace the 1993 Stock Option Plan and 1997 Nonstatutory Stock Option Plan effective October 1, 2004, subject to stockholder approval at the 2004 annual meeting. This effective date has been chosen in order to coincide with the end of our fiscal quarter and to provide for a smooth transition to the new plan.

In addition to approving our 2004 Equity Incentive Plan, we are proposing for stockholder approval the transfer to the 2004 Equity Incentive Plan of:

- up to 7,500,000 remaining shares available for grant under the 1993 Stock Option Plan (7,461,418 as of June 1, 2004) to the 2004 Equity Incentive Plan,

- up to 7,900,000 remaining shares available for grant under the 1997 Nonstatutory Stock Option Plan (7,808,339 as of June 1, 2004), and

- up to 5,000,000 shares subject to outstanding options under the 1993 Stock Option Plan and 1997 Nonstatutory Stock Option Plan, if they expire unexercised.

After October 1, 2004, no further options would be granted under the 1993 Stock Option Plan and 1997 Nonstatutory Stock Option Plan.

As of June 1, 2004, the closing price of our common stock was $31.67 per share.

The 2004 Equity Incentive Plan provides for the grant of options to purchase shares of our common stock, stock appreciation rights (SARs), restricted stock, performance shares, performance units, and deferred stock units to employees and consultants of Microchip as well as for automatic grants of awards to the non-employee members of our Board of Directors. As of June 1, 2004, there were approximately 3,743 employees (including officers) who would be eligible to participate in the 2004 Equity Incentive Plan.

Please see the summary of the 2004 Equity Incentive Plan below.

Vote Required and Recommendation

The affirmative vote of a majority of the votes cast on the proposal will be required to approve the adoption of the 2004 Equity Incentive Plan. If our stockholders do not approve adoption of the 2004 Equity Incentive Plan, we will continue to make grants under the 1993 Stock Option Plan and the 1997 Nonstatutory Stock Option Plan.

Our executive officers and non-employee directors have an interest in this proposal as they may receive awards under the 2004 Equity Incentive Plan.

The Board of Directors recommends a vote FOR Proposal Three, the adoption of our 2004 Equity Incentive Plan to: (i) transfer to the 2004 Equity Incentive Plan up to 7,500,000 remaining shares available for grant under the 1993 Stock Option Plan; (ii) transfer to the 2004 Equity Incentive Plan up to 7,900,000 remaining shares available for grant under the 1997 Nonstatutory Stock Option Plan; (iii) transfer up to 5,000,000 shares subject to outstanding options under the 1993 Stock Option Plan and the 1997 Nonstatutory Stock Option Plan if they expire unexercised; and (iv) approve the material terms of the 2004 Equity Incentive Plan and the performance goals thereunder for purposes of Internal Revenue Code Section 162(m). Proxies solicited by the Board of Directors will be so voted unless stockholders specify otherwise in their proxies.

Summary of the 2004 Equity Incentive Plan

The essential features of the 2004 Equity Incentive Plan are summarized below. This summary does not purport to be complete and is subject to, and qualified in its entirety by, the provisions of the 2004 Equity Incentive Plan, which is attached as Appendix C. Capitalized terms used herein and not defined shall have the meanings set forth in the 2004 Equity Incentive Plan.

General. The purposes of the 2004 Equity Incentive Plan are to attract and retain the best available personnel, provide additional incentive to our employees, consultants and non-employee directors and promote the success of our business.

Administration. The 2004 Equity Incentive Plan may be administered by our Board of Directors or a committee, which our Board of Directors may appoint from among its members (the Administrator). Subject to the provisions of the 2004 Equity Incentive Plan, the Administrator has the authority to: (i) interpret the plan and apply its provisions; (ii) prescribe, amend or rescind rules and regulations relating to the 2004 Equity Incentive Plan; (iii) select the persons to whom awards are to be granted (apart from the non-employee director automatic grant provisions); (iv) subject to individual fiscal year limits applicable to each type of award, determine the number of shares or equivalent units to be made subject to each award; (v) determine whether and to what extent awards are to be granted; (vi) determine the terms and conditions applicable to awards generally and of each individual award (including the provisions of the award agreement to be entered into between Microchip and the participant); (vii) amend any outstanding award subject to applicable legal restrictions (except repricing an option or SAR); (viii) authorize any person to execute, on our behalf, any instrument required to effect the grant of an award; (ix) approve forms of agreement for use under the Plan; (x) allow participants to satisfy withholding tax obligations by electing to have Microchip withhold from the shares or cash to be issued upon exercise, vesting of an award (or distribution of a deferred stock unit) that number of shares or cash having a fair market value equal to the minimum amount required to be withheld; and (xi) subject to certain limitations, take any other actions deemed necessary or advisable for the administration of the 2004 Equity Incentive Plan. All decisions, interpretations and other actions of the Administrator shall be final and binding on all holders of options or rights and on all persons deriving their rights therefrom.

Discount Award Limitations. No more than 30% of the shares initially available for issuance under the 2004 Equity Incentive Plan and 30% of the shares subsequently added to the 2004 Equity Incentive Plan by virtue of options expiring under the 1993 Stock Option Plan and 1997 Nonstatutory Stock Option Plan may be granted pursuant to awards with a purchase price that is less than 100% of fair market value on the date of grant. No stock options or stock appreciation rights may be granted with an exercise price that is less than 100% of fair market value on the date of grant.

No Repricing. The 2004 Equity Incentive Plan prohibits option or stock appreciation right repricing, including by way of an exchange for another award.

Eligibility. The 2004 Equity Incentive Plan provides that awards may be granted to our employees, consultants and non-employee directors.

Code Section 162(m) Performance Goals. We have designed the 2004 Equity Incentive Plan so that it permits us to also issue other awards that qualify as performance-based under Section 162(m) of the Code. Thus, the Administrator may make performance goals applicable to a participant with respect to an award. At the Administrator s discretion, one or more of the following performance goals may apply: annual revenue, cash position, earnings per share, gross margin, net income, operating cash flow, operating income, return on assets, return on equity, return on sales, and total stockholder return, all as determined in accordance with accounting principles generally accepted in the United States. Except for cash position, return on equity and total stockholder return, a performance goal may apply either to us or to one of our business units. The Administrator may use other performance goals for awards that are not intended to qualify as performance based under Section 162(m) of the Code.

Terms and Conditions of Options. Each option granted under the 2004 Equity Incentive Plan is evidenced by a written stock option agreement between the optionee and Microchip and is subject to the following terms and conditions:

(a) *Exercise Price*. The Administrator determines the exercise price of options at the time the options are granted. However, the exercise price of a stock option may not be less than 100% of the fair market value of the common stock on the date the option is granted. As our common stock is listed on the Nasdaq National Market, the fair market value is the closing sale price for the common stock (or the closing bid if no sales were reported) on the date the option is granted.

(b) *Form of Consideration*. The means of payment for shares issued upon exercise of an option is specified in each option agreement and generally may be made by cash, check, other shares of our common stock owned by the optionee, delivery of an exercise notice together with irrevocable instructions to a broker to deliver to us the exercise price from sale proceeds, or by a combination thereof.

(c) *Exercise of the Option*. Each stock option agreement will specify the term of the option and the date when the option is to become exercisable. However, in no event shall an option granted under the 2004 Equity Incentive Plan be exercised more than 10 years after the date of grant.

(d) *Termination of Employment*. If an optionee s employment terminates for any reason (other than death or permanent disability), all options held by such optionee under the 2004 Equity Incentive Plan expire upon the earlier of (i) such period of time as is set forth in his or her option agreement or (ii) the expiration date of the option. The optionee may exercise all or part of his or her option at any time before such expiration to the extent that such option was exercisable at the time of termination of employment.

(e) *Permanent Disability*. If an employee is unable to continue employment with us as a result of permanent and total disability (as defined in the Code), all options held by such optionee under the 2004 Equity Incentive Plan shall expire upon the earlier of (i) 6 months after the date of termination of the optionee s employment or (ii) the expiration date of the option. The optionee may exercise all or part of his or her option at any time before such expiration to the extent that such option was exercisable at the time of termination of employment.

(f) *Death*. If an optionee dies while employed by us, 100% of his or her awards shall immediately vest, and his or her option shall expire upon the earlier of (i) 12 months after the optionee s death or (ii) the expiration date of the option. The executors or other legal representatives or the optionee may exercise all or part of the optionee s option at any time before such expiration with respect to all shares subject to such option.

(g) *Other Provisions*. The stock option agreement may contain terms, provisions and conditions that are inconsistent with the 2004 Equity Incentive Plan as determined by the Administrator.

162(m) Share Limit. No participant may be granted stock options and stock appreciation rights to purchase more than 1,500,000 shares of common stock in any fiscal year, except that up to 4,000,000 shares may be granted on the participant s first fiscal year of service.

Exercise Price and Other Terms of Stock Appreciation Rights. The Administrator, subject to the provisions of the 2004 Equity Incentive Plan (including the 162(m) share limit referred to above), shall have complete discretion to determine the terms and conditions of SARs granted under the 2004 Equity Incentive Plan.

Payment of Stock Appreciation Right Amount. Upon exercise of an SAR, the holder of the SAR shall be entitled to receive payment in an amount equal to the product of (i) the difference between the fair market value of a share on the date of exercise and the exercise price and (ii) the number of shares for which the SAR is exercised.

Payment upon Exercise of Stock Appreciation Right. At the discretion of the Administrator, payment to the holder of an SAR may be in cash, shares of our common stock or a combination thereof. To the extent that an SAR is settled in cash, the shares available for issuance under the 2004 Equity Incentive Plan shall not be diminished as a result of the settlement.

Stock Appreciation Right Agreement. Each SAR grant shall be evidenced by an agreement that shall specify the exercise price, the term of the SAR, the conditions of exercise, and such other terms and conditions as the committee, in its sole discretion, shall determine.

Expiration of Stock Appreciation Rights. SARs granted under the 2004 Equity Incentive Plan expire as determined by the Administrator, but in no event later than ten (10) years from date of grant. No SAR may be exercised by any person after its expiration.

Grant of Restricted Stock. Subject to the terms and conditions of the 2004 Equity Incentive Plan, restricted stock may be granted to our employees and consultants at any time and from time to time at the discretion of the Administrator. The Administrator shall have complete discretion to determine (i) the number of shares subject to a restricted stock award granted to any participant and (ii) the conditions for grant or for vesting that must be satisfied, which typically will be based principally or solely on continued provision of services but may include a performance-based component. However, no participant shall be granted a restricted stock award covering more than 300,000 shares in any of our fiscal years, except that up to 750,000 shares may be granted on the participant s first fiscal year of service. Until the shares are issued, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the underlying shares. Restricted stock may also be granted in the form of restricted stock units, which are generally not issued until the vesting date.

Restricted Stock Award Agreement. Each restricted stock grant shall be evidenced by an agreement that shall specify the purchase price (if any) and such other terms and conditions as the Administrator shall determine; *provided, however,* that if the restricted stock grant has a purchase price, the purchase price must be paid no more than ten (10) years following the date of grant.

Grant of Performance Shares. Subject to the terms and conditions of the 2004 Equity Incentive Plan, performance shares may be granted to our employees and consultants at any time and from time to time as shall be determined at the discretion of the Administrator. The Administrator shall have complete discretion to determine (i) the number of shares of our common stock subject to a performance share award granted to any service provider and (ii) the conditions that must be satisfied for grant or for vesting, which typically will be based principally or solely on achievement of performance milestones but may include a service-based component. However, no participant shall be granted a restricted stock award covering more than 300,000 shares in any of our fiscal years, except that up to 750,000 shares may be granted on the participant s first fiscal year of service.

Performance Share Award Agreement. Each performance share grant shall be evidenced by an agreement that shall specify such other terms and conditions as the Administrator, in its sole discretion, shall determine.

Grant of Performance Units. Performance units are similar to performance shares, except that they shall be settled in cash equivalent to the fair market value of the underlying shares of our common stock, determined as of the vesting date. The shares available for issuance under the 2004 Equity Incentive Plan shall not be diminished as a result of the settlement of a performance unit.

Performance Unit Award Agreement. Each performance unit grant shall be evidenced by an agreement that shall specify such terms and conditions as shall be determined at the discretion of the Administrator. However, no participant shall be granted a performance unit award covering more than $1,500,000 in any of Microchip s fiscal years, except that a newly hired participant may receive a performance unit award covering up to $4,000,000.

Deferred Stock Units. Deferred stock units shall consist of a restricted stock, performance share or performance unit award that the Administrator, in its sole discretion, permits to be paid out in installments or on a deferred basis, in accordance with rules and procedures established by the Administrator. Deferred stock units are subject to the individual annual limits that apply to each type of award.

Awards to Non-Employee Directors. The 2004 Equity Incentive Plan provides for initial and annual awards to non-employee directors within prescribed parameters. Specifically, each non-employee director is entitled to receive the following automatic Option grants of Common Stock: (i) an initial Option grant of 12,000 shares on the date first appointed or elected to the Board (except for non-employee directors who previously served as directors); and (ii) an annual Option grant of 6,000 shares on the first business day of the month in which our annual stockholders meeting is scheduled. Only non-employee directors who have served as such for at least 3 months as of the grant date are eligible to receive the annual grant.

Non-Transferability of Awards. Unless determined otherwise by the Administrator, an award granted under the 2004 Equity Incentive Plan may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the recipient, only by the recipient. If the Administrator makes an award granted under the 2004 Equity Incentive Plan transferable, such award shall contain such additional terms and conditions as the Administrator deems appropriate.

Acceleration upon Death. In the event that a participant dies while a service provider, 100% of his or her awards shall immediately vest.

Leave of Absence. In the event that a participant goes on a leave of absence, award vesting will cease until he or she returns to work, except as required by law or as determined by the Administrator.

Adjustment Upon Changes in Capitalization. In the event that our capital stock is changed by reason of any stock split, reverse stock split, stock dividend, combination or reclassification of our common stock or any other increase or decrease in the number of issued shares of common stock effected without receipt of consideration by us, appropriate proportional adjustments shall be made in the number and class of shares of stock subject to the 2004 Equity Incentive Plan, the individual fiscal year limits applicable to restricted stock, performance share awards, SARs and options, the number and class of shares of stock subject to any award outstanding under the 2004 Equity Incentive Plan, and the exercise price of any such outstanding option or SAR or other award, provided that such automatic adjustments will not be made to the number of shares to be granted to our non-employee Directors under the 2004 Equity Incentive Plan. Any such adjustment shall be made by the Compensation Committee of our Board of Directors, whose determination shall be conclusive.

Change of Control. In the event of a change of control, the successor corporation (or its parent or subsidiary) will assume or substitute each outstanding award. If the successor corporation refuses to assume the awards or to substitute equivalent awards, such awards shall become 100% vested. In such event, the Administrator shall notify the participant that each award subject to exercise is fully exercisable for 30 days from the date of such notice and that the award terminates upon expiration of such period.

Amendment, Suspensions and Termination of the 2004 Equity Incentive Plan. Our Board of Directors may amend, suspend or terminate the 2004 Equity Incentive Plan at any time; *provided, however,* that stockholder approval is required for any amendment to the extent necessary to comply with Rule 16b-3 promulgated under the Securities Exchange Act of 1934 (Rule 16b-3) or Section 422 of the Code, or any similar rule or statute. If Proposal Three is approved, the 2004 Equity Incentive Plan will terminate in September, 2014.

Federal Tax Information

Options. Options granted under the 2004 Equity Incentive Plan are nonstatutory options that do not qualify as incentive stock options under Section 422 of the Code.

An optionee will not recognize any taxable income at the time the optionee is granted a nonstatutory option. However, upon its exercise, the optionee will recognize taxable income generally measured as the excess of the then fair market value of the shares purchased over the purchase price. Any taxable income recognized in connection with an option exercise by an optionee who is also our employee will be subject to tax withholding by us. Upon resale of such shares by the optionee, any difference between the sale price and the optionee s purchase price, to the extent not recognized as taxable income as described above, will be treated as short-term or long-term capital gain or loss, depending on the holding period.

Stock Appreciation Rights. No taxable income is reportable when an SAR is granted to a participant. Upon exercise, the participant will recognize ordinary income in an amount equal to the fair market value of any shares of our common stock received and/or the amount of cash received. Any additional gain or loss recognized upon any later disposition of the shares of our common stock would be a capital gain or loss.

Restricted Stock, Performance Units and Performance Shares. A participant will not have taxable income upon grant (unless, with respect to restricted stock, he or she elects to be taxed at that time). Instead, he or she will recognize ordinary income at the time of vesting equal to the fair market value (on the vesting date) of the vested shares or cash received minus any amount paid for the shares of our vested common stock.

Tax Effect for Microchip. We generally will be entitled to a tax deduction in connection with an award under the 2004 Equity Incentive Plan in an amount equal to the ordinary income realized by a participant and at the time the participant recognizes such income (for example, the exercise of a nonqualified stock option). Special rules limit the deductibility of compensation paid to our Chief Executive Officer and to each of our four most highly compensated executive officers. Under Section 162(m) of the Code, the annual compensation paid to any of these specified executives will be deductible only to the extent that it does not exceed $1,000,000. However, we can preserve the deductibility of certain compensation in excess of $1,000,000 if the conditions of Section 162(m) are met with respect to awards. These conditions include stockholder approval of the 2004 Equity Incentive Plan and performance goals under the 2004 Equity Incentive Plan, setting individual annual limits on each type of award, and certain other requirements. The 2004 Equity Incentive Plan has been designed to permit the committee to grant awards that qualify as performance-based for purposes of satisfying the conditions of Section 162(m), thereby permitting us to continue to receive a federal income tax deduction in connection with such awards.

The foregoing is only a summary of the effect of federal income taxation upon us and upon the participant, does not purport to be complete, and does not discuss the tax consequences of the participant s death or the income tax laws of any municipality, state or foreign country in which a participant may reside.

Accounting Treatment

Currently, employee awards with purchase prices at or above fair market value on the grant date typically do not result in any direct charge to our reported earnings. However, the fair market value of these awards is required to be disclosed in the notes to our financial statements. We must also disclose, in the notes to our financial statements, the pro forma impact these awards would have on our reported earnings and earnings per share if the fair value of the awards at the time of grant was treated as a compensation expense.

The Financial Accounting Standards Board intends to require mandatory expensing for equity awards for fiscal years commencing after December 15, 2004. In such event, we expect that all 2004 Equity Incentive Plan awards will result in direct charges to our reported earnings.

New Plan Benefits

The grant of options under the 2004 Equity Incentive Plan, including grants to the CEO and the four other most highly compensated executive officers, is discretionary. As of the date of this proxy statement, there has been no determination with respect to future awards under the 2004 Equity Incentive Plan. Accordingly, the amount of any future discretionary awards is not determinable. The future award of options to non-employee directors is subject to the election of such individuals as directors and the fair market value of the common stock on the date the options are granted. The following table sets forth information with respect to the grant of options during the fiscal year ended March 31, 2004 to: (a) non-employee directors; (b) the CEO and the four other most highly compensated executive officers named in this proxy statement; (c) all current executive officers as a group; and (d) all other employees as a group:

OPTION GRANTS IN FISCAL 2004

Name of Individual or Identity of Group and Position	Number of Shares Subject to Options Granted	Grant Price (1)
Steve Sanghi President and CEO	289,792	$ 21.056
Ganesh Moorthy VP, Advanced Microcontroller and Memory Division	48,302	19.600
Mitchell R. Little VP, Worldwide Sales and Applications	45,165	20.141
Gordon W. Parnell VP, Chief Financial Officer	41,675	19.941
David S. Lambert VP, Fab Operations	40,926	19.896
All current executive officers as a group (7 people)	537,077	20.470
All current directors who are not executive officers as a group (4 people)	24,000	26.210
All other employees as a group	3,629,226	20.671

(1) Represents the weighted average per share grant price.

INDEPENDENT AUDITORS

Ernst & Young has audited our financial statements since the fiscal year ended March 31, 2002 and has served as our independent auditors since June 6, 2001. The partner in charge of our audit will be rotated every five years. Other partners and non-partner personnel are rotated on a periodic basis.

One or more representatives of Ernst & Young will be present at the annual meeting with the opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

Our Audit Committee is responsible for the appointment, compensation, retention and oversight of our independent auditors. The Audit Committee has not yet finalized selection of our independent registered public accounting firm for our fiscal year ending March 31, 2005. The Audit Committee has determined that until such process is completed, Ernst & Young will continue to serve as our independent registered public accounting firm.

Fees Paid to Independent Registered Public Accounting Firm

Audit Fees

This category includes fees associated with our annual audit, the reviews of our quarterly reports on Form 10-Q, and statutory audits required internationally. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of our interim financial statements, statutory audits, and the assistance with review of our SEC registration statements. The aggregate fees billed or to be billed by Ernst & Young in each of the last two fiscal years for such services were $505,000 for fiscal 2004 and $478,000 for fiscal 2003.

Audit-Related Fees

This category includes fees associated with employee benefit plan audits, internal control reviews, accounting consultations, and attest services that are not required by statute or regulation. The aggregate fees billed or to be billed by Ernst & Young in each of the last two fiscal years for such services were $45,000 for fiscal 2004 and $111,000 for fiscal 2003.

Tax Fees

This category includes fees associated with tax return preparation, tax advice, expatriate tax services and tax planning. The aggregate fees billed or to be billed by Ernst & Young in each of the last two fiscal years for such services were $238,000 for fiscal 2004 and $151,000 for fiscal 2003.

All Other Fees

This category includes fees for support and advisory services not related to audit services or tax services. There were $8,000 of such fees in fiscal 2004 and no such fees in fiscal 2003.

Our Audit Committee pre-approves all audit and permissible non-audit services provided by our independent auditors. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has adopted a policy for the pre-approval of services provided by the independent auditors. Under the policy, pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is subject to a specific budget or limit. The Audit Committee may also pre-approve particular services on a case-by-case basis. The Chairman of the Audit Committee has the delegated authority from the Audit Committee to pre-approve a specified level of services, and such pre-approvals are then communicated to the full Audit Committee at its next scheduled meeting.

Our Audit Committee has determined that the non-audit services rendered by Ernst & Young during fiscal 2004 and fiscal 2003 were compatible with maintaining the independence of Ernst & Young.

PERFORMANCE GRAPH

The following graph indicates the cumulative total stockholder return for Microchip compared with the CRSP Total Return Index for the Nasdaq Stock Market (U.S.) (Nasdaq U.S. Composite) and the Philadelphia Semiconductor Index (SOXX) weighted by market value at the beginning of the measurement period. The graph covers the five-year period from March 31, 1999 through March 31, 2004.

Historic stock price performance is not necessarily indicative of future stock performance.

**SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS,
DIRECTORS AND EXECUTIVE OFFICERS**

The following table sets forth information concerning the beneficial ownership of our common stock as of May 28, 2004 for: (a) each Director, (b) our CEO and the four other most highly compensated executive officers named in this proxy statement, (c) all Directors and executive officers as a group, and (d) each person who is known to us to own beneficially more than five percent of our common stock. Except as otherwise indicated in the footnotes to this table, and subject to applicable community property laws and joint tenancies, the persons named in this table have sole voting and investment power with respect to all shares of common stock held by such person:

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned(1)	Percent of Common Stock

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

We have established operations in certain countries outside the U.S., including Mexico, France, Switzerland, Poland, China and England. Of our 29 facilities, 6 are located outside the U.S., including 5 manufacturing facilities**.**

In fiscal 2014, 16% of our net sales were generated by our international operations. We expect that this proportion is likely to increase as we seek to increase our penetration of foreign markets, including through acquisitions, particularly within the aerospace and defense markets. Our foreign operations are subject to the risks inherent in such activities such as: currency devaluations, logistical and communication 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. 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.

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

Our Swiss operation utilizes the Swiss Franc as the functional currency, our French operation utilizes the Euro as the functional currency, our Polish operation utilizes the Polish Zloty as the functional currency and our English operation utilizes the British Pound Sterling as the functional currency. Foreign currency transaction gains and losses are included in earnings. Foreign currency transaction exposure arises primarily from the transfer of foreign currency from one subsidiary to another within the group and to foreign currency denominated trade receivables. Unrealized currency translation gains and losses are recognized upon translation of the foreign subsidiaries' balance sheets to U.S. dollars. Because our financial statements are denominated in U.S. dollars, changes in currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on our earnings. We periodically enter into derivative financial instruments such as forward exchange contracts to reduce the effect of fluctuations in exchange rates on certain third-party sales transactions denominated in non-functional currencies. Currency fluctuations have not had a material impact on our financial performance in the past, but such fluctuations may affect our financial performance in the future and we cannot predict the impact of future exchange rate fluctuations on our results of operations. See Part II, Item 7A. "Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Exchange Rates."

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

As of March 29, 2014, we maintained one noncontributory defined benefit pension plan. The plan was underfunded by $4.1 million as of March 29, 2014 and by $5.3 million as of March 30, 2013, which are the amounts by which the accumulated benefit obligations are more than the sum of the fair market value of the plan’s assets. We are required to make cash contributions to our pension plan to the extent necessary to comply with minimum funding requirements imposed by employee benefit laws and tax laws. The amount of any such required contributions is determined based on annual actuarial valuation of the plan as performed by the plan’s actuaries. The amount of future contributions will depend upon asset returns, then-current discount rates and a number of other factors, and, as a result, the amount we may elect or be required to contribute to our pension plan in the future may increase significantly. Additionally, there is a risk that if the Pension Benefit Guaranty Corporation concludes that its risk with respect to our pension plan may increase unreasonably if the plan continues to operate, if we are unable to satisfy the minimum funding requirement for the plan or if the plan becomes unable to pay benefits, then the Pension Benefit Guaranty Corporation could terminate the plan and take control of its assets. In such event, we may be required to make an immediate payment to the Pension Benefit Guaranty Corporation of all or a substantial portion of the underfunding as calculated by the Pension Benefit Guaranty Corporation based upon its own assumptions. The underfunding calculated by the Pension Benefit Guaranty Corporation could be substantially greater than the underfunding we have calculated because, for example, the Pension Benefit Guaranty Corporation may use a significantly lower discount rate. If such payment is not made, then the Pension Benefit Guaranty Corporation could place liens on a material portion of our assets and the assets of any members of our controlled group. Such action could result in a material increase in our pension related expenses and a corresponding reduction in our cash flow and net income. For additional information concerning our pension plan and plan liabilities, see Part II, Item 8. “Financial Statements and Supplementary Data,” Note 13 “Pension Plans.”

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

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

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

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

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

Our ability to compete effectively is dependent upon our ability to protect and preserve the intellectual property and other proprietary rights and materials owned, licensed or otherwise used by us. We have numerous U.S. and foreign patents, trademark registrations and U.S. copyright registrations. We also have U.S. and foreign trademark and patent applications pending. We cannot assure you that our pending trademark and patent applications will result in trademark registrations and issued patents, and our failure to secure rights under these applications may limit our ability to protect the intellectual property rights that these applications were intended to cover. Although we have attempted to protect our intellectual property and other proprietary rights both in the United States and in foreign countries through a combination of patent, trademark, copyright and trade secret protection and non-disclosure agreements, these steps may be insufficient to prevent unauthorized use of our intellectual property and other proprietary rights, particularly in foreign countries where the protection available for such intellectual property and other proprietary rights may be limited. We cannot assure you that any of our intellectual property rights will not be infringed upon or that our trade secrets will not be misappropriated or otherwise become known to or independently developed by competitors. We may not have adequate remedies available for any such infringement or other unauthorized use. We cannot assure you that any infringement claims asserted by us will not result in our intellectual property being challenged or invalidated, that our intellectual property will be held to be of adequate scope to protect our business or that we will be able to deter current and former employees, contractors or other parties from breaching confidentiality obligations and misappropriating trade secrets. In addition, we may become subject to claims 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 Part I, Item 1. "Business—Intellectual Property."

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

As of March 29, 2014, we had an order backlog of $218.4 million, which we estimate will be fulfilled within the next 12 months. However, orders included in our backlog are subject to cancellation, delay or other modifications by our customers prior to fulfillment. For these reasons, we cannot assure you that orders included in our backlog will ultimately result in the actual receipt of revenues from such orders.

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

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

Health care reform could adversely affect our operating results.

In 2010, the U.S. government enacted comprehensive health care reform legislation. Due to the breadth and complexity of this legislation, as well as its phased-in nature of implementation and lack of interpretive guidance, it is difficult for us to predict the overall effects it will have on our business over the coming years. To date, we have not experienced significant costs related to the health care reform legislation; however, it is possible that our operating results could be adversely affected in the future by increased costs, expanded liability exposure and requirements that change the ways we provide healthcare and other benefits to our employees.

Risk Factors Related to our Common Stock

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

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

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

We may not pay cash dividends in the foreseeable future.

Except for a $2.00 per common share special dividend approved by the Board on May 16, 2014 and payable on June 13, 2014, we have not paid any cash dividends on our common stock and may not pay cash dividends in the future. Instead, we plan to apply earnings and excess cash, if any, to the expansion and development of the business. Thus, the return on your investment, if any, could depend solely on an increase, if any, in the market value of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Our principal executive office is located at One Tribology Center, Oxford, Connecticut 06478. We also use these facilities for manufacturing and product testing and development.

We own facilities in the following locations:

Rancho Dominguez, California	Clayton, Georgia
Santa Ana, California	Bremen, Indiana
Fairfield, Connecticut	Plymouth, Indiana
Middlebury, Connecticut	Mielec, Poland
Oxford, Connecticut	Bishopville, South Carolina

Torrington, Connecticut	Hartsville, South Carolina
Ball Ground, Georgia	Westminster, South Carolina
Delemont, Switzerland	Houston, Texas

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

Location of Leased Facility	**Lease Expiration Date**	**Location of Leased Facility**	**Lease Expiration Date**
Baldwin Park, California	April 30, 2018	Reynosa, Mexico (1)	February 29, 2016
Garden Grove, California	November 30, 2014	Reynosa, Mexico (2)	October 31, 2016
Fountain Valley, California	November 30, 2016	Tecate, Mexico	January 31, 2019
San Diego, California	October 1, 2016	West Trenton, New Jersey	February 28, 2018
Santa Fe Springs, California	November 30, 2015	Mentor, Ohio	January 31, 2023
Shanghai, China	May 31, 2015	Oklahoma City, Oklahoma	September 30, 2021
Oxford, Connecticut	September 30, 2014	Horsham, Pennsylvania	April 14, 2016
Gloucestershire, England	January 17, 2015	Bishopville, South Carolina	January 31, 2016
Les Ulis, France	June 30, 2016	Hartsville, South Carolina	September 30, 2014
Hoffman Estates, Illinois	August 31, 2015	Grand Prairie, Texas	February 28, 2015

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

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

ITEM 3. LEGAL PROCEEDINGS

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

Our wholly owned subsidiary, RBC Aircraft Products, Inc. is a plaintiff in a lawsuit against Precise Machining & Manufacturing LLC currently pending in the United States District Court, District of Connecticut's Case Number 3:10 CV 878 (SRU). A jury award against Precise Machining & Manufacturing LLC and in favor of RBC Aircraft Products, Inc. in the amount of $2,986,089 was entered on April 9, 2013. Precise has filed a motion for judgment in its favor as a matter of law and a motion for a new trial. These motions are pending. On May 7, 2013 the judgment was registered with the United States District Court for the Northern District of Oklahoma under Case Number 4:13-mc-00010-CVE and the County Clerk.

We expect to prevail in this legal action above; however, as litigation is inherently unpredictable, there can be no assurance in this regard.

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

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ended March 29, 2014.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers are elected by the Board normally for a term of one year and until the election of their successors. Our executive officers of the company as of May 19, 2014 are as follows:

Name	**Age**		**Current Position and Previous Positions During Last Five Years**
Michael J. Hartnett	68	1992	Chairman, President and Chief Executive Officer
Daniel A. Bergeron	54	2003	Director, Vice President, Chief Financial Officer and Assistant Secretary
Thomas C. Crainer	56	2008	Vice President and General Manager

Richard J. Edwards	58	1996	Vice President and General Manager
Thomas J. Williams	62	2006	Corporate General Counsel and Secretary
Thomas M. Burigo	62	2006	Corporate Controller

PART II

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

Price range of our Common Stock

Our common stock is quoted on the Nasdaq National Market under the symbol "ROLL." As of May 19, 2014, there were 3 holders of record of our common stock.

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

	Fiscal 2014		Fiscal 2013	
	High	Low	High	Low
First Quarter	$54.07	$46.03	$49.47	$43.11
Second Quarter	67.32	52.59	50.76	45.01
Third Quarter	71.06	61.17	50.39	42.14
Fourth Quarter	71.25	57.12	54.40	48.46

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The last reported sale price of our common stock on the Nasdaq National Market on May 19, 2014 was $60.13 per share.

Dividend Policy

On May 16, 2014, our Board declared a special cash dividend to shareholders of $2.00 per common share or a total of approximately $46.0 million. The special dividend is payable on June 13, 2014, to shareholders of record on May 30, 2014. The ex-dividend date is May 28, 2014. The Board opted for a special dividend payment, rather than a regular reoccurring dividend, to allow greater flexibility given our pipeline of attractive growth opportunities. The Board will, however, consider the use of additional special cash dividends in the future as circumstances warrant.

Issuer Purchases of Equity Securities

On February 7, 2013, our Board authorized us to repurchase up to $50.0 million of our common stock, from time to time on the open market, in block trade transactions and through privately negotiated transactions in compliance with Securities and Exchange Commission Rule 10b-18 depending on market conditions, alternative uses of capital and other relevant factors. Purchases may be commenced, suspended, or discontinued at any time without prior notice. This repurchase authorization terminates and replaces the existing $10.0 million stock repurchase program announced by us on June 15, 2007.

Total share repurchases for the three months ended March 29, 2014, all of which were made under this program, are as follows:

Period	Total number of shares purchased	Average price paid per share	Number of shares purchased as part of the publicly announced program	Approximate dollar value of shares still available to be purchased under the program (000's)
12/29/2014 – 01/25/2014	—	$ —	—	$ 49,266
01/26/2014 – 02/22/2014	—	—	—	49,266
02/23/2014 – 03/29/2014	17,654	63.77	17,654	$ 48,140
Total	17,654	$ 63.77	17,654	

During the fourth quarter of fiscal 2014, we did not issue any common stock that was not registered under the Securities Act.

Equity Compensation Plans

Information regarding equity compensation plans required to be disclosed pursuant to this Item is included in Part II, Item 8. “Financial Statements and Supplementary Data,” Note 16 “Stockholders’ Equity-Stock Option Plans” of this Annual Report on Form 10-K.

Performance Graph

The following graph shows the total return to our stockholders compared to a peer group, the Russell 2000 Small Cap Index and the Nasdaq Composite Index over the period from March 28, 2009 to March 29, 2014. Because of the diversity of our markets and products we do not believe that a combination of peer issuers can be selected on an industry or line-of-business basis to provide a meaningful basis for comparing shareholder return. Accordingly, the Russell 2000 Small Cap Index is comprised of issuers with generally similar market capitalizations to that of the Company, and as permitted by regulation is included in the graph. Each line on the graph assumes that $100 was invested in our common stock on March 28, 2009 or in the respective indices at the closing price on March 28, 2009. The graph then presents the value of these investments, assuming reinvestment of dividends, through the close of trading on March 29, 2014.

Comparison of Five-Year Cumulative Total Return*

Among RBC Bearings Incorporated, the Nasdaq Composite Index, the Russell 2000 Small Cap Index**

and a Peer Group

	March 28, 2009	April 3, 2010	April 2, 2011	March 31, 2012	March 30, 2013	March 29, 2014
RBC Bearings Incorporated	$ 100.00	$195.99	$240.02	$ 284.93	$ 312.29	$ 388.94
Nasdaq Composite Index	100.00	156.92	183.90	205.91	220.62	284.22
Russell 2000 Small Cap Index	100.00	161.67	202.56	201.41	234.25	287.28
Peer Group	100.00	192.73	242.20	270.57	301.17	371.18

The peer group consists of Kaydon Corporation, Moog Inc., NN Inc., Precision Industries Castparts Corp., Timken Company and Triumph Group Inc.

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

**Effective for fiscal 2014 the peer group index has been replaced with the Russell 2000 Small Cap Index because we believe it more accurately reflects a peer benchmark given the diversity of our markets and products.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected consolidated historical financial and other data as of the dates and for the periods indicated. The selected financial data as of and for the years ended March 29, 2014, March 30, 2013, March 31, 2012, April 2, 2011, and April 3, 2010 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, Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included in Part II, Item 8. “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

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	Fiscal Year Ended				
	March 29, 2014	March 30, 2013	March 31, 2012	April 2, 2011	April 3, 2010
	(in thousands, except share and per share amounts)				
Statement of Operations Data:					
Net sales[1]	$418,886	$403,051	$397,511	$335,625	$274,702
Cost of sales	254,089	250,122	256,931	225,851	190,136
Gross margin	164,797	152,929	140,580	109,774	84,566
Selling, general and administrative	71,969	65,751	61,303	52,706	47,367
Other, net	4,178	9,077	1,629	875	2,529
Operating income	88,650	78,101	77,648	56,193	34,670
Interest expense, net	1,019	868	1,045	1,791	1,807
Other non-operating expense (income)	(122)	(2,955)	624	1,525	(147)
Income before income taxes	87,753	80,188	75,979	52,877	33,010
Provision for income taxes	27,545	23,846	25,982	18,009	8,625
Net income	$60,208	$56,342	$49,997	$34,868	$24,385
Net income per common share:					
Basic	$2.63	$2.52	$2.28	$1.61	$1.13
Diluted	$2.59	$2.47	$2.23	$1.58	$1.12
Weighted average common shares:					
Basic	22,874,842	22,401,068	21,880,554	21,678,626	21,590,421
Diluted	23,244,241	22,810,793	22,390,914	22,078,711	21,747,082
Other Financial Data:					
Capital expenditures	$28,920	$42,017	$17,841	$10,440	$9,906

	As of March 29, 2014	March 30, 2013	March 31, 2012	April 2, 2011	April 3, 2010
	(in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$121,207	$114,480	$68,621	$63,975	$21,389
Working capital	374,725	326,953	270,434	215,791	202,714
Total assets	620,993	542,442	459,518	425,982	375,955
Total debt	10,447	10,300	1,041	31,296	38,453
Total stockholders' equity	538,452	462,195	385,815	330,067	283,547

(1) Net sales were $418.9 million in fiscal 2014 compared to $403.1 million in fiscal 2013, an increase of $15.8 million. Net sales in fiscal 2014 included net sales of $15.6 million for Western Precision Aero LLC (“WPA”), Climax Metal Products (“CMP”) and Turbine Components Inc. (“TCI”), which were acquired in March 2013, August 2013 and October 2013, respectively.

Net sales were $403.1 million in fiscal 2013 compared to $397.5 million in fiscal 2012, an increase of $5.6 million. Net sales in fiscal 2013 included net sales of $0.3 million for WPA.

Net sales were $397.5 million in fiscal 2012 compared to $335.6 million in fiscal 2011, an increase of $61.9 million.

Net sales were $335.6 million in fiscal 2011 compared to $274.7 million in fiscal 2010, an increase of $60.9 million.

Net sales in fiscal 2011 included net sales of $4.4 million for Lubron (acquired in September 2009).

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

The financial and business analysis below provides information which we believe is relevant to an assessment and understanding of our consolidated financial position, results of operations and cash flows. This financial and business analysis should be read in conjunction with the consolidated financial statements and related notes. All references to "Notes" in this Item 7 refer to the Notes to Consolidated Financial Statements included in Item 8 of the Annual Report on Form 10-K.

The following discussion and certain other sections of this Annual Report on Form 10-K contain statements reflecting our views about our future performance that constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which we operate and our beliefs and assumptions. Any statements contained herein (including without limitation statements to the effect that we or our management "believes," "expects," "anticipates," "plans" and similar expressions) that are not statements of historical fact should be considered forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. There are a number of important factors that could cause actual results to differ materially from those indicated by such forward-looking statements. These factors include, without limitation, those set forth, or incorporated by reference, below under the heading "Cautionary Statements." We do not intend to update publicly any forward-looking statements whether as a result of new information, future events or otherwise.

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 2014 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 29 facilities of which 26 are manufacturing facilities in five 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, energy, mining and specialized equipment manufacturers and automotive and commercial truck manufacturers. The markets for our products are cyclical, and general market conditions could negatively impact our operating results. We have endeavored to mitigate the cyclicality of our product markets by entering into sole-source relationships and long-term purchase orders, through diversification across multiple market segments within the aerospace and defense and diversified industrial segments, by increasing sales to the aftermarket and by focusing on developing highly customized solutions.

During fiscal 2014, the world economy experienced anemic growth with contractions in the international markets offset by slow growth in the U.S. markets. Our net sales to the aerospace and defense markets increased 14.6% year over year offset by a decline of 7.8% to the diversified industrial markets.

Approximately 12% to 25% of our costs, depending on product mix, are attributable to raw materials and purchased components, a majority of which are related to steel and related products. During fiscal 2014, steel prices remained flat with slight variances up and down throughout the fiscal year. When we do experience raw material inflation, we offset these cost increases by changing our buying patterns, expanding our vendor network and passing through price increases when possible. The overall impact on raw material costs for this fiscal year was not material as a percent change on a year over year basis.

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 23 acquisitions, including the current year acquisitions of Turbine Components, Inc. and Climax Metal Products Company, which have broadened our end markets, products, customer base and geographic reach.

Outlook

We ended fiscal 2014 with a backlog of $218.4 million compared to $216.5 million for the same period last fiscal year. Our net sales increased 3.9% year over year due to growth in the aerospace and defense markets and two acquisitions offset by a decline in the diversified industrial markets. We expect to see strength in the diversified industrial markets resulting from recovery growth in the energy, construction, rail, machine tools and industrial distribution sectors as well as from the overall economic improvement of the general industrial markets. Our internal goal is to grow our diversified industrial business at a pace of 2.0 to 2.5 times Gross Domestic Product (“GDP”) on a compounded basis.

In the fourth quarter of fiscal 2013, we reached a decision to consolidate and restructure our large bearing manufacturing facilities and capacity. This decision was based on our intent to better align manufacturing abilities and product development. The consolidation of the Texas facility into the South Carolina operation will strengthen and bring critical engineering and manufacturing mass to the large bearing product line. The consolidation and restructuring includes (1) consolidation of the machinery and equipment from Texas into South Carolina resulting in a certain portion being impaired and the remaining portion used to service the large bearing product offering; (2) sale or lease of the Texas building; and (3) a reduction in workforce in Texas due to the realignment. The majority of the expense associated with the consolidation and restructuring was incurred in fiscal 2013 and with continued effort to sell the equipment and sell or lease the building incurred in fiscal 2014 and to be completed in fiscal 2015. As a result, we recorded a pre-tax charge of $6.7 million under operating expenses in the Other, net category of the income statement for fiscal 2013 associated with this consolidation and restructuring. This charge included $0.4 million in employee related costs, $0.1 million in moving and relocation costs, and $6.2 million impairment to fair value of certain equipment used in the manufacturing of large bearings all attributable to the Ball Bearings segment. We determined that the market approach was the most appropriate method to estimate the fair value for the equipment and building using comparable sales data and actual quotes from potential buyers in the market place. These assets continue to be classified in fixed assets on the March 29, 2014 balance sheet. We incurred period costs of $1.8 million in fiscal 2014, bringing the total incurred due to the restructuring and consolidation to $8.5 million. We will continue to incur operational costs such as depreciation, utilities and maintenance until the building is sold or leased.

During fiscal 2014, we experienced the favorable impact of increased activity from the worldwide commercial aircraft industry. Monthly build rates were up approximately 8% for Boeing and approximately 7% for Airbus in calendar year 2013, and they are both forecasting these levels to continue and grow as new ship models are introduced. This activity is expected to have a favorable impact on our business over the next twelve months. As a result of these trends, we have continued to increase our workforce and to expand and tool our plants to absorb additional volume and to design new products for new platforms.

Sources of Revenue

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

Sales to the diversified industrial market accounted for 42% of our net sales for the fiscal year ended March 29, 2014. Sales to the aerospace and defense markets accounted for 58% of our net sales for the same period.

Aftermarket sales of replacement parts for existing equipment platforms represented approximately 49.3% of our net sales for fiscal 2014. We continue to develop our OEM relationships which have established us as a leading supplier on many important aerospace and defense platforms. Over the past several years, we have experienced increased demand from the replacement parts market, particularly within the aerospace and defense sectors; one of our business strategies has been to increase the proportion of sales derived from this sector. We believe these activities increase the stability of our revenue base, strengthen our brand identity and provide multiple paths for revenue growth.

Approximately 16% of our net sales were generated by our international facilities for fiscal 2014, compared to 14% for fiscal 2013. We expect that this proportion will increase as we seek to increase our penetration of foreign markets. Our top ten customers generated 30% and 29% of our net sales in fiscal 2014 and fiscal 2013, respectively. Out of the 30% of net sales generated by our top ten customers during the fiscal year ended March 29, 2014, 16% of net sales were generated by our top four customers compared to 15% for the comparable period last fiscal year.

Cost of Revenues

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

We monitor gross margin performance through a process of monthly operation reviews with all our divisions. We 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, incentive stock compensation, facility costs and information technology. We increased SG&A expenses by $6.2 million in fiscal 2014 compared to fiscal 2013. The increase of $6.2 million was primarily attributable to an increase of $2.5 million associated with the addition of three acquisitions, $2.2 million in personnel-related costs as a result of headcount, salary and welfare increases, $0.5 million in legal and professional fees and $1.1 million in other miscellaneous expenses offset by the impact of favorable foreign exchange rates of $0.1 million.

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, 2014		March 30, 2013		March 31, 2012	
Statement of Operations Data:						
Net sales	100.0	%	100.0	%	100.0	%
Gross margin	39.3		37.9		35.4	
Selling, general and administrative	17.2		16.3		15.4	
Other, net	0.9		2.2		0.4	
Operating income	21.2		19.4		19.6	
Interest expense, net	0.3		0.2		0.3	
Other non-operating expense (income)	—		(0.7	)	0.2	
Income before income taxes	20.9		19.9		19.1	
Provision for income taxes	6.5		5.9		6.5	
Net income	14.4	%	14.0	%	12.6	%

We have a fiscal year consisting of 52 or 53 weeks, ending on the Saturday closest to March 31. Based on this policy, fiscal years 2014, 2013 and 2012 contained 52 weeks.

Segment Information

We have four reportable product segments: Plain Bearings, Roller Bearings, Ball Bearings and Other. Other consists of three operating locations that do not fall into the above segmented categories, primarily machine tool collets, machining for integrated bearing assemblies and aircraft components and tight-tolerance, precision mechanical components. Within the Plain Bearings, Roller Bearings and Ball Bearings segments, we have not aggregated any operating segments. Within the Other reportable segment, we have aggregated operating segments because they do not meet the quantitative threshold for separate disclosure.

Fiscal 2014 Compared to Fiscal 2013

Net Sales.

	FY14	FY13	$ Change	% Change
Plain Bearings	$223.1	$216.0	$ 7.1	3.3 %
Roller Bearings	115.8	115.0	0.8	0.7 %
Ball Bearings	49.6	41.4	8.2	19.8 %
Other	30.4	30.7	(0.3)	(0.9)%
Total	$418.9	$403.1	$ 15.8	3.9 %

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Net sales for fiscal 2014 were $418.9 million, an increase of $15.8 million, or 3.9%, compared to $403.1 million for the same period in fiscal 2013. The increase of $15.8 million was primarily attributable to $15.6 million of sales from new acquisitions, $6.0 million of increased volume, $3.7 million of product mix/pricing and $1.3 million of favorable foreign exchange rates offset by a $10.8 million decrease in sales for military vehicles. Net sales to aerospace and defense customers increased 14.6% in fiscal 2014 compared to the same period last fiscal year, mainly driven by increased build rates by commercial aircraft builders and the aerospace aftermarket. This increase included $3.8 million attributable to WPA and $2.3 million attributable to TCI, which were acquired in March 2013 and October 2013, respectively. This performance was offset by a decline of 7.8% from the diversified industrial markets, resulting primarily from slow OEM activity in mining, military vehicles and heavy construction. Our industrial distribution business was up by 14.9% mainly due to $7.6 million attributable to CMP which was acquired in August 2013 and improving general industrial activity.

The Plain Bearings segment achieved net sales of $223.1 million in fiscal 2014, an increase of $7.1 million, or 3.3%, compared to $216.0 million for the same period in the prior fiscal year. This segment was favorably impacted by $6.2 million of volume, $6.1 million of sales from new acquisitions, $3.7 million of product mix/pricing and $0.9 million of favorable foreign exchange rates offset by a $9.8 million decrease in sales for military vehicles. Net sales to aerospace and defense customers increased $21.1 million offset by a decline of $14.0 million in net sales to diversified industrial customers compared with the same period in the prior fiscal year. This increase included $3.8 million attributable to WPA and $2.3 million attributable to TCI, which were acquired in March 2013 and October 2013, respectively. This segment was favorably impacted by commercial aircraft build rates and the aerospace aftermarket and the general industrial aftermarket.

The Roller Bearings segment achieved net sales of $115.8 million in fiscal 2014, an increase of $0.8 million, or 0.7%, compared to $115.0 million for the same period in the prior fiscal year. This segment was favorably impacted by volume of $1.8 million offset by a $1.0 million decrease in sales for military vehicles. Of this increase, net sales to aerospace and defense customers contributed $8.4 million offset by a decrease of $7.6 million in net sales to the industrial sector. This segment was favorably impacted by commercial aircraft build rates and the aerospace aftermarket.

The Ball Bearings segment achieved net sales of $49.6 million in fiscal 2014, an increase of $8.2 million, or 19.8%, compared to $41.4 million for the same period in the prior fiscal year. Of this increase, approximately $9.5 million was attributable to sales from CMP which was acquired in August 2013 offset by a decrease in volume of $1.3 million. Net sales were favorably impacted by the general industrial markets.

The Other segment, which is focused mainly on the sale of machine tool collets and precision components, achieved net sales of $30.4 million in fiscal 2014, a decrease of $0.3 million, or 0.9%, compared to $30.7 million for the same period last fiscal year. The decrease in net sales was attributable to $0.7 million decrease in volume offset by $0.4 million of favorable foreign exchange rates. Of this decline, $1.2 million is attributable to decreased demand for mechanical components mainly in the U.S. market, offset by $0.5 million of higher net sales of machine tool collets mainly in Europe and Asia and $0.4 million to favorable foreign exchange rates.

Gross Margin.

	FY14	FY13	$ Change	% Change
Plain Bearings	$85.2	$85.4	$ (0.2)	(0.3)%
Roller Bearings	48.8	45.1	3.7	8.2 %
Ball Bearings	18.1	9.4	8.7	92.3 %
Other	12.7	13.0	(0.3)	(1.9)%
Total	$164.8	$152.9	$ 11.9	7.8 %

Gross margin was $164.8 million, or 39.3% of net sales, in fiscal 2014, versus $152.9 million, or 37.9% of net sales, for the comparable period in fiscal 2013. The increase of $11.9 million in gross margin dollars was driven by approximately $10.1 million in cost reduction and manufacturing efficiencies, $5.1 million from new acquisitions, $1.3 million in product mix/pricing, $0.4 million of favorable foreign exchange rates and $0.1 million in higher volume offset by $5.1 million related to the decrease in military vehicles activity.

Gross margin for the Plain Bearings segment was $85.2 million, or 38.2%, in fiscal 2014 versus $85.4 million, or 39.6% in fiscal 2013. Of this decrease, approximately $4.6 million was related to a decrease in military vehicles activity offset by $1.7 million from new acquisitions, $1.3 million in product mix/pricing, $1.1 million was attributable to volume and $0.3 million to favorable foreign exchange rates.

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The Roller Bearings segment reported gross margin of $48.8 million, or 42.1%, in fiscal 2014 compared to $45.1 million, or 39.2%, in the prior fiscal year. This segment was favorably impacted by approximately $4.1 million in cost reduction and manufacturing efficiencies and $0.1 million of higher volume offset by $0.5 million related to the decrease in military vehicle activity. This segment was favorably impacted by commercial aircraft build rates and the aerospace aftermarket.

The Ball Bearings segment reported gross margin of $18.1 million, or 36.6%, in fiscal 2014 versus $9.4 million, or 22.8%, in fiscal 2013. Of this improvement, approximately $6.1 million was attributable to cost reduction and manufacturing efficiencies and $3.4 million to new acquisitions offset by a decrease of $0.8 million attributable to volume.

During fiscal 2014, the Other segment reported gross margin of $12.7 million, or 41.8%, compared to $13.0 million, or 42.3%, in the prior fiscal year. This decline in gross margin was primarily driven by approximately $0.3 million of volume and $0.1 million of cost increases offset by $0.1 million from favorable foreign exchange rates. Of this decline, $0.7 million was attributable to lower demand for mechanical components mainly in the U.S. market offset by an increase of $0.3 million in machine tool collets activity mainly in Europe and Asia and $0.1 million to favorable foreign exchange rates.

Selling, General and Administrative.

	FY14	FY13	$ Change	% Change
Plain Bearings	$17.9	$15.4	$ 2.5	16.9 %
Roller Bearings	6.9	6.8	0.1	2.2 %
Ball Bearings	4.5	3.0	1.5	48.8 %
Other	4.0	3.7	0.3	7.3 %
Corporate	38.7	36.9	1.8	4.7 %
Total	$72.0	$65.8	$ 6.2	9.5 %

SG&A expenses increased by $6.2 million, or 9.5%, to $72.0 million in fiscal 2014 compared to $65.8 million for the same period in fiscal 2013. The increase of $6.2 million was primarily attributable to an increase of $2.5 million associated with the addition of three acquisitions, $2.2 million in personnel-related costs as a result of headcount and salary increases, $0.5 million in legal and professional fees, $0.5 million in incentive stock compensation and $0.6 million in other miscellaneous expenses offset by the impact of favorable foreign exchange rates of $0.1 million. As a percentage of net sales, SG&A was 17.2% in fiscal 2014 compared to 16.3% for the same period in fiscal 2013. While SG&A expenses increased $6.2 million in fiscal 2014, net sales during the 2014 fiscal period increased by $15.8 million, contributing to the higher SG&A percentage to net sales of 17.2%.

Other, Net. Other, net in fiscal 2014 was $4.2 million compared to $9.1 million for the same period in fiscal 2013. In fiscal 2014, other, net consisted of $1.9 million of amortization of intangibles, $1.9 million related primarily to consolidations and restructuring and $0.5 million of acquisition costs offset by $0.1 million of other miscellaneous income. In fiscal 2013, other, net consisted of $6.9 million related primarily to the consolidation and restructuring of large bearing facilities, $1.6 million of amortization of intangibles, $0.2 million of bad debt expense, $0.2 million related to the disposal of fixed assets and $0.2 million of other miscellaneous costs.

Operating Income.

	FY14	FY13	$ Change	% Change
Plain Bearings	$66.4	$69.0	$ (2.6)	(3.9)%
Roller Bearings	41.6	37.6	4.0	10.7%
Ball Bearings	11.7	(0.2)	11.9	N/M
Other	9.0	9.0	(0.0)	(0.3)%
Corporate	(40.0)	(37.3)	(2.7)	(7.2)%
Total	$88.7	$78.1	$ 10.6	13.5%

Operating income was $88.7 million, or 21.2% of net sales, in fiscal 2014 compared to $78.1 million, or 19.4% of net sales, in fiscal 2013. The increase of $10.6 million in operating income dollars was driven primarily by approximately $10.1 million attributable to cost reduction and manufacturing efficiencies, $2.3 million from new acquisitions, $4.9 million from the impact of consolidating the large bearing facility in fiscal 2013, $1.3 million in product mix/pricing, $0.2 million from favorable foreign exchange rates and $0.1 million from volume offset by $3.2 million related to higher SG&A expenses and $5.1 million from the decrease in military vehicle activity.

The Plain Bearings segment achieved an operating income of $66.4 million in fiscal 2014 compared to $69.0 million for the same period last year. This segment's performance resulted from approximately $4.6 million related to a decrease in military vehicle activity and $1.4 million of higher costs offset by $0.9 million from new acquisitions, $1.3 million in product mix/pricing, $1.1 million attributable to volume and $0.1 million to favorable foreign exchange rates. This segment was favorably impacted by commercial aircraft build rates and the aerospace aftermarket and the general industrial aftermarket.

The Roller Bearings segment achieved an operating income of $41.6 million in fiscal 2014 compared to $37.6 million in fiscal 2013. The increase of $4.0 million in operating income year over year was mainly the result of approximately $4.4 million in cost reduction and manufacturing efficiencies and $0.1 million of higher volume offset by $0.5 million related to the decrease in military vehicle activity. This segment was favorably impacted by the general industrial markets offset by slowing OEM activity in mining, oil and gas, and heavy construction.

The Ball Bearings segment achieved an operating income of $11.7 million in fiscal 2014 compared to an operating expense of $0.2 million for the same period last fiscal year. This segment's performance was favorably impacted by approximately $11.3 million attributable to cost reduction and manufacturing efficiencies and $1.4 million to a new acquisition offset by a decrease of $0.8 million attributable to volume. This segment was favorably impacted by the general industrial markets.

The Other segment achieved operating income of $9.0 million in both fiscal 2014 and 2013, respectively. This performance was favorably impacted by $0.2 million attributable to cost reduction and manufacturing efficiencies and $0.1 million from favorable foreign exchange rates offset by a $0.3 million decrease in volume.

Interest Expense, Net. Interest expense, net was $1.0 million in fiscal 2014 and $0.9 million in fiscal 2013, respectively.

Other Non-Operating Expense (Income). Other non-operating income was $0.1 million in fiscal 2014 compared to income of $3.0 million in fiscal 2013. The change of $2.9 million was primarily due to a $3.6 million receipt of a CDSOA distribution payment not received in 2014, offset by $0.7 million attributable to favorable foreign exchange rates.

Income Before Income Taxes. Income before taxes was $87.8 million in fiscal 2014 compared to income before taxes of $80.2 million in fiscal 2013.

Income Taxes. Income tax expense in fiscal 2014 was $27.5 million compared to $23.8 million in fiscal 2013. The effective income tax rate in fiscal 2014 was 31.4% compared to 29.7% in fiscal 2013. In addition to discrete items, the effective income tax rates are different from the U.S. statutory rate due to a special manufacturing deduction in the U.S. and foreign income taxed at lower rates which decrease the rate, and state income taxes and an officers' compensation adjustment which increase the rate. For fiscal 2014 and 2013, there were discrete items of $1.7 million and $4.0 million comprised primarily of the release of certain unrecognized tax benefits associated with federal and state income tax audits closing and statute of limitations expiring. For fiscal 2013, on 1/2/2013, in the Company's fourth quarter, the American Taxpayer Relief Act of 2012 retroactively reinstated the research and development tax credit which had previously expired. The benefit of the discrete items, along with the benefit from the reinstatement of the research and development tax credit in fiscal 2013, have caused a decrease in the Company's fiscal 2013 and 2014 annual effective income tax rates.

Net Income. Net income was $60.2 million in fiscal 2014 compared to net income of $56.3 million in fiscal 2013.

Fiscal 2013 Compared to Fiscal 2012

Net Sales.

	FY13	FY12	$ Change	% Change
Plain Bearings	$216.0	$200.2	$ 15.8	7.9 %
Roller Bearings	115.0	123.8	(8.8)	(7.1)%
Ball Bearings	41.4	42.3	(0.9)	(2.3)%
Other	30.7	31.2	(0.5)	(1.7)%
Total	$403.1	$397.5	$ 5.6	1.4 %

Net sales for fiscal 2013 were $403.1 million, an increase of $5.6 million, or 1.4%, compared to $397.5 million for the same period in fiscal 2012. The increase of $5.6 million was primarily attributable to $8.1 million of volume and $0.5 million of product mix/pricing offset by $3.0 million of unfavorable foreign exchange rates. Net sales to aerospace and defense customers increased 12.1% in fiscal 2013 compared to the same period last fiscal year, mainly driven by increased build rates by commercial aircraft and the aerospace aftermarket. This increase included $0.3 million attributable to WPA which was acquired in March 2013. This performance was offset by a decline of 8.2% from the diversified industrial markets, resulting primarily from slowing OEM activity in mining, oil and gas, heavy construction and general industrial markets. Our industrial distribution business was slightly down by 0.4% mainly due to the semiconductor aftermarkets.

The Plain Bearings segment achieved net sales of $216.0 million in fiscal 2013, an increase of $15.8 million, or 7.9%, compared to $200.2 million for the same period in the prior fiscal year. This segment was favorably impacted by volume of approximately $15.3 million and $2.7 million in product mix/pricing offset by $2.2 million from unfavorable foreign exchange rates. Net sales to aerospace and defense customers increased $17.1 million offset by a decline of $1.3 million in net sales to diversified industrial customers compared with the same period in the prior fiscal year. This increase included $0.3 million attributable to WPA which was acquired in March 2013. This segment was favorably impacted by commercial aircraft build rates and the aerospace aftermarket offset by slowing OEM activity in mining, oil and gas, heavy construction and general industrial markets.

The Roller Bearings segment achieved net sales of $115.0 million in fiscal 2013, a decrease of $8.8 million, or 7.1%, compared to $123.8 million for the same period in the prior fiscal year. This segment was unfavorably impacted by volume of $6.1 million and product mix/pricing of $2.7 million. Of this decline, net sales to the industrial sector contributed $12.4 million offset by an increase of $3.6 million in net sales to aerospace and defense customers. This segment was primarily affected by the slowing OEM activity in mining, oil and gas, heavy construction and general industrial markets.

The Ball Bearings segment achieved net sales of $41.4 million in fiscal 2013, a decrease of $0.9 million, or 2.3%, compared to $42.3 million for the same period in the prior fiscal year. Of this decline, approximately $1.9 million was attributable to volume offset by improved product mix/pricing of $1.0 million. Net sales to diversified industrial customers contributed $0.6 million to this decline combined with a decrease of $0.3 million in the aerospace and defense sector.

The Other segment, which is focused mainly on the sale of machine tool collets and precision components, achieved net sales of $30.7 million in fiscal 2013, a decrease of $0.5 million, or 1.7%, compared to $31.2 million for the same period last fiscal year. The decrease in net sales was attributable to $0.8 million of unfavorable foreign exchange rates and $0.4 million of product mix/pricing offset by improved volume of $0.7 million. Of this decline, $2.3 million was attributable to lower net sales of machine tool collets mainly in Europe and Asia and $0.8 million to unfavorable foreign exchange rates offset by an increase of $2.6 million due to increased demand for mechanical components mainly in the U.S. market.

Gross Margin.

	FY13	FY12	$ Change	% Change
Plain Bearings	$85.4	$72.9	$ 12.5	17.2 %
Roller Bearings	45.1	45.2	(0.1)	(0.3)%
Ball Bearings	9.4	9.3	0.1	2.0 %
Other	13.0	13.2	(0.2)	(1.9)%
Total	$152.9	$140.6	$ 12.3	8.8 %

Gross margin was $152.9 million, or 37.9% of net sales, in fiscal 2013, versus $140.6 million, or 35.4% of net sales, for the comparable period in fiscal 2012. The increase of $12.3 million in gross margin dollars was driven by approximately $8.8 million in cost reduction and manufacturing efficiencies, $2.8 million in product mix/pricing and $1.6 million in volume offset by $0.9 million of unfavorable foreign exchange rates across both the diversified industrial and aerospace and defense markets.

Gross margin for the Plain Bearings segment was $85.4 million, or 39.6%, in fiscal 2013 versus $72.9 million, or 36.4% in fiscal 2012. Of this increase, approximately $5.9 million was attributable to volume, $4.6 million to cost reduction and manufacturing efficiencies and $2.6 million to product mix/pricing offset by $0.6 million to unfavorable foreign exchange rates. This segment was favorably impacted by commercial aircraft build rates and the aerospace aftermarket offset by slowing OEM activity in mining, oil and gas, heavy construction and general industrial markets. The acquisition of WPA contributed $0.1 million to this performance improvement.

The Roller Bearings segment reported gross margin of $45.1 million, or 39.2%, in fiscal 2013 compared to $45.2 million, or 36.5%, in the prior fiscal year. This segment was unfavorably impacted by approximately $2.4 million of lower volume offset by $2.0 million in cost reduction and manufacturing efficiencies, $0.2 million in product mix/pricing and $0.1 million of favorable foreign exchange rates. This segment was primarily affected by the slowing activity in mining, oil and gas, heavy construction and general industrial markets.

The Ball Bearings segment reported gross margin of $9.4 million, or 22.8%, in fiscal 2013 versus $9.3 million, or 21.8%, in fiscal 2012. Of this improvement, approximately $2.4 million was attributable to cost reduction and manufacturing efficiencies offset by lower volume of $2.3 million.

During fiscal 2013, the Other segment reported gross margin of $13.0 million, or 42.3%, compared to $13.2 million, or 42.4%, in the prior fiscal year. This decline in gross margin was primarily driven by approximately $0.3 million of cost increases, $0.3 million from unfavorable foreign exchange rates and $0.1 million of product mix/pricing offset by increased volume of $0.5 million. Of this decline, $0.7 million was attributable to lower machine tool collets activity mainly in Europe and Asia and $0.3 million to unfavorable foreign exchange rates offset by an increase of $0.8 million due to increased demand for mechanical components mainly in the U.S. market.

Selling, General and Administrative.

	FY13	FY12	$ Change	% Change
Plain Bearings	$15.4	$14.4	$ 1.0	6.1 %
Roller Bearings	6.8	6.3	0.5	7.3 %
Ball Bearings	3.0	3.4	(0.4)	(10.4)%
Other	3.7	4.0	(0.3)	(7.1)%
Corporate	36.9	33.2	3.7	11.3 %
Total	$65.8	$61.3	$ 4.5	7.3 %

SG&A expenses increased by $4.5 million, or 7.3%, to $65.8 million in fiscal 2013 compared to $61.3 million for the same period in fiscal 2012. The increase of $4.5 million was primarily attributable to an increase of $3.0 million in personnel-related costs as a result of headcount and salary increases, $0.3 million in legal and professional fees, $0.4 million in other miscellaneous expenses and $1.2 million in incentive stock compensation offset by the impact of favorable foreign exchange rates of $0.4 million. As a percentage of net sales, SG&A was 16.3% in fiscal 2013 compared to 15.4% for the same period in fiscal 2012. While SG&A expenses increased $4.5 million in fiscal 2013, net sales during the 2013 fiscal period increased by $5.6 million, contributing to the higher SG&A percentage to net sales of 16.3%.

Other, Net. Other, net in fiscal 2013 was $9.1 million compared to $1.6 million for the same period in fiscal 2012. In fiscal 2013, other, net consisted of $6.9 million related primarily to the consolidation and restructuring of large bearing facilities, $1.6 million of amortization of intangibles, $0.2 million of bad debt expense, $0.2 million related to the disposal of fixed assets and $0.2 million of other miscellaneous costs. In fiscal 2012, other, net consisted of $1.5 million of amortization of intangibles, $0.2 million of bad debt expense and $0.1 million of other costs offset by $0.2 million of other income.

Operating Income.

	FY13	FY12	$ Change	% Change
Plain Bearings	$69.0	$57.9	$ 11.1	19.2 %
Roller Bearings	37.6	41.1	(3.5)	(8.5)%
Ball Bearings	(0.2)	3.5	(3.7)	(105.4)%
Other	9.0	9.0	—	(0.2)%
Corporate	(37.3)	(33.9)	(3.4)	(10.3)%
Total	$78.1	$77.6	$ 0.5	0.6 %

Operating income was $78.1 million, or 19.4% of net sales, in fiscal 2013 compared to $77.6 million, or 19.5% of net sales, in fiscal 2012. The increase of $0.5 million in operating income dollars was driven primarily by approximately $7.9 million in other cost reductions and manufacturing efficiencies, $2.8 million in product mix/pricing and $1.6 million in volume offset by $6.9 million related primarily to the consolidation and restructuring of large bearing facilities, $4.5 million related to higher SG&A expenses and $0.4 million from unfavorable exchange rates across both the diversified industrial and aerospace and defense markets.

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The increase in operating income in one of our four segments was mostly attributable to increased commercial aircraft build rates and the aerospace aftermarket. This increase was offset by slowing activity in mining, oil and gas, heavy construction and general industrial markets, restructuring and consolidation activities, and higher SG&A expenses, primarily driven by higher personnel costs, legal and professional fees, and stock compensation expense.

The Plain Bearings segment achieved an operating income of $69.0 million in fiscal 2013 compared to $57.9 million for the same period last year. This improved contribution resulted from approximately a $5.9 million increase in volume, $2.9 million in cost reduction and manufacturing efficiencies and $2.6 million in product mix/pricing offset by $0.3 million of unfavorable foreign exchange rates. This segment was favorably impacted by commercial aircraft build rates and the aerospace aftermarket offset by slowing activity in mining, oil and gas, heavy construction and general industrial markets.

The Roller Bearings segment achieved an operating income of $37.6 million in fiscal 2013 compared to $41.1 million in fiscal 2012. The decrease of $3.5 million in operating income year over year was mainly the result of approximately $2.4 million of lower volume and $1.4 million of higher costs offset by $0.2 million of favorable product mix/pricing and $0.1 million from favorable exchange rates. This segment was primarily affected by the slowing OEM activity in mining, oil and gas, heavy construction and general industrial markets.

The Ball Bearings segment achieved an operating expense of $0.2 million in fiscal 2013 compared to operating income of $3.5 million for the same period last fiscal year. This segment's performance was unfavorably impacted by approximately $6.9 million of expenses related primarily to the consolidation and restructuring of large bearing facilities and $2.3 million of lower semiconductor and large bearing volume offset by $5.5 million of other cost reductions.

The Other segment achieved operating income of $9.0 million in both fiscal 2013 and 2012, respectively. This performance was favorably impacted by increased volume of approximately $0.5 million offset by $0.2 million of cost increases, $0.2 million of unfavorable exchange rates and by $0.1 million from product mix/pricing.

Interest Expense, Net. Interest expense, net was $0.9 million in fiscal 2013 and $1.0 million in fiscal 2012, respectively.

Other Non-Operating Expense (Income). Other non-operating income was $3.0 million in fiscal 2013 compared to expense of $0.6 million in fiscal 2012. The change of $3.6 million was due to the receipt of a CDSOA distribution payment in the amount of $3.6 million in fiscal 2013.

Income Before Income Taxes. Income before taxes was $80.2 million in fiscal 2013 compared to income before taxes of $76.0 million in fiscal 2012.

Income Taxes. Income tax expense in fiscal 2013 was $23.8 million compared to $26.0 million in fiscal 2012. The effective income tax rate in fiscal 2013 was 29.7% compared to 34.2% in fiscal 2012. In addition to discrete items, the effective income tax rates are different from the U.S. statutory rate due to a special manufacturing deduction in the U.S. and foreign income taxed at lower rates which decrease the rate, and state income taxes and an officers' compensation adjustment which increase the rate. For fiscal 2013, there were discrete items of $4.0 million comprised predominately of the release of certain unrecognized tax benefits associated with federal and state income tax audits closing and statute of limitations expiring. Also for fiscal 2013, on 1/2/2013, in the Company's fourth quarter, the American Taxpayer Relief Act of 2012 retroactively reinstated the research and development tax credit which had previously expired. The benefit of the discrete items, along with the benefit from the reinstatement of the research and development tax credit, have caused a decrease in the Company's fiscal 2013 annual effective income tax rate.

Net Income. Net income was $56.3 million in fiscal 2013 compared to net income of $50.0 million in fiscal 2012.

Liquidity and Capital Resources

Our business is capital intensive. Our capital requirements include manufacturing equipment and materials. In addition, we have historically fueled our growth in part through acquisitions. We have historically met our working capital, capital expenditure requirements and acquisition funding needs through our net cash flows provided by operations, various debt arrangements and sale of equity to investors. We believe that operating cash flows and available credit under the credit facilities will provide adequate resources to fund internal and external growth initiatives for the foreseeable future.

Liquidity

On October 1, 2012, Schaublin purchased the land and building, which it currently occupies and had been leasing, for 14.1 million CHF (approximately $15.0 million). Schaublin obtained a 20 year fixed rate mortgage for 9.3 million CHF (approximately $9.9 million) at an interest rate of 2.9%. The balance of the purchase price of 4.8 million CHF (approximately $5.1 million) was paid from cash on hand. As of March 29, 2014, the balance on this mortgage was 8.6 million CHF, or $9.7 million.

On November 30, 2010, we and RBCA terminated the previous KeyBank Credit Agreement and the related credit, security and ancillary agreements, and entered into a new credit agreement (the "JP Morgan Credit Agreement") and related security and guaranty agreements with certain banks, J.P. Morgan Chase Bank, N.A., as Administrative Agent, and J.P. Morgan Chase Bank, N.A. and KeyBank National Association as Co-Lead Arrangers and Joint Lead Book Runners. The JP Morgan Credit Agreement provides RBCA with a $150.0 million five-year senior secured revolving credit facility which can be increased by up to $100.0 million, in increments of $25.0 million, under certain circumstances and subject to certain conditions (including the receipt from one or more lenders of the additional commitment).

Amounts outstanding under the JP Morgan Credit Agreement generally bear interest at the prime rate, or LIBOR plus a specified margin, depending on the type of borrowing being made. The applicable margin is based on our consolidated ratio of net debt to adjusted EBITDA from time to time. Currently, our margin is 0.5% for prime rate loans and 1.5% for LIBOR rate loans.

The JP Morgan Credit Agreement requires us to comply with various covenants, including among other things, financial covenants to maintain the following: (1) a ratio of consolidated net debt to adjusted EBITDA not to exceed 3.25 to 1; and (2) a consolidated fixed charge coverage ratio not to exceed 1.5 to 1. As of March 29, 2014, we were in compliance with all such covenants.

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

Approximately $4.3 million of the JP Morgan Credit Agreement is being utilized to provide letters of credit to secure RBCA's obligations relating to certain insurance programs. As of March 29, 2014, RBCA had the ability to borrow up to an additional $145.7 million under the JP Morgan Credit Agreement.

On October 27, 2008, Schaublin entered into a new bank credit facility with Credit Suisse which replaced the prior bank credit facility of December 8, 2003 and its amendment of November 8, 2004. This facility provides for up to 4.0 million Swiss francs, or $4.5 million, of revolving credit loans and letters of credit. Borrowings under this facility bear interest at Credit Suisse's prevailing prime bank rate. As of March 29, 2014, there were no borrowings under the Swiss Credit Facility.

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

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

As of March 29, 2014, we had cash and cash equivalents of $121.2 million of which approximately $36.0 million was cash held by our foreign operations. We expect that our undistributed foreign earnings will be re-invested indefinitely for working capital, internal growth and acquisitions for and by our foreign entities.

On May 16, 2014, our Board declared a special cash dividend to shareholders of $2.00 per common share or a total of approximately $46.0 million. The special dividend is payable on June 13, 2014, to shareholders of record on May 30, 2014. The ex-dividend date is May 28, 2014. The Board opted for a special dividend payment, rather than a regular reoccurring dividend, to allow greater flexibility given our pipeline of attractive growth opportunities. The Board will, however, consider the use of additional special cash dividends in the future as circumstances warrant.

Cash Flows

Fiscal 2014 Compared to Fiscal 2013

In the fiscal year ended March 29, 2014, we generated cash of $48.0 million from operating activities compared to $66.3 million for the fiscal year ended March 30, 2013. The decrease of $18.3 million was mainly a result of an increase of $3.9 million in net income and the net of non-cash charges of $1.6 million offset by a change in operating assets and liabilities of $23.8 million. The change in working capital investment was primarily attributable to decreases in collections of accounts receivables of $8.7 million, inventory of $1.5 million, prepaid expenses and other current assets of $3.3 million, other non-current assets of $1.5 million, accounts payable of $3.6 million and accrued expenses and other current liabilities of $10.6 million, offset by an increase in other non-current liabilities of $5.4 million. Inventory turnover for the fiscal year ended March 29, 2014 decreased to 1.7 as compared to 1.8 for the prior fiscal year. The change in accounts receivable of $8.7 million was a function of increased net sales combined with collection activities as days sales outstanding increased to 62 from 60 at the end of fiscal 2014 and fiscal 2013, respectively.

Cash used for investing activities for fiscal 2014 included $28.9 million for capital expenditures, $17.6 million for the acquisition of CMP and TCI and $0.7 million in net proceeds from the purchase and sale of short-term investments offset by $0.1 million of proceeds from the sale of assets.

In fiscal 2014, financing activities provided $3.8 million. This was due to $2.8 million of net proceeds from the exercise of stock options and the repurchase of common stock and $1.5 million in excess tax benefits from stock-based compensation offset by $0.5 million decrease in the revolving credit facility.

Fiscal 2013 Compared to Fiscal 2012

In the fiscal year ended March 30, 2013, we generated cash of $66.3 million from operating activities compared to $45.0 million for the fiscal year ended March 31, 2012. The increase of $21.3 million was mainly a result of an increase of $6.3 million in net income, the net of non-cash charges of $0.6 million and a change in operating assets and liabilities of $14.4 million. The change in working capital investment was primarily attributable to increases in collections of accounts receivable of $15.4 million, accrued expenses and other current liabilities of $4.8 million and accounts payable of $0.2 million offset by an increase in inventory of $1.2 million, prepaid expenses and other current assets of $1.5 million and other non-current assets of $0.1 million and a decrease in other non-current liabilities of $3.2 million. Inventory turnover for the fiscal year ended March 30, 2013 decreased to 1.8 as compared to 2.0 for the prior fiscal year. The change in accounts receivable of $15.4 million was a function of increased net sales combined with strong collection activities as days sales outstanding remained at 60 at the end of fiscal 2013 and fiscal 2012, respectively.

Cash used for investing activities for fiscal 2013 included $42.0 million for capital expenditures, $2.6 million for the acquisition of WPA and $1.3 million in net proceeds from the purchase and sale of short-term investments offset by $0.7 million of proceeds from the sale of assets.

In fiscal 2013, financing activities provided $28.7 million. This was due to $12.2 million of net proceeds from the exercise of stock options and the repurchase of common stock, $9.9 million in net proceeds from a term loan and $7.1 million in excess tax benefits from stock-based compensation offset by $0.5 million of payments on notes payable.

Capital Expenditures

Our capital expenditures in fiscal 2014 were $28.9 million. Capital expenditures in fiscal 2014 included approximately 4.8 million CHF (approximately $5.2 million) for the purchase of land and building in Poland, and $5.1 million for the purchase and renovations of new or existing properties in California, Connecticut, Mexico and South Carolina. We expect to make capital expenditures of approximately $17.0 to $19.0 million during fiscal 2015 in connection with our existing business. We have funded our fiscal 2014 capital expenditures, and expect to fund fiscal 2015 capital expenditures, principally through existing cash and internally generated funds. We may also make substantial additional capital expenditures in connection with acquisitions.

Obligations and Commitments

The contractual obligations presented in the table below represent our estimates of future payments under fixed contractual obligations and commitments. Changes in our business needs, cancellation provisions and interest rates, as well as actions by third parties and other factors, may cause these estimates to change. Because these estimates are necessarily subjective, our actual payments in future periods are likely to vary from those presented in the table. The following table summarizes certain of our contractual obligations and principal and interest payments under our debt instruments and leases as of March 29, 2014:

Contractual Obligations[(1)]	Payments Due By Period Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
	(in thousands)				
Total debt	$10,447	$ 1,274	$1,048	$ 1,048	$ 7,077
Capital lease obligations	105	37	52	16	—
Operating leases	14,090	3,955	5,481	2,483	2,171
Interest on fixed rate debt	2,630	275	504	443	1,408
Pension and postretirement benefits	19,166	1,792	3,788	3,842	9,744
Total contractual cash obligations	$46,438	$ 7,333	$10,873	$ 7,832	$ 20,400

(1) We cannot make a reasonably reliable estimate of when (or if) the unrecognized tax liability of $6.0 million, which includes interest and penalties, will be paid to the respective taxing authorities. These obligations are therefore excluded from the above table.

Quarterly Results of Operations

	Quarter Ended Mar. 29, 2014	Dec. 28, 2013	Sept. 28, 2013	June 29, 2013	Mar. 30, 2013	Dec. 29, 2012	Sept. 29, 2012	June 30, 2012
	(Unaudited) (in thousands, except per share data)							
Net sales	$113,718	$100,546	$101,954	$102,668	$103,006	$96,336	$100,375	$103,334
Gross margin	45,241	38,496	40,591	40,469	40,680	36,276	37,530	38,443
Operating income	25,179	19,657	21,516	22,298	15,753	19,159	21,195	21,994
Net income	$18,203	$12,764	$14,125	$15,116	$10,575	$12,109	$16,494	$17,164
Net income per common share:								
Basic[(1)(2)]	$0.79	$0.56	$0.62	$0.66	$0.46	$0.54	$0.74	$0.78
Diluted[(1)(2)]	$0.78	$0.55	$0.61	$0.65	$0.46	$0.53	$0.73	$0.76

(1) See Part II, Item 8. “Financial Statements and Supplementary Data,” Note 2 “Summary of Significant Accounting Policies-Net Income Per Common Share.”

(2) Net income 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.

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 postretirement 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. In accordance with SEC Staff Accounting Bulletin 101 "Revenue Recognition in Financial Statements as amended by Staff Accounting Bulletin 104,” we recognize revenues principally from the sale of products at the point of passage of title, which is at the time of shipment, except for certain customers for which it occurs when the products reach their destination.

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. Goodwill (representing the excess of the amount paid to acquire a company over the estimated fair value of the net assets acquired) is not amortized but instead is 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 the combination of a present value of future cash flow method and a multiple of EBITDA method. Although no changes are expected as a result of the comparison, 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.

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, accrual for uncertain tax positions and any valuation allowance recognized against net deferred tax assets.

Pension Plan and Postretirement Health Care. We have a noncontributory defined benefit pension plan covering union employees in our Heim division plant in Fairfield, Connecticut, our Bremen subsidiary plant in Plymouth, Indiana and former union employees of our Tyson subsidiary in Glasgow, Kentucky and Nice subsidiary in Kulpsville, Pennsylvania.

Our pension plan 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 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 4.20% at March 31, 2012 to 3.80% at March 30, 2013 and subsequently increased to 4.10% at March 29, 2014. 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 expected long-term rate of return on the assets of our pension plan was 7.75% and 8.25% in fiscal 2014 and fiscal 2013, respectively.

Lowering the discount rate assumption used to determine net periodic pension cost by 1.00% (from 3.80% to 2.80%) would have increased our pension expense for fiscal 2014 by approximately $0.3 million. Increasing the discount rate assumption used to determine net periodic pension cost by 1.00% (from 3.80% to 4.80%) would have decreased our pension expense for fiscal 2014 by approximately $0.3 million.

Lowering the expected long-term rate of return on the assets of our pension plan by 1.00% (from 7.75% to 6.75%) would have increased our pension expense for fiscal 2014 by approximately $0.2 million. Increasing the expected long-term rate of return on the assets of our pension plan by 1.00% (from 7.75% to 8.75%) would have reduced our pension expense for fiscal 2014 by approximately $0.2 million.

Lowering the discount rate assumption used to determine the funded status as of March 29, 2014 by 1.00% (from 4.10% to 3.10%) would have increased the projected benefit obligation of our pension plan by approximately $3.7 million. Increasing the discount rate assumption used to determine the funded status as of March 29, 2014 by 1.00% (from 4.10% to 5.10%) would have reduced the projected benefit obligation of our pension plan by approximately $3.0 million.

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 long-term target allocation of plan assets is 70% equity and 30% fixed income investments.

Stock-Based Compensation. The Company recognizes compensation cost relating to all share-based payment transactions in the financial statements based upon the grant-date fair value of the instruments issued over the requisite service period.

The fair value for our options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Fiscal Year Ended					
	March 29, 2014		March 30, 2013		March 31, 2012	
Dividend yield	0.0	%	0.0	%	0.0	%
Expected weighted-average life (yrs.)	4.8		4.8		4.8	
Risk-free interest rate	1.04	%	0.68	%	0.98	%
Expected volatility	45.2	%	47.8	%	47.6	%

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because our options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of our options.

Derivative Instruments. We recognize all derivatives on the balance sheet at fair value. We utilize forward contracts and average rate options to mitigate the impact of currency fluctuations on monetary assets and liabilities denominated in currencies other than the applicable functional currency as well as on forecasted transactions denominated in currencies other than the applicable functional currency. These are considered derivative instruments and are recorded as either assets or liabilities which are measured at fair value using models based on observable market inputs such as spot and forward rates and are classified as Level 2 on the valuation hierarchy. For instruments that are designated and qualify as cash flow hedges, the unrealized gains or losses are reported as a component of other comprehensive income ("OCI") and are reclassified from accumulated other comprehensive income ("AOCI") into earnings on the consolidated statement of operations when the hedged transaction affects earnings.

Impact of Inflation, Changes in Prices of Raw Materials and Interest Rate Fluctuations

To date, inflation in the economy as a whole has not significantly affected our operations. However, we purchase steel at market prices, which fluctuate as a result of supply and demand in the marketplace. To date, we have generally been able to pass through these price increases through price increases on our products, the assessment of steel surcharges on our customers or entry into long-term agreements with our customers which often contain escalator provisions tied to our invoiced price of steel. However, even if we are able to pass these steel surcharges or price increases to our customers, there may be a time lag of up to 3 months or more between the time a price 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 offset these cost increases by changing our buying patterns, expanding our vendor network and passing through price increases. The overall impact on costs for the year was immaterial.

Competitive pressures and the terms of certain of our long-term contracts may require us to absorb at least part of these cost increases, particularly during periods of high inflation. Our principal raw material is 440c and 52100 wire and rod steel (types of stainless and chrome steel), which has historically been readily available. We have never experienced a work stoppage due to a supply shortage. We maintain multiple sources for raw materials including steel and have various supplier agreements. Through sole-source arrangements, supplier agreements and pricing, we have been able to minimize our exposure to fluctuations in raw material prices.

Our suppliers and sources of raw materials are based in the U.S., Europe and Asia. We believe that our sources are adequate for our needs in the foreseeable future, that there exist alternative suppliers for our raw materials and that in most cases readily available alternative materials can be used for most of our raw materials.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks, which arise during the normal course of business from changes in interest rates and foreign currency exchange rates.

Interest Rates. We currently have no debt outstanding under the credit agreement. If we do incur debt in the future, we would evaluate the impact of interest rate changes on our net income and cash flow and take appropriate action to limit our exposure.

Foreign Currency Exchange Rates. As a result of our operations in Europe, we are exposed to risk associated with fluctuating currency exchange rates between the U.S. dollar, the Euro, the Swiss Franc, the Polish Zloty and the British Pound Sterling. Our Swiss operations utilize the Swiss Franc as the functional currency, our French operations utilize the Euro as the functional currency, our Polish operations utilize the Polish Zloty as the functional currency and our English operations utilize the British Pound Sterling as the functional currency. Foreign currency transaction gains and losses are included in earnings. Approximately 14% of our net sales were impacted by foreign currency fluctuations in fiscal 2014 compared to approximately 12% of our net sales in fiscal 2013. 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. 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. We periodically enter into derivative financial instruments in the form of forward exchange contracts to reduce the effect of fluctuations in exchange rates on certain third-party sales transactions denominated in non-functional currencies. Based on the accounting guidance related to derivatives and hedging activities, we record derivative financial instruments at fair value. For derivative financial instruments designated and qualifying as cash flow hedges, the effective portion of the gain or loss on these hedges is reported as a component of accumulated other comprehensive income ("AOCI"), and is reclassified into earnings when the hedged transaction affects earnings. As of March 29, 2014, we had no derivatives.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To The Board of Directors and Stockholders of RBC Bearings Incorporated

We have audited the accompanying consolidated balance sheets of RBC Bearings Incorporated as of March 29, 2014 and March 30, 2013, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended March 29, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of RBC Bearings Incorporated at March 29, 2014 and March 30, 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 29, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), RBC Bearings Incorporated's internal control over financial reporting as of March 29, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) and our report dated May 28, 2014 expressed an unqualified opinion thereon.

/s/Ernst & Young LLP

Hartford, Connecticut

May 28, 2014

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RBC Bearings Incorporated

Consolidated Balance Sheets

(dollars in thousands, except share and per share data)

	March 29, 2014	March 30, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 121,207	$ 114,480
Short-term investments	2,419	1,298
Accounts receivable, net of allowance for doubtful accounts of $1,060 in 2014 and $1,719 in 2013	75,642	68,943
Inventory	198,021	174,585
Deferred income taxes	12,611	9,864
Prepaid expenses and other current assets	7,645	4,351
Total current assets	417,545	373,521
Property, plant and equipment, net	137,154	116,118
Goodwill	43,452	34,713
Intangible assets, net of accumulated amortization of $12,821 in 2014 and $10,783 in 2013	14,617	11,158
Other assets	8,225	6,932
Total assets	$ 620,993	$ 542,442

See accompanying notes.

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RBC Bearings Incorporated

Consolidated Balance Sheets (continued)

(dollars in thousands, except share and per share data)

	March 29, 2014	March 30, 2013
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 24,326	$ 25,259
Accrued expenses and other current liabilities	17,220	20,069
Current portion of long-term debt	1,274	1,240
Total current liabilities	42,820	46,568
Long-term debt, less current portion	9,173	9,060
Deferred income taxes	9,779	4,236
Other non-current liabilities	20,769	20,383
Total liabilities	82,541	80,247
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Preferred stock, $.01 par value; authorized shares: 10,000,000 in 2014 and 2013; none issued and outstanding	—	—
Common stock, $.01 par value; authorized shares: 60,000,000 in 2014 and 2013; issued and outstanding shares: 23,524,028 in 2014 and 23,277,928 in 2013	235	233
Additional paid-in capital	246,152	234,151
Accumulated other comprehensive income	2,365	(3,469)
Retained earnings	301,942	241,734
Treasury stock, at cost, 317,817 shares in 2014 and 289,234 shares in 2013	(12,242)	(10,454)
Total stockholders' equity	538,452	462,195
Total liabilities and stockholders' equity	$ 620,993	$ 542,442

See accompanying notes.

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RBC Bearings Incorporated

Consolidated Statements of Operations

(dollars in thousands, except share and per share data)

	Fiscal Year Ended		
	March 29, 2014	March 30, 2013	March 31, 2012
Net sales	$418,886	$403,051	$397,511
Cost of sales	254,089	250,122	256,931
Gross margin	164,797	152,929	140,580
Operating expenses:			
Selling, general and administrative	71,969	65,751	61,303
Other, net	4,178	9,077	1,629
Total operating expenses	76,147	74,828	62,932
Operating income	88,650	78,101	77,648
Interest expense, net	1,019	868	1,045
Other non-operating expense (income)	(122)	(2,955)	624
Income before income taxes	87,753	80,188	75,979
Provision for income taxes	27,545	23,846	25,982
Net income	$60,208	$56,342	$49,997
Net income per common share:			
Basic	$2.63	$2.52	$2.28
Diluted	$2.59	$2.47	$2.23
Weighted average common shares:			
Basic	22,874,842	22,401,068	21,880,554
Diluted	23,244,241	22,810,793	22,390,914

See accompanying notes.

RBC Bearings Incorporated

Consolidated Statements of Comprehensive Income

(dollars in thousands)

	Fiscal Year Ended		
	March 29, 2014	March 30, 2013	March 31, 2012
Net income	$60,208	$ 56,342	$ 49,997
Pension and postretirement liability adjustments, net of taxes	982	(707)	(1,692)
Change in fair value of derivatives, net of taxes	—	14	137
Change in unrealized loss on investments, net of taxes	131	129	(68)
Foreign currency translation adjustments	4,721	(3,974)	312
Total comprehensive income	$66,042	$ 51,804	$ 48,686

See accompanying notes.

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RBC Bearings Incorporated

Consolidated Statements of Stockholders' Equity

(dollars in thousands)

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Retained Earnings (Accumulated	Treasury Stock		Total Stockholders'
	Shares	Amount	Capital	Income/(Loss)	Deficit)	Shares	Amount	Equity
Balance at April 2, 2011	22,092,011	$ 221	$ 197,644	$ 2,380	$ 135,395	(186,658)	$ (5,573)	$ 330,067
Net income	—	—	—	—	49,997	—	—	49,997
Stock-based compensation	—	—	4,121	—	—	—	—	4,121
Exercise of equity awards	123,684	2	2,811	—	—	(15,613)	(629)	2,184
Change in net prior service cost and actuarial losses, net of tax benefit of $1,047	—	—	—	(1,692)	—	—	—	(1,692)
Issuance of restricted stock	111,600	—	—	—	—	—	—	—
Change in fair value of derivatives, net of taxes of $88	—	—	—	137	—	—	—	137
Income tax benefit on exercise of non-qualified common stock options	—	—	757	—	—	—	—	757
Unrealized loss on investments, net of tax benefit of $41	—	—	—	(68)	—	—	—	(68)
Currency translation adjustments, net of taxes of $6	—	—	—	312	—	—	—	312
Balance at March 31, 2012	22,327,295	223	205,333	1,069	185,392	(202,271)	(6,202)	385,815
Net income	—	—	—	—	56,342	—	—	56,342
	—	—	5,288	—	—	—	—	5,288

Stock-based compensation								
Exercise of equity awards	829,783	10	16,406	—	—	(86,963)	(4,252)	12,164
Change in net prior service cost and actuarial losses, net of tax benefit of $358	—	—	—	(707)	—	—	—	(707)
Issuance of restricted stock	120,850	—	—	—	—	—	—	—
Change in fair value of derivatives, net of taxes of $8	—	—	—	14	—	—	—	14
Income tax benefit on exercise of non-qualified common stock options	—	—	7,124	—	—	—	—	7,124
Unrealized gain on investments, net of taxes of $86	—	—	—	129	—	—	—	129
Currency translation adjustments, net of tax benefit of $10	—	—	—	(3,974)	—	—	—	(3,974)
Balance at March 30, 2013	23,277,928	233	234,151	(3,469)	241,734	(289,234)	(10,454)	462,195
Net income	—	—	—	—	60,208	—	—	60,208
Stock-based compensation	—	—	5,833	—	—	—	—	5,833
Exercise of equity awards	184,000	2	4,606	—	—	(28,583)	(1,788)	2,820
Change in net prior service cost and actuarial losses, net of taxes of $141	—	—	—	982	—	—	—	982
Issuance of restricted stock	62,100	—	—	—	—	—	—	—
Income tax benefit on exercise of non-qualified common stock options	—	—	1,562	—	—	—	—	1,562
Unrealized gain on investments, net of taxes of $87	—	—	—	131	—	—	—	131
Currency translation adjustments, net of tax benefit of $13	—	—	—	4,721	—	—	—	4,721
Balance at March 29, 2014	23,524,028	$ 235	$246,152	$ 2,365	$ 301,942	(317,817)	$ (12,242)	$ 538,452

See accompanying notes.

RBC Bearings Incorporated

Consolidated Statements of Cash Flows

(dollars in thousands)

	Fiscal Year Ended		
	March 29, 2014	March 30, 2013	March 31, 2012
Cash flows from operating activities:			
Net income	$60,208	$56,342	$49,997
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	13,063	13,166	12,699
Excess tax benefits from stock-based compensation	(1,562)	(7,124)	(757)
Deferred income taxes	364	(906)	(119)
Amortization of intangible assets	1,924	1,553	1,491
Amortization of deferred financing costs	325	325	325
Stock-based compensation	5,833	5,288	4,121
(Gain) loss on disposition of assets	(31)	6,301	(10)
Gain on acquisition	—	(327)	—
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(5,990)	2,696	(12,434)
Inventory	(17,024)	(15,527)	(14,293)
Prepaid expenses and other current assets	(3,450)	(174)	1,065
Other non-current assets	(3,418)	(1,934)	(1,815)
Accounts payable	(2,986)	607	413
Accrued expenses and other current liabilities	(2,321)	8,333	3,481
Other non-current liabilities	3,040	(2,357)	865
Net cash provided by operating activities	47,975	66,262	45,029
Cash flows from investing activities:			
Purchase of property, plant and equipment	(28,920)	(42,017)	(17,841)
Purchase of short-term investments	(729)	(1,791)	—
Proceeds from sale or maturities of short-term investments	—	493	3,883
Acquisition of businesses, net of cash acquired	(17,568)	(2,628)	—
Proceeds from sale of assets	100	763	297
Net cash used in investing activities	(47,117)	(45,180)	(13,661)
Cash flows from financing activities:			
Net decrease in revolving credit facility	—	—	(30,000)
Proceeds from notes payable	—	9,892	(255)
Payments of notes payable	(505)	(538)	—

Repurchase of common stock	(1,788)	(4,252)	(629)
Exercise of stock options	4,608	16,416	2,813
Excess tax benefits from stock-based compensation	1,562	7,124	757
Other, net	(93)	11	(72)
Net cash provided by (used in) financing activities	3,784	28,653	(27,386)
Effect of exchange rate changes on cash	2,085	(3,876)	664
Cash and cash equivalents:			
Increase during the year	6,727	45,859	4,646
Cash, at beginning of year	114,480	68,621	63,975
Cash, at end of year	$121,207	$114,480	$68,621

See accompanying notes.

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RBC Bearings Incorporated

Notes to Consolidated Financial Statements

(dollars in thousands, except share and per share data)

1. Organization and Business

RBC Bearings Incorporated (the "Company", collectively with its subsidiaries), is a Delaware corporation. The Company operates in four reportable business segments—roller bearings, plain bearings, ball bearings, other and corporate—in which it manufactures roller bearing components and assembled parts and designs and manufactures high-precision roller and ball bearings. The Company sells to a wide variety of original equipment manufacturers ("OEMs") and distributors who are widely dispersed geographically. In fiscal 2014, no one customer accounted for more than 7% of the Company's net sales as compared to no more than 6% and 8% of the Company's net sales in fiscal 2013 and 2012, respectively. The Company's segments are further discussed in Part II, Item 8. "Financial Statements and Supplemental Data," Note 19 "Reportable Segments."

2. Summary of Significant Accounting Policies

General

The consolidated financial statements include the accounts of RBC Bearings Incorporated, Roller Bearing Company of America, Inc. ("RBCA") and its wholly-owned subsidiaries, Industrial Tectonics Bearings Corporation ("ITB"), RBC Linear Precision Products, Inc. ("LPP"), RBC Nice Bearings, Inc. ("Nice"), RBC Precision Products - Bremen, Inc. ("Bremen (MBC)"), RBC Precision Products - Plymouth, Inc. ("Plymouth"), RBC Lubron Bearing Systems, Inc. ("Lubron"), Schaublin Holdings S.A. and its wholly-owned subsidiaries ("Schaublin"), RBC de Mexico S DE RL DE CV ("Mexico"), RBC Oklahoma, Inc. ("RBC Oklahoma"), RBC Aircraft Products, Inc. ("API"), Shanghai Representative office of Roller Bearing Company of America, Inc. ("RBC Shanghai"), RBC Southwest Products, Inc. ("SWP"), All Power Manufacturing Co. ("All Power"), RBC Bearings U.K. Limited and its wholly-owned subsidiary Phoenix Bearings Limited ("Phoenix"), RBC CBS Coastal Bearing Services LLC ("CBS"), RBC Aerostructures ("RAS"), Western Precision Aero LLC ("WPA"), Climax Metal Products Company ("CMP") and RBC Turbine Components LLC ("TCI"), as well as its Transport Dynamics ("TDC"), Heim ("Heim"), Engineered Components ("ECD"), RBC Aerocomponents ("RAC") and PIC Design ("PIC Design") divisions of RBCA. U.S. Bearings ("USB") is a division of SWP and Schaublin USA is a division of Nice. All intercompany balances and transactions have been eliminated in consolidation.

The Company has a fiscal year consisting of 52 or 53 weeks, ending on the Saturday closest to March 31. Based on this policy, fiscal years 2014, 2013, and 2012 contained 52 weeks. The amounts are shown in thousands, unless otherwise indicated.

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations. The Company has concluded that it was appropriate to classify certain accounts receivables as other current assets. Accordingly, the Company had revised the classification to report these receivables under the prepaid expenses and other current assets caption on the Consolidated Balance Sheet. Corresponding reclassifications have also been made to the Consolidated Statement of Cash Flows to reflect the reclassification and this change in classification does not affect previously reported cash flows from operations, and had no effect on the previously reported Consolidated Statement of Operations for any period.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used for, but not limited to, the accounting for the allowance for doubtful accounts, valuation of inventories, accrued expenses, depreciation and amortization, income taxes and tax reserves, pension and postretirement obligations and the valuation of options.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains its cash accounts primarily with Bank of America, N.A. The balances are insured by the Federal Deposit Insurance Company up to $250. The Company has not experienced any losses in such accounts.

Inventory

Inventories are stated at the lower of cost or market value. Cost is principally determined by the first-in, first-out method. The Company accounts for inventory under a full absorption method, and records 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.

Shipping and Handling

The sales price billed to customers includes shipping and handling, which is included in net sales. The costs to the Company for shipping and handling are included in cost of sales.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation and amortization of property, plant and equipment, including equipment under capital leases, is provided for by the straight-line method over the estimated useful lives of the respective assets or the lease term, if shorter. Depreciation of assets under capital leases is reported within depreciation and amortization. The cost of equipment under capital leases is equal to the lower of the net present value of the minimum lease payments or the fair market value of the leased equipment at the inception of the lease. Expenditures for normal maintenance and repairs are charged to expense as incurred.

The estimated useful lives of the Company's property, plant and equipment follows:

Buildings and improvements	20-30 years
Machinery and equipment	3-15 years
Leasehold improvements	Shorter of the term of lease or estimated useful life

Recognition of Revenue and Accounts Receivable and Concentration of Credit Risk

The Company recognizes revenue only after the following four basic criteria are met:

- 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
- Collectability is reasonably assured.

Revenue is recognized upon the passage of title, which generally is at the time of shipment, except for certain customers for which it occurs when the products reach their destination. Accounts receivable, net of applicable allowances, is recorded when revenue is recorded.

The Company sells to a large number of OEMs and distributors who service the aftermarket. The Company's credit risk associated with accounts receivable is minimized due to its customer base and wide geographic dispersion. The Company performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral or charge interest on outstanding amounts. The Company had no concentrations of credit risk with any one customer greater than 5% and 4% of accounts receivables at March 29, 2014 and March 30, 2013, respectively.

Short-Term Investments

Short-term investments include equity and fixed-income securities and are measured at fair value by using quoted prices in active markets and are classified as Level 1 of the valuation hierarchy.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company reviews the collectability of its receivables on an ongoing basis taking into account a combination of factors. The Company reviews potential problems, such as past due accounts, a bankruptcy filing or deterioration in the customer's financial condition, to ensure the Company is adequately accrued for potential loss. Accounts are considered past due based on when payment was originally due. If a customer's situation changes, such as a bankruptcy or creditworthiness, or there is a change in the current economic climate, the Company may modify its estimate of the allowance for doubtful accounts. The Company will write-off accounts receivable after reasonable collection efforts have been made and the accounts are deemed uncollectible.

Goodwill

Goodwill (representing the excess of the amount paid to acquire a company over the estimated fair value of the net assets acquired) is not amortized but instead is tested for impairment annually, 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, the Company determines the fair value of a reporting unit and compares it to its 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 the Company’s reporting units is calculated by comparing the combination of the net present value of future cash flows method (Level 3 inputs) and a market approach method to the reporting units' carrying value. The Company utilizes discount rates determined by management to be similar with the level of risk in its current business model. The Company performs the annual impairment testing during the fourth quarter of each fiscal year and has determined that, to date, no impairment of goodwill exists and fair value of the reporting units exceeded the carrying value substantially. Although no changes are expected, if the actual results of the Company are less favorable than the assumptions the Company makes regarding estimated cash flows, the Company may be required to record an impairment charge in the future.

Deferred Financing Costs

Deferred financing costs are amortized by the effective interest method over the lives of the related credit agreements.

Derivative Financial Instruments

The Company utilizes forward contracts and average rate options to mitigate the impact of currency fluctuations on monetary assets and liabilities denominated in currencies other than the applicable functional currency as well as on forecasted transactions denominated in currencies other than the applicable functional currency. The Company does not engage in other uses of these financial instruments. For a financial instrument to qualify as a hedge, the Company must be exposed to interest rate or price risk, and the financial instrument must reduce the exposure and be designated as a hedge. Financial instruments qualifying for hedge accounting must maintain a high correlation between the hedging instrument and the item being hedged, both at inception and throughout the hedged period. The Company measures the effectiveness of the hedging relationship at the inception of the hedge and quarterly at a minimum.

If derivative financial instruments qualify as fair value hedges, the gain or loss on the instrument and the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings during the period of the change in fair values. For derivative financial instruments that qualify as cash flow hedges (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of a cash flow hedge, if any, is determined based on the dollar-offset method (i.e., the gain or loss on the derivative financial instrument in excess of the cumulative change in the present value of future cash flows of the hedged item) and is recognized in current earnings during the period of change. As long as hedge effectiveness is maintained, interest rate swap arrangements and foreign currency exchange agreements qualify for hedge accounting as cash flow hedges.

All derivatives are recorded in the consolidated balance sheets at their fair values. Changes in fair values of derivatives are recorded in each period in comprehensive income, since the derivative is designated and qualifies as a cash flow hedge. As of March 29, 2014, the Company held no derivatives.

Income Taxes

The Company accounts for income taxes using the liability method, which requires it to recognize a current tax liability or asset for current taxes payable or refundable and a deferred tax liability or asset for the estimated future tax effects of temporary differences between the financial statement and tax reporting bases of assets and liabilities to the extent that they are realizable. Deferred tax expense (benefit) results from the net change in deferred tax assets and liabilities during the year. A valuation allowance is recorded to reduce deferred tax assets to the amount that is more likely than not to be realized.

Temporary differences relate primarily to the timing of deductions for depreciation, goodwill amortization relating to the acquisition of operating divisions, basis differences arising from acquisition accounting, pension and retirement benefits, and various accrued and prepaid expenses. Deferred tax assets and liabilities are recorded at the rates expected to be in effect when the temporary differences are expected to reverse.

Net Income Per Common Share

Basic net income per common share is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding.

Diluted net income per common share is computed by dividing net income by the sum of the weighted-average number of common shares and dilutive common share equivalents then outstanding using the treasury stock method. Common share equivalents consist of the incremental common shares issuable upon the exercise of stock options.

The table below reflects the calculation of weighted-average shares outstanding for each year presented as well as the computation of basic and diluted net income per common share:

	Fiscal Year Ended		
	March 29, 2014	March 30, 2013	March 31, 2012
Net income	$60,208	$56,342	$49,997
Denominator:			
Denominator for basic net income per common share—weighted-average shares	22,874,842	22,401,068	21,880,554
Effect of dilution due to employee stock options	369,399	409,725	510,360
Denominator for diluted net income per common share—adjusted weighted-average shares	23,244,241	22,810,793	22,390,914
Basic net income per common share	$2.63	$2.52	$2.28
Diluted net income per common share	$2.59	$2.47	$2.23

At March 29, 2014, 193,500 employee stock options and no restricted shares have been excluded from the calculation of diluted earnings per share. At March 30, 2013, 207,700 employee stock options and 300 restricted shares have been excluded from the calculation of diluted earnings per share. At March 31, 2012, 200,900 employee stock options and 700 restricted shares have been excluded from the calculation of diluted earnings per share. The inclusion of these employee stock options and restricted shares would be anti-dilutive.

Impairment of Long-Lived Assets

The Company assesses the net realizable value of its long-lived assets and evaluates such assets for impairment whenever indicators of impairment are present. For amortizable long-lived assets to be held and used, if indicators of impairment are present, management determines whether the sum of the estimated undiscounted future cash flows is less than the carrying amount. The amount of asset impairment, if any, is based on the excess of the carrying amount over its fair value, which is estimated based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds. To date, no indicators of impairment exist other than those resulting in the restructuring charges already recorded.

Long-lived assets to be disposed of by sale or other means are reported at the lower of carrying amount or fair value, less costs to sell.

Foreign Currency Translation and Transactions

Assets and liabilities of the Company's foreign operations are translated into U.S. dollars using the exchange rate in effect at the balance sheet date. Results of operations are translated using the average exchange rate prevailing throughout the period. The effects of exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are included in accumulated other comprehensive income (loss), while gains and losses resulting from foreign currency transactions, which were not material for any of the fiscal years presented, are included in other non-operating expense (income). Net income of the Company's foreign operations for fiscal 2014, 2013 and 2012 amounted to $10,045, $6,099, and $7,778, respectively. Net assets of the Company's foreign operations were $106,553 and $87,624 at March 29, 2014 and March 30, 2013, respectively.

Fair Value of Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Inputs used to measure fair value are within a hierarchy consisting of three levels. Level 1 inputs represent unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 inputs represent unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability. Level 3 inputs represent unobservable inputs for the asset or liability. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities that are measured on a recurring basis in fiscal 2013 and 2012 consist of the Company’s forward contracts and average rate options. The Company has measured the fair value of these forward contracts and average rate options using observable market inputs such as spot and forward rates (as provided by the financial institution with which these instruments has been executed). Based on these inputs, these instruments are classified as Level 2 of the valuation hierarchy. As of March 29, 2014, the Company held no forward contracts or average rate options.

The carrying amounts reported in the balance sheet for cash and cash equivalents, short-term investments, accounts receivable, prepaids and other current assets, and accounts payable and accruals, and other current liabilities approximate their fair value due to their short-term nature.

The carrying amounts of the Company's borrowings under its JP Morgan Credit Agreement and Swiss Credit Facility approximate fair value, as these obligations have interest rates which vary in conjunction with current market conditions. The carrying value of the mortgage on our Schaublin building approximates fair value as the rates since entering into the mortgage in fiscal 2013 have not changed.

Accumulated Other Comprehensive Income (Loss)

The components of comprehensive income (loss) that relate to the Company are net income, foreign currency translation adjustments and pension plan and postretirement benefits, all of which are presented in the consolidated statements of stockholders' equity and comprehensive income (loss).

The following summarizes the activity within each component of accumulated other comprehensive income (loss), net of taxes:

	Currency Translation	Pension and Postretirement Liability	Investments	Total
Balance at March 30, 2013	$ 4,116	$ (7,714)	$ 129	$ (3,469)
Other comprehensive income before reclassifications	4,721	552	131	5,404
Amounts reclassified from accumulated other comprehensive income (loss)	—	430	—	430
Net current period other comprehensive income	4,721	982	131	5,834
Balance at March 29, 2014	$ 8,837	$ (6,732)	$ 260	$ 2,365

Stock-Based Compensation

The Company recognizes compensation cost relating to all share-based payment transactions in the financial statements based upon the grant-date fair value of the instruments issued over the requisite service period. The fair value of each option grant was estimated on the date of grant using the Black-Scholes pricing model.

Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-11, "Income Taxes (Topic 740) - Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." This ASU requires that companies net their unrecognized tax benefits against all same-jurisdiction net operating losses or tax credits carryforwards that would be used to settle the position with a tax authority. This standard is effective for all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists for fiscal years, and interim periods beginning after December 15, 2013. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

3. Acquisitions and Dispositions

On October 7, 2013, the Company acquired the net assets of Turbine Components Inc. ("TCI") for approximately $3,925. Located in San Diego, California, TCI is an FAA certified aircraft gas turbine repair station and manufacturer of precision components for aerospace markets. TCI's net sales for the last calendar year were approximately $4,000. The purchase price allocation is as follows: accounts receivable ($585), inventory ($125), fixed assets ($1,231), goodwill ($2,821), intangible assets ($441), other non-current assets ($127), other current liabilities ($641), and noncurrent liabilities ($766). The purchase price allocation, which resulted in goodwill of $2,821, is deductible for tax purposes. TCI is included in the Plain Bearings segment. In connection with the acquisition the Company agreed to a contract for additional contingent consideration that is dependent on the outcome of future events. The contingent consideration is based on a market valuation formula and will be payable five years from the acquisition date. The current fair value of the contingent consideration is determined to be $766. Proforma net sales and net income inclusive of TCI are not materially different from the amounts reported in the accompanying consolidated statements of operations.

On August 16, 2013, the Company acquired Climax Metal Products Company ("CMP") located in Mentor, Ohio for $13,646. The purchase price included $10,672 in cash and $2,974 of debt. CMP is a manufacturer of precision shaft collars, rigid couplings, keyless locking devices, and bearings for the industrial markets. CMP's net sales for the last calendar year were approximately $14,100. The purchase price allocation is as follows: accounts receivable ($1,206), inventory ($4,509), other current assets ($73), fixed assets ($2,466), goodwill ($5,623), intangible assets ($3,904), other non-current assets ($10), other current liabilities ($2,171), and noncurrent liabilities ($1,974). The purchase price allocation, which resulted in goodwill of $5,623, is not deductible for tax purposes. CMP is included in the Ball Bearings segment. Proforma net sales and net income inclusive of CMP are not materially different from the amounts reported in the accompanying consolidated statements of operations.

On March 1, 2013, RBCA and SWP acquired Western Precision Aero LLC ("WPA"), a manufacturer of precision components and gears for the aerospace and industrial markets located in Garden Grove, California for $2,628. The purchase price included $1,408 in cash and $1,220 of debt. The purchase price allocation is as follows: accounts receivable ($646), inventory ($1,369), other current assets ($66), fixed assets ($1,290), intangible assets ($645), other non-current assets ($24), other current liabilities ($1,085) and a gain on acquisition ($327). The Company believes that it was able to acquire WPA for less than the fair value of its assets because of (i) the Company's unique position as a market leader in the aerospace and industrial bearing market and (ii) the seller's distressed operations. This addition expands the Company's offering to customers and expands its portfolio into the aerospace and industrial markets. WPA is included in the Plain Bearings segment.

4. Short-term Investments

Short-term investments include equity and fixed-income securities and are measured at fair value by using quoted prices in active markets and are classified as Level 1 of the valuation hierarchy. The amortized cost basis approximates fair value due to their short-term maturities.

5. Allowance for Doubtful Accounts

The activity in the allowance for doubtful accounts consists of the following:

Fiscal Year Ended	Balance at Beginning of Year	Additions	Other*	Write-offs	Balance at End of Year
March 29, 2014	$ 1,719	$ 297	$ 105	$ (1,061)	$ 1,060
March 30, 2013	1,816	444	240	(781)	$ 1,719
March 31, 2012	1,490	473	10	(157)	1,816

*Foreign currency and acquisition transactions.

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6. Inventory

Inventories are summarized below:

	March 29, 2014	March 30, 2013
Raw materials	$ 18,001	$ 16,966
Work in process	46,134	41,882
Finished goods	133,886	115,737
	$ 198,021	$ 174,585

7. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	March 29, 2014	March 30, 2013
Land	$ 14,543	$ 13,755
Buildings and improvements	68,941	54,685
Machinery and equipment	177,592	158,752
	261,076	227,192
Less: accumulated depreciation and amortization	123,922	111,074
	$ 137,154	$ 116,118

8. Restructuring of Operations

In the fourth quarter of fiscal 2013, the Company reached a decision to consolidate and restructure its large bearing manufacturing facilities and capacity. This decision was based on the Company's intent to better align manufacturing abilities and product development. The consolidation of the Texas facility into the South Carolina operation will strengthen and bring critical engineering and manufacturing mass to the large bearing product line. The consolidation and restructuring includes: (1) consolidation of the machinery and equipment from Texas into South Carolina resulting in a certain portion being impaired and the remaining portion used to service the large bearing product offering; (2) sale or lease of the Texas building; and (3) a reduction in workforce in Texas due to the realignment. The majority of the expense associated with the consolidation and restructuring was incurred in fiscal 2013 and with continued effort to sell the equipment and sell or lease the building incurred in fiscal 2014 and to be completed in fiscal 2015. As a result, the Company recorded a pre-tax charge of $6,738 under operating expenses in the Other, net category of the income statement for fiscal 2013 associated with this consolidation and restructuring. This charge included $466 in employee related costs, $100 in moving and relocation costs and $6,172 impairment to fair value of certain equipment used in the manufacturing of large bearings all attributable to the Ball Bearings segment. The Company determined that the market approach was the most appropriate method to estimate the fair value for the equipment and building using comparable sales data and actual quotes from potential buyers in the market place. These assets continue to be classified in fixed assets on the March 29, 2014 balance sheet. The Company incurred period costs of $1,787 in fiscal 2014, bringing the total incurred due to the restructuring and consolidation to $8,525. The Company will continue to incur operational costs such as depreciation, utilities and maintenance until the building is sold or leased.

9. Goodwill and Amortizable Intangible Assets

Goodwill

Goodwill balances, by segment, consist of the following:

	Roller	Plain	Ball	Other	Total
March 30, 2013	$15,684	$17,190	$671	$1,168	$34,713
Acquisitions	—	2,821	5,623	—	8,444
Other	336	630	(671)	—	295
March 29, 2014	$16,020	$20,641	$5,623	$1,168	$43,452

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Intangible Assets

	Weighted Average Useful Lives	March 29, 2014		March 30, 2013	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Product approvals	15	$6,266	$ 3,099	$6,077	$ 2,607
Customer relationships and lists	13	9,417	4,018	5,999	3,429
Trade names	13	2,230	1,237	1,380	1,102
Distributor agreements	5	722	722	722	722
Patents and trademarks	15	7,077	2,422	6,168	1,866
Domain names	10	437	255	437	211
Other	4	1,289	1,068	1,158	846
Total		$27,438	$ 12,821	$21,941	$ 10,783

Amortization expense for definite-lived intangible assets during fiscal year 2014, 2013 and 2012 was $1,924, $1,553, and $1,491, respectively. Estimated amortization expense for the five succeeding fiscal years and thereafter is as follows:

2015	$1,970
2016	1,943
2017	1,833
2018	1,711
2019	1,489
2020 and thereafter	5,671

10. Accrued Expenses and Other Current Liabilities

The significant components of accrued expenses and other current liabilities are as follows:

	March 29, 2014	March 30, 2013
Employee compensation and related benefits	$ 8,124	$ 7,594
Taxes	3,778	4,285
Insurance	1,523	1,456
Other	3,795	6,734
	$ 17,220	$ 20,069

11. Debt

On October 1, 2012, Schaublin purchased the land and building, which it occupied and had been leasing, for 14,067 CHF (approximately $14,910). Schaublin obtained a 20 year fixed rate mortgage of 9,300 CHF (approximately $9,857) at an interest rate of 2.9%. The balance of the purchase price of 4,767 CHF (approximately $5,053) was paid from cash on hand. The balance on this mortgage as of March 29, 2014 was 8,603 CHF, or $9,697.

On November 30, 2010, the Company and RBCA terminated the previous credit agreement and the related credit, security and ancillary agreements, and entered into a new credit agreement (the "JP Morgan Credit Agreement") and related security and guaranty agreements with certain banks, J.P. Morgan Chase Bank, N.A., as Administrative Agent, and J.P. Morgan Chase Bank, N.A. and KeyBank National Association as Co-Lead Arrangers and Joint Lead Book Runners. The JP Morgan Credit Agreement provides RBCA, as borrower, with a $150,000 five-year senior secured revolving credit facility which can be increased by up to $100,000, in increments of $25,000, under certain circumstances and subject to certain conditions (including the receipt from one or more lenders of the additional commitment).

Amounts outstanding under the JP Morgan Credit Agreement generally bear interest at the prime rate or LIBOR plus a specified margin, depending on the type of borrowing being made. The applicable margin is based upon the Company's consolidated ratio of net debt to adjusted EBITDA from time to time. As of March 29, 2014, the Company's margin was 0.5% for prime rate loans and 1.5% for LIBOR rate loans.

The JP Morgan Credit Agreement requires the Company to comply with various covenants, including among other things, financial covenants to maintain the following: (1) a ratio of consolidated net debt to adjusted EBITDA not to exceed 3.25 to 1; and (2) a consolidated fixed charge coverage ratio not to exceed 1.5 to 1. The credit agreement allows the Company to, among other things, make distributions to shareholders, repurchase its stock, incur other debt or liens, or acquire or dispose of assets provided that the Company complies with certain requirements and limitations of the agreement. As of March 29, 2014, the Company was in compliance with all such covenants.

Approximately $4,348 of the JP Morgan Credit Agreement is being utilized to provide letters of credit to secure RBCA's obligations relating to certain insurance programs. As of March 29, 2014, RBCA had the ability to borrow up to an additional $145,652 under the JP Morgan Credit Agreement.

On October 27, 2008, Schaublin entered into a new bank credit facility with Credit Suisse (the "Swiss Credit Facility") which replaced the prior bank credit facility of December 8, 2003 and its amendment of November 8, 2004. This facility provides for up to 4,000 Swiss francs, or $4,509, of revolving credit loans and letters of credit. Borrowings under the Swiss Credit Facility bear interest at Credit Suisse's prevailing prime bank rate. As of March 29, 2014, there were no borrowings under the Swiss Credit Facility.

The balances payable under all borrowing facilities are as follows:

	March 29, 2014	March 30, 2013
Notes payable	$ 10,447	$ 10,300
Total debt	10,447	10,300
Less: current portion	1,274	1,240
Long-term debt	$ 9,173	$ 9,060

The current portion of long-term debt as of March 29, 2014 includes the current portion of the Schaublin mortgage and a $750 note payable related to the AllPower acquisition. The current portion of long-term debt as of March 30, 2013 includes the current portion of the Schaublin mortgage and a $750 note payable related to the AllPower acquisition.

12. Other Non-Current Liabilities

The significant components of other non-current liabilities consist of:

	March 29, 2014	March 30, 2013
Non-current pension liability	$ 4,095	$ 5,341
Other postretirement benefits	2,757	2,906
Non-current income tax liability	5,988	6,727
Deferred compensation	6,730	5,202
Other	1,199	207
	$ 20,769	$ 20,383

13. Pension Plan

At March 29, 2014, the Company has one consolidated noncontributory defined benefit pension plan covering union employees in its Heim division plant in Fairfield, Connecticut, its Bremen subsidiary plant in Plymouth, Indiana and former union employees of the Tyson subsidiary in Glasgow, Kentucky and the Nice subsidiary in Kulpsville, Pennsylvania.

Plan assets are comprised primarily of equity and fixed income investments, as follows:

	March 29, 2014	March 30, 2013
Cash and cash equivalents	$ 10,288	$ 16,872
U.S. equity mutual funds	6,742	—
Fixed income mutual funds	4,573	4,526
	$ 21,603	$ 21,398

The fair value of the above investments is determined using quoted market prices of identical instruments. Therefore, the valuation inputs within the fair value hierarchy established by ASC 820 are classified as Level 1 of the valuation hierarchy.

The plan provides benefits of stated amounts based on a combination of an employee's age and years of service. The Company uses a March 31 measurement date for its plan.

The following tables set forth the funded status of the Company's defined benefit pension plan and the amount recognized in the balance sheet at March 29, 2014 and March 30, 2013:

	March 29, 2014	March 30, 2013
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 26,739	$ 25,443
Service cost	287	392
Interest cost	991	1,042
Actuarial (gain)/loss	(728)	1,164
Plan amendments	—	246
Benefits paid	(1,591)	(1,548)
Benefit obligation at end of year	$ 25,698	$ 26,739
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 21,398	$ 20,604
Actual return on plan assets	796	842
Employer contributions	1,000	1,500
Benefits paid	(1,591)	(1,548)
Fair value of plan assets at end of year	$ 21,603	$ 21,398
Underfunded status at end of year	$ (4,095)	$ (5,341)
Amounts recognized in the consolidated balance sheet:		
Non-current assets	$ —	$ —
Non-current liabilities	(4,095)	(5,341)
Net liability recognized	$ (4,095)	$ (5,341)
Amounts recognized in accumulated other comprehensive loss:		
Prior service cost	$ 299	$ 369
Net actuarial loss	10,046	11,349
Accumulated other comprehensive loss	$ 10,345	$ 11,718
Amounts included in accumulated other comprehensive loss expected to be recognized as components of net periodic benefit cost in 2015:		
Prior service cost	$ 66	
Net actuarial loss	1,168	
Total	$ 1,234	

Benefits under the union plans are not a function of employees' salaries; thus, the accumulated benefit obligation equals the projected benefit obligation.

The following table sets forth net periodic benefit cost of the Company's plan for the three fiscal years in the period ended March 29, 2014:

	Fiscal Year Ended		
	March 29, 2014	March 30, 2013	March 31, 2012
Components of net periodic benefit cost:			
Service cost	$287	$ 392	$ 359
Interest cost	991	1,042	1,166
Expected return on plan assets	(1,591)	(1,628)	(1,534)
Amortization of prior service cost	70	47	47
Amortization of losses	1,370	1,164	822
Net periodic benefit cost	$1,127	$ 1,017	$ 860

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The assumptions used in determining the net periodic benefit cost information are as follows:

	FY 2014	FY 2013	FY 2012
Discount rate	3.80 %	4.20 %	5.30 %
Expected long-term rate of return on plan assets	7.75 %	7.75 %	8.25 %

The discount rate used in determining the funded status as of March 29, 2014 and March 30, 2013 was 4.10% and 3.80%, respectively.

In developing the overall expected long-term 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 return on plan assets assumption. Our long-term target allocation of plan assets is 70% equity and 30% fixed income investments.

The Company's 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.

The following benefit payments, which reflect future service as appropriate, are expected to be paid. The benefit payments are based on the same assumptions used to measure the Company's benefit obligation at the end of fiscal 2014:

2015	$1,559
2016	1,649
2017	1,655
2018	1,657
2019	1,703
2020-2024	8,710

Although no contributions are required for fiscal 2015, the Company expects to make cash contributions in the $750 to $1,500 range.

One of the Company’s foreign operations, Schaublin, sponsors a pension plan for its approximately 139 employees in conformance with Swiss pension law. The plan is funded with a reputable (S&P rating A+) Swiss insurer. Through the insurance contract, the Company has effectively transferred all investment and mortality risk to the insurance company, which guarantees the federally mandated annual rate of return and the conversion rate at retirement. As a result, the plan has no unfunded liability; the interest cost is exactly offset by actual return. Thus, the net periodic cost is equal to the amount of annual premium paid by the Company. For fiscal years 2014, 2013 and 2012, the Company made contribution and premium payments equal to $825, $743 and $765, respectively.

The Company also has a defined contribution plan under Section 401(k) of the Internal Revenue Code for all of its employees not covered by a collective bargaining agreement. Employer contributions under this plan, equal to 10% of the first 3.5% of eligible employee compensation, amounted to $733, $688 and $338 in fiscal 2014, 2013 and 2012, respectively. The amount for fiscal 2014 included a $300 discretionary match made by the Company.

Effective September 1, 1996, the Company adopted a non-qualified Supplemental Executive Retirement Plan ("SERP") for a select group of highly compensated management employees designated by the Board of the Company. The SERP allowed eligible employees to elect to defer, until termination of their employment, the receipt of up to 25% of their salary. In August 2008, the plan was modified, allowing eligible employees to elect to defer up to 75% of their current salary and up to 100% of bonus compensation. The Company had temporarily suspended the employer contribution to this plan effective January 1, 2009 and contributions remained suspended during fiscal 2010 and fiscal 2011. At the beginning of fiscal year 2012, the Company resumed employer contributions which equaled the lesser of 25% of the deferrals, or 1.75% of the employee’s annual salary, which vest in full after one year of service following the effective date of the SERP. Employer contributions under this plan amounted to $162 in fiscal 2014 and 2013.

The fair value of the investments in the SERP is determined using quoted market prices of identical instruments. Therefore, the valuation inputs within the fair value hierarchy established by ASC 820 are classified as Level 1 of the valuation hierarchy.

14. Postretirement Health Care and Life Insurance Benefits

The Company, for the benefit of employees at its Heim, West Trenton, Bremen and PIC facilities and former union employees of its Tyson and Nice subsidiaries, sponsors contributory defined benefit health care plans that provide postretirement medical and life insurance benefits to union employees who have attained certain age and/or service requirements while employed by the Company. The plans are unfunded and costs are paid as incurred. Postretirement benefit obligations are included in “Accrued expenses and other current liabilities” and "Other non-current liabilities" in the consolidated balance sheet.

The following table set forth the funded status of the Company’s postretirement benefit plans, the amount recognized in the balance sheet at March 29, 2014 and March 30, 2013:

	March 29, 2014	March 30, 2013
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 3,136	$ 2,958
Service cost	48	50
Interest cost	111	122
Actuarial (gain) loss	(154)	184
Benefits paid	(151)	(178)
Benefit obligation at end of year	$ 2,990	$ 3,136
Change in plan assets:		
Fair value of plan assets at beginning of year	$ —	$ —
Company contributions	151	178
Benefits paid	(151)	(178)
Fair value of plan assets at end of year	$ —	$ —
(Under) funded status at end of year	$ (2,990)	$ (3,136)
Amounts recognized in the consolidated balance sheet:		
Current liability	$ (233)	$ (230)
Non-current liability	(2,757)	(2,906)
Net liability recognized	$ (2,990)	$ (3,136)
Amounts recognized in accumulated other comprehensive loss:		
Prior service cost	$ 28	$ 31
Net actuarial loss	367	561
Accumulated other comprehensive loss	$ 395	$ 592

Amounts included in accumulated other comprehensive loss expected to be recognized as components of net periodic benefit cost in 2015:	
Prior service cost	3
Net actuarial loss	30
Total	$ 33

	Fiscal Year Ended		
Components of net periodic benefit cost:	March 29, 2014	March 30, 2013	March 31, 2012
Service cost	$48	$ 50	$ 40
Interest cost	111	122	137
Prior service cost amortization	3	3	3
Amount of loss recognized	39	42	22
Net periodic benefit cost	$201	$ 217	$ 202

The Company measures its plans as of the last day of the fiscal year.

The plans 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 postretirement benefit obligation was 4.10% at March 29, 2014 and 3.80% at March 30, 2013. The discount rate used in determining the net periodic benefit cost was 3.80% for fiscal 2014, 4.20% for fiscal 2013, and 5.30% for fiscal 2012. The RP-2000 Combined Mortality Table was used to determine the postretirement net periodic benefit costs in fiscal 2014, 2013 and 2012.

The following benefit payments, which reflect future service as appropriate, are expected to be paid. The benefit payments are based on the same assumptions used to measure the Company's benefit obligation at the end of fiscal 2014:

2015	$233
2016	246
2017	238
2018	238
2019	244
2020-2024	1,034

15. Income Taxes

Income before income taxes for the Company's domestic and foreign operations is as follows:

	Fiscal Year Ended		
	March 29, 2014	March 30, 2013	March 31, 2012
Domestic	$74,975	$ 71,993	$ 65,878
Foreign	12,778	8,195	10,101
	$87,753	$ 80,188	$ 75,979

The provision for (benefit from) income taxes consists of the following:

Fiscal Year Ended

	March 29, 2014	March 30, 2013	March 31, 2012
Current:			
Federal	$22,835	$ 21,808	$ 22,012
State	1,292	1,385	2,562
Foreign	3,054	1,559	1,527
	27,181	24,752	26,101
Deferred:			
Federal	694	(1,000)	(1,347)
State	(9)	(253)	433
Foreign	(321)	347	795
	364	(906)	(119)
Total	$27,545	$ 23,846	$ 25,982

A reconciliation of income taxes computed using the U.S. federal statutory rate to that reflected in operations follows:

	Fiscal Year Ended		
	March 29, 2014	March 30, 2013	March 31, 2012
Income taxes using U.S. federal statutory rate	$30,714	$ 28,066	$ 26,593
State income taxes, net of federal benefit	942	714	2,040
Domestic production activities deduction	(2,300)	(2,228)	(2,211)
Foreign rate differential	(1,739)	(962)	(1,214)
U.S. unrecognized tax positions	(295)	(2,410)	—
Other	223	666	774
	$27,545	$ 23,846	$ 25,982

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Net deferred tax assets (liabilities) consist of the following:

	March 29, 2014	March 30, 2013
Deferred tax assets (liabilities):		
Postretirement benefits	$ 1,017	$ 1,065
Employee compensation accruals	2,111	2,528
Net operating losses	1,764	1,651
Inventory	10,126	9,185
Stock compensation	3,789	3,399
Pension	1,531	2,001
State tax	1,836	2,043
Other	1,963	(182)
Valuation allowance	(1,594)	(1,204)
Total deferred tax assets	22,543	20,486

Deferred tax liabilities:	March 29, 2014	March 30, 2013
Property, plant and equipment	(13,157)	(9,399)
Intangible assets	(6,537)	(5,443)
Total deferred tax liabilities	(19,694)	(14,842)
Net deferred tax assets	$ 2,849	$ 5,644

A valuation allowance has been recorded on certain foreign net operating losses, state credits and state net operating losses as it is more likely than not that these items will not be utilized. For the Company's fiscal year ended March 29, 2014 the valuation allowance increased by $390 of which $252 pertained to foreign net operating losses and $138 pertained to state credits and state net operating losses. For the Company's fiscal year ended March 30, 2013, the valuation allowance increased by $851 which pertained to foreign net operating losses.

The Company has determined that its undistributed foreign earnings of approximately $69,828 at March 29, 2014 will be re-invested indefinitely based upon the need for cash in its foreign operations, potential foreign acquisitions and the Company's inability to remit cash back to the United States under its current foreign debt obligations. In fiscal 2013, Schaublin received a favorable tax arrangement in Switzerland pertaining to the acceleration of depreciation which resulted in a current tax benefit of $348.

As the Company's undistributed earnings in foreign subsidiaries are considered to be reinvested indefinitely, no provision for U.S. federal and state income taxes has been provided. Upon repatriation of those earnings, in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to an adjustment of foreign tax credits) and withholding taxes payable to various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable due to the complexities associated with its hypothetical calculation.

At March 29, 2014, the Company has state net operating losses in different jurisdictions at varying amounts up to $10,194, which expire at various dates through 2028.

The Company files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to state or foreign income tax examinations by tax authorities for years ending before March 31, 2006. The Company is no longer subject to U.S. federal tax examination by the Internal Revenue Service for years ending before March 31, 2012. A U.S. federal tax examination by the Internal Revenue Service for the year ended March 31, 2011 was completed during fiscal 2014 and the federal statute of limitations for the year ended March 31, 2010 expired during fiscal 2014.

A reconciliation of the beginning and ending amount of unrecognized tax benefits are as follows:

	March 29, 2014	March 30, 2013	March 31, 2012
Balance, Beginning of Year	$ 5,892	$ 9,974	$ 8,988
Gross increases– tax positions taken during a prior period	768	592	252
Gross increases– tax positions taken during the current period	853	536	751
Decreases due to settlement with taxing authorities	(1,182)	(4,636)	—
Decreases due to lapse of the applicable statute of limitations	(1,081)	(574)	(17)
Balance, End of Year	$ 5,250	$ 5,892	$ 9,974

If recognized, substantially all of the unrecognized tax benefits for the Company's fiscal years ended March 29, 2014 and March 30, 2013 would affect the effective income tax rate.

The Company recognizes the interest and penalties accrued related to unrecognized tax benefits in income tax expense. The Company recognized a benefit of $97 and $398 of interest and penalties on its statement of operations for the fiscal years ended March 29, 2014 and March 30, 2013, respectively. The Company has approximately $738 and $835 of accrued interest and penalties at March 29, 2014 and March 30, 2013 respectively.

The Company believes it is reasonably possible that some of its unrecognized tax positions may be effectively settled by the end of the Company's fiscal year ending March 28, 2015 due to the closing of audits and the statute of limitations expiring in varying jurisdictions. The decrease, pertaining primarily to state credits and state tax, is estimated to be $448.

16. Stockholders' Equity

Stock Option Plans

2001 Stock Option Plan

The RBC Bearings Incorporated (f/k/a Roller Bearing Holding Company, Inc.) 2001 Stock Option Plan was adopted in fiscal 2002 and amended and restated on October 24, 2003. The terms of the 2001 Stock Option Plan provide for the grant of options to purchase up to 1,008,553 shares of common stock to officers and employees of, and consultants (including members of the Board of Directors (the "Board")) to, the Company and its subsidiaries selected by the CEO to participate in the plan. Options granted may be either incentive stock options (under Section 422 of the Internal Revenue Code) or non-qualified stock options. The 2001 Stock Option Plan, which expired in July 2011, was governed by the Company's Board or a committee to which the Board delegates its responsibilities. As of March 29, 2014, there were outstanding options to purchase 8,750 shares of common stock granted under the 2001 Stock Option Plan, all of which were exercisable. As of August 15, 2005, the 2001 Stock Option Plan was frozen and no additional stock options will be awarded pursuant to the Plan.

2005 Long-Term Incentive Plan

The 2005 Long-Term Incentive Plan provides for grants of stock options, stock appreciation rights, restricted stock and performance awards. Directors, officers and other employees and persons who engage in services for the Company are eligible for grants under the plan. The purpose of the plan is to provide these individuals with incentives to maximize stockholder value and otherwise contribute to the Company's success and to enable the Company to attract, retain and reward the best available persons for positions of responsibility.

1,139,170 shares of common stock were authorized for issuance under the plan, subject to adjustment in the event of a reorganization, stock split, merger or similar change in the Company's corporate structure or in the outstanding shares of common stock. An amendment to increase the number of shares available for issuance under the 2005 Long-Term Incentive Plan from 1,139,170 to 1,639,170 was approved by shareholder vote in September 2006. A further amendment to increase the number of shares available for issuance under the 2005 Long-Term Incentive Plan from 1,639,170 to 2,239,170 was approved by shareholder vote in September 2007. The Company may grant shares of restricted stock to its employees and directors in the future under the plan. The Company's Compensation Committee will administer the plan. The Company's Board also has the authority to administer the plan and to take all actions that the Compensation Committee is otherwise authorized to take under the plan. The terms and conditions of each award made under the plan, including vesting requirements, is set forth consistent with the plan in a written agreement with the grantee.

2013 Long-Term Incentive Plan

The 2013 Long-Term Incentive Plan provides for grants of stock options, stock appreciation rights, restricted stock and performance awards. Directors, officers and other employees and persons who engage in services for the Company are eligible for grants under the plan. The purpose of the plan is to provide these individuals with incentives to maximize stockholder value and otherwise contribute to the Company's success and to enable the Company to attract, retain and reward the best available persons for positions of responsibility.

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1,500,000 shares of common stock were authorized for issuance under the plan, subject to adjustment in the event of a reorganization, stock split, merger or similar change in the Company's corporate structure or in the outstanding shares of common stock. The Company may grant shares of restricted stock to its employees and directors in the future under the plan. The Company's Compensation Committee will administer the plan. The Company's Board also has the authority to administer the plan and to take all actions that the Compensation Committee is otherwise authorized to take under the plan. The terms and conditions of each award made under the plan, including vesting requirements, is set forth consistent with the plan in a written agreement with the grantee.

Stock Options. Under the 2005 Long-Term Incentive Plan, the Compensation Committee or the Board may approve the award of grants of incentive stock options and other non-qualified stock options. The Compensation Committee also has the authority to approve the grant of options that will become fully vested and exercisable automatically upon a change in control. The Compensation Committee may not, however, approve an award to any one person in any calendar year for options to purchase common stock equal to more than 10% of the total number of shares authorized under the plan, and it may not approve an award of incentive options first exercisable in any calendar year whose underlying shares have a fair market value greater than $100,000 determined at the time of grant. The Compensation Committee will approve the exercise price and term of any option in its discretion; however, the exercise price may not be less than 100% of the fair market value of a share of common stock on the date of grant. In the case of any incentive stock option, the option must be exercised within 10 years of the date of grant. The exercise price of an incentive option awarded to a person who owns stock constituting more than 10% of the Company's voting power may not be less than 110% of such fair market value on such date and the option must be exercised within five years of the date of grant. As of March 29, 2014, there were outstanding options to purchase 1,112,735 shares of common stock granted under the 2005 Long-Term Incentive Plan, 568,370 of which were exercisable. There were no outstanding options under the 2013 Long-Term Incentive Plan.

Restricted Stock. Under the 2005 Long-Term Incentive Plan, the Compensation Committee may approve the award of restricted stock subject to the conditions and restrictions, and for the duration that it determines in its discretion. As of March 29, 2014, there were 209,442 shares of restricted stock outstanding. Under the 2013 Long-Term Incentive Plan, there were 8,000 shares of restricted stock outstanding.

Stock Appreciation Rights. The Compensation Committee may approve the grant of stock appreciation rights, or SARs, subject to the terms and conditions contained in the plan. Under the 2005 Long-Term Incentive Plan, the exercise price of a SAR must equal the fair market value of a share of the Company's common stock on the date the SAR was granted. Upon exercise of a SAR, the grantee will receive an amount in shares of our common stock equal to the difference between the fair market value of a share of common stock on the date of exercise and the exercise price of the SAR, multiplied by the number of shares as to which the SAR is exercised.

Performance Awards. The Compensation Committee may approve the grant of performance awards contingent upon achievement by the grantee or by the Company, of set goals and objectives regarding specified performance criteria, over a specified performance cycle. Awards may include specific dollar-value target awards, performance units, the value of which is established at the time of grant, and/or performance shares, the value of which is equal to the fair market value of a share of common stock on the date of grant. The value of a performance award may be fixed or fluctuate on the basis of specified performance criteria. A performance award may be paid out in cash and/or shares of common stock or other securities.

Amendment and Termination of the Plan. The Board may amend or terminate the 2005 Long-Term Incentive Plan at its discretion, except that no amendment will become effective without prior approval of the Company’s stockholders if such approval is necessary for continued compliance with the performance-based compensation exception of Section 162(m) of the Internal Revenue Code or any stock exchange listing requirements. If not previously terminated by the Board, the plan will terminate on the tenth anniversary of its adoption.

A summary of the status of the Company's stock options outstanding as of March 29, 2014 and changes during the year then ended is presented below. All cashless exercises of options and warrants are handled through an independent broker.

	Number Of Common Stock Options	Weighted Average Exercise Price	Weighted Average Contractual Life (Years)	Intrinsic Value
Outstanding, March 30, 2013	1,114,585	$ 29.91	4.2	$ 23,021
Awarded	193,500	51.51		
Exercised	(184,000)	25.04		
Forfeitures	(2,600)	25.26		
Outstanding, March 29, 2014	1,121,485	$ 34.44	4.2	$ 31,995
Exercisable, March 29, 2014	577,120	$ 26.33	2.7	$ 21,145

The fair value for the Company's options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions, which are updated to reflect current expectations of the dividend yield, expected life, risk-free interest rate and using historical volatility to project expected volatility:

	Fiscal Year Ended					
	March 29, 2014		March 30, 2013		March 31, 2012	
Dividend yield	0.0	%	0.0	%	0.0	%
Expected weighted-average life (yrs.)	4.8		4.8		4.8	
Risk-free interest rate	1.04	%	0.68	%	0.98	%
Expected volatility	45.2	%	47.8	%	47.6	%

The weighted average fair value per share of options granted was $20.76 in fiscal 2014, $18.71 in fiscal 2013 and $15.43 in fiscal 2012.

As of March 29, 2014, there was $7,809 of unrecognized compensation costs related to options which is expected to be recognized over a weighted average period of 3.4 years. The total fair value of options that vested in fiscal 2014, 2013 and 2012 was $9,570, $9,138 and $12,045, respectively. The total intrinsic value of options exercised in fiscal 2014, 2013 and 2012 was $6,954, $23,698 and $2,393, respectively.

Of the total awards outstanding at March 29, 2014, 1,100,722 are either fully vested or are expected to vest. These shares have a weighted average exercise price of $34.43, an intrinsic value of $31,412, and a weighted average contractual term of 4.2 years.

A summary of the status of the Company’s restricted stock outstanding as of March 29, 2014 and the changes during the year then ended is presented below.

	Number Of Restricted Stock Shares		Weighted-Average Grant Date Fair Value
Non-vested, March 30, 2013	218,478		$ 42.23
Granted	63,000		53.68
Vested	(63,136	)	41.25
Forfeitures	(900	)	43.30

Non-vested, March 29, 2014	217,442	$ 45.92

The Company recorded $1,922 (net of taxes of $1,151) in compensation in fiscal 2014 related to restricted stock awards. These awards were valued at the fair market value of the Company's common stock on the date of issuance and are being amortized as expense over the applicable vesting period. Unrecognized expense for restricted stock was $7,868 at March 29, 2014. This cost is expected to be recognized over a weighted average period of approximately 2.7 years.

17. Commitments and Contingencies

The Company leases facilities under non-cancelable operating leases, which expire on various dates through September 2021, with rental expense aggregating $3,377, $3,886 and $4,627 in fiscal 2014, 2013 and 2012, respectively.

The Company also has non-cancelable operating leases for transportation, computer and office equipment, which expire at various dates. Rental expense for fiscal 2014, 2013 and 2012 aggregated $1,622, $1,349 and $1,235, respectively.

Certain of the above leases are renewable while none contain material contingent rent or concession clauses.

The aggregate future minimum lease payments under operating leases are as follows:

2015	$3,955
2016	3,135
2017	2,346
2018	1,659
2019	824
2020 and thereafter	2,171

As of March 29, 2014, approximately 11% of the Company's hourly employees in the U.S. and abroad were represented by labor unions.

The Company enters into government contracts and subcontracts that are subject to audit by the government. In the opinion of the Company's management, the results of such audits, if any, are not expected to have a material impact on the cash flows, financial condition or results of operations of the Company.

For fiscal 2014, 2013 and 2012, there were no audits by the government, the results of which, in the opinion of the Company’s management, had a material impact on the cash flows, financial condition or results of operations of the Company.

The Company is subject to federal, state and local environmental laws and regulations, including those governing discharges of pollutants into the air and water, the storage, handling and disposal of wastes and the health and safety of employees. The Company also may be liable under the Comprehensive Environmental Response, Compensation, and Liability Act or similar state laws for the costs of investigation and cleanup of contamination at facilities currently or formerly owned or operated by the Company, or at other facilities at which the Company may have disposed of hazardous substances. In connection with such contamination, the Company may also be liable for natural resource damages, government penalties and claims by third parties for personal injury and property damage. Agencies responsible for enforcing these laws have authority to impose significant civil or criminal penalties for non-compliance. The Company believes it is currently in material compliance with all applicable requirements of environmental laws. The Company does not anticipate material capital expenditures for environmental compliance in fiscal years 2015 or 2016.

Investigation and remediation of contamination is ongoing at some of the Company's sites. In particular, state agencies have been overseeing groundwater monitoring activities at the Company's facility in Hartsville, South Carolina and a corrective action plan at the Company’s facility in Clayton, Georgia. At Hartsville, the Company is monitoring low levels of contaminants in the groundwater caused by former operations. Plans are currently underway to conclude remediation and monitoring activities. In connection with the purchase of the Fairfield, Connecticut facility in 1996, the Company agreed to assume responsibility for completing clean-up efforts previously initiated by the prior owner. The Company submitted data to the state that the Company believes demonstrates that no further remedial action is necessary, although the state may require additional clean-up or monitoring. In connection with the purchase of the Company's Clayton, Georgia facility, the Company agreed to take assignment of the hazardous waste permit covering such facility and to assume certain responsibilities to implement a corrective action plan concerning the remediation of certain soil and groundwater contamination present at that facility. The corrective action plan is ongoing. Although there can be no assurance, the Company does not expect the costs associated with the above sites to be material.

There are various claims and legal proceedings against the Company relating to its operations in the normal course of business, none of which the Company believes is material to its cash flows, financial position or results of operations. The Company accrues costs associated with legal and non-income tax matters when they become probable and reasonably estimable. As of March 29, 2014, the estimate for a loss exceeding any amounts already recognized is immaterial. The Company currently maintains insurance coverage for product liability claims.

18. Other Operating Expense, Net

Other operating expense, net is comprised of the following:

	Fiscal Year Ended		
	March 29, 2014	March 30, 2013	March 31, 2012
Gain (loss) on impairment or disposition of assets	$(31)	$ 6,301	$ (10)
Plant consolidation and restructuring costs	1,917	1,261	97
Provision for doubtful accounts	138	173	246
Amortization of intangibles	1,924	1,553	1,491
Other expense (income)	230	(211)	(195)
	$4,178	$ 9,077	$ 1,629

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19. Reportable Segments

The Company operates through operating segments for which separate financial information is available, and for which operating results are evaluated regularly by the Company's chief operating decision maker in determining resource allocation and assessing performance. Those operating segments with similar economic characteristics and that meet all other required criteria, including nature of the products and production processes, distribution patterns and classes of customers, are aggregated as reportable segments. Certain other operating segments that do not exhibit the common attributes mentioned above and do not meet the quantitative thresholds for separate disclosure are combined and disclosed as "Other".

The Company has four reportable business segments, Plain Bearings, Roller Bearings, Ball Bearings and Other, which are described below. Within the Plain Bearings, Roller Bearings and Ball Bearings reportable segments, the Company has not aggregated any operating segments. Within the Other reportable segment, the Company has aggregated operating segments because they do not meet the quantitative threshold for separate disclosure.

Plain Bearings. Plain bearings are produced with either self-lubricating or metal-to-metal designs and consists of several sub-classes, including rod end bearings, spherical plain bearings and journal bearings. Unlike ball bearings, which are used in high-speed rotational applications, plain bearings are primarily used to rectify inevitable misalignments in various mechanical components.

Roller Bearings. Roller bearings are anti-friction bearings that use rollers instead of balls. The Company manufactures four basic types of roller bearings: heavy duty needle roller bearings with inner rings, tapered roller bearings, track rollers and aircraft roller bearings.

Ball Bearings. The Company manufactures four basic types of ball bearings: high precision aerospace, airframe control, thin section and commercial ball bearings which are used in high-speed rotational applications.

Other. Other consists of three operating locations that do not fall into the above segmented categories. The Company’s precision machine tool collets provide effective part holding and accurate part location during machining operations. Additionally, the Company provides machining for integrated bearing assemblies and aircraft components for the commercial and defense aerospace markets and tight-tolerance, precision mechanical components for use in the motion control industry.

The accounting policies of the reportable segments are the same as those described in Part II, Item 8. “Financial Statements and Supplementary Data,” Note 2 “Summary of Significant Accounting Policies.” Segment performance is evaluated based on segment net sales and operating income. Items not allocated to segment operating income include corporate administrative expenses and certain other amounts. Identifiable assets by reportable segment consist of those directly identified with the segment's operations. Corporate assets consist of cash, fixed assets and certain prepaid expenses.

	Fiscal Year Ended March 29, 2014	March 30, 2013	March 31, 2012
Net External Sales			
Plain	$223,099	$215,963	$200,141
Roller	115,806	115,021	123,803
Ball	49,555	41,366	42,330
Other	30,426	30,701	31,237
	$418,886	$403,051	$397,511
Gross Margin			
Plain	$85,158	$85,419	$72,875
Roller	48,785	45,107	45,233
Ball	18,125	9,427	9,240
Other	12,729	12,976	13,232
	$164,797	$152,929	$140,580
Selling, General and Administrative Expenses			
Plain	$17,923	$15,336	$14,453
Roller	6,892	6,741	6,282
Ball	4,511	3,030	3,383
Other	3,991	3,720	4,006
Corporate	38,652	36,924	33,179
	$71,969	$65,751	$61,303
Operating Income			
Plain	$66,343	$69,046	$57,920
Roller	41,630	37,592	41,062
Ball	11,732	(188)	3,498
Other	8,968	8,998	9,018
Corporate	(40,023)	(37,347)	(33,850)
	$88,650	$78,101	$77,648
Total Assets			
Plain	$441,770	$377,382	$312,678
Roller	207,676	190,431	163,475
Ball	44,119	39,978	47,382
Other	42,861	34,799	30,386
Corporate	(115,433)	(100,148)	(94,403)
	$620,993	$542,442	$459,518
Capital Expenditures			
Plain	$15,990	$25,895	$5,971
Roller	3,894	4,939	4,304
Ball	1,424	2,812	1,486
Other	3,991	6,257	5,403
Corporate	3,621	2,114	677
	$28,920	$42,017	$17,841
Depreciation & Amortization			
Plain	$6,742	$4,919	$4,516
Roller	3,392	4,471	4,555
Ball	1,799	2,743	2,636

Other	1,856	1,594	1,476
Corporate	1,198	992	1,007
	$14,987	$14,719	$14,190
Geographic External Sales			
Domestic	$351,418	$345,450	$339,504
Foreign	67,468	57,601	58,007
	$418,886	$403,051	$397,511

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	Fiscal Year Ended		
	March 29, 2014	March 30, 2013	March 31, 2012
Geographic Long-Lived Assets			
Domestic	$105,018	$93,468	$ 86,026
Foreign	32,136	22,650	7,347
	$137,154	$116,118	$ 93,373
Intersegment Sales			
Plain	$3,807	$3,135	$ 2,554
Roller	17,794	17,099	16,510
Ball	1,976	2,524	1,788
Other	26,574	24,565	23,823
	$50,151	$47,323	$ 44,675

All intersegment sales are eliminated in consolidation.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

The Company's management is responsible for establishing and maintaining effective disclosure controls and procedures, as defined under Rule 13a-15(e) of the Securities Exchange Act of 1934. As of the end of the period covered by this report, the Company performed an evaluation, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures provide reasonable assurance that the material information required to be disclosed by the Company in the reports that it files or submits to the Securities and Exchange Commission under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. No changes were made to the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during the last fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company's management believes that its disclosure controls and procedures were effective as of March 29, 2014.

Management's Report on Internal Control Over Financial Reporting

Management of RBC Bearings Incorporated is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Securities Exchange Act of 1934.

The Company's internal control over financial reporting is supported by written policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of March 29, 2014 as required by Securities Exchange Act of 1934. In making this assessment, we used the criteria set forth in the framework in *Internal Control-Integrated Framework* (1992 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control-Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of March 29, 2014.

The effectiveness of our internal control over financial reporting as of March 29, 2014 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears on the following page.

RBC Bearings Incorporated

Oxford, Connecticut

May 28, 2014

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of RBC Bearings Incorporated

We have audited RBC Bearings Incorporated’s internal control over financial reporting as of March 29, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). RBC Bearings Incorporated’s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, RBC Bearings Incorporated maintained, in all material respects, effective internal control over financial reporting as of March 29, 2014, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of RBC Bearings Incorporated as of March 29, 2014 and March 30, 2013, and the related consolidated statements of operations, stockholders' equity and comprehensive income and cash flows, for each of the three years in the period ended March 29, 2014, and our report dated May 28, 2014 expressed an unqualified opinion thereon.

/s/Ernst & Young LLP

Hartford, Connecticut
May 28, 2014

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ITEM 9B. OTHER INFORMATION

None.

PART III

The information called for by Part III (Items 10, 11, 12, 13 and 14) of Form 10-K will be included in the Company's Proxy Statement for its 2014 Annual Meeting of Shareholders, which the Company intends to file within 120 days after the close of its fiscal year ended March 29, 2014 and which is incorporated herein by reference to such Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial Statements

The following Consolidated Financial Statements and Supplementary Data of the Company are included in Item 8, "Financial Statements and Supplementary Data":

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets at March 29, 2014 and March 30, 2013

Consolidated Statements of Operations for the years ended March 29, 2014, March 30, 2013, and March 31, 2012

Consolidated Statements of Comprehensive Income for the years ended March 29, 2014, March 30, 2013, and March 31, 2012

Consolidated Statements of Stockholders' Equity for the years ended March 29, 2014, March 30, 2013, and March 31, 2012

Consolidated Statements of Cash Flows for the years ended March 29, 2014, March 30, 2013, and March 31, 2012 Notes to Consolidated Financial Statements

(a) (2) Financial Statement Schedules

See Financial Statement Schedules under Item 15(c)

(a) (3) See Item 15(b) below.

(b) The Exhibits required by Item 601 of regulation S-K are filed as Exhibits to this Report and indexed below immediately following Item 15(c), which index is incorporated herein by reference

(c) All Financial Statement Schedules are included in the Financial Statements and Supplementary Data under Item 15(a)(1) and incorporated herein by reference.

Exhibit Index

The following exhibits are filed as part of this Report.

Certain of the following exhibits have been previously filed with the Securities and Exchange Commission by the Company pursuant to the requirements of the Securities Act of 1933 and the Securities Exchange Act of 1934. Such exhibits are identified by the parenthetical references following the listing of each such exhibit and are incorporated herein by reference. The Company's Commission file number is 333-124824.

Exhibit Number	Description of Document
3.1	Amended and Restated Certificate of Incorporation of RBC Bearings Incorporated dated August 13, 2005 as filed with Amendment No. 4 to RBC Bearings Incorporated's Registration Statement on Form S-1, file No. 333-124824 (the "Registration Statement") dated August 8, 2005 is hereby incorporated by reference herein.
3.2	Bylaws of RBC Bearings Incorporated, as filed as Exhibit 3.3 to Amendment No. 4 to the Registration Statement on Form S-1 dated August 8, 2005 is hereby incorporated by reference herein.
4.1	Form of stock certificate for common stock, as filed as Exhibit 4.3 to RBC Bearings Incorporated's Amendment No. 3 to Registration Statement on Form S-1 dated August 4, 2005 is hereby incorporated by reference herein.
4.2	Form of Amended and Restated Warrants to Purchase Common Stock, as filed as Exhibit 4.7 to RBC Bearing Incorporated's Registration Statement on Form S-8 dated March 15, 2006, is hereby incorporated by reference herein.
4.3	Amended and Restated Warrants to Purchase Class B Supervoting Common Stock, as filed as Exhibit 4.8 to RBC Bearing Incorporated's Registration Statement on Form S-8 dated March 15, 2006, is hereby incorporated by reference herein.
10.1	Amended and Restated 2001 Stock Option Plan of RBC Bearings Incorporated (f/k/a Roller Bearing Holding Company, Inc.), dated October 24, 2003 filed as Exhibit 10.2 to the Registration Statement on Form S-1 dated May 11, 2005 is hereby incorporated by reference herein.
10.2	Form of RBC Bearings Incorporated 2005 Long-Term Equity Incentive Plan, as filed as Exhibit 4.6 to RBC Bearing Incorporated's Registration Statement on Form S-8 dated November 18, 2005, is hereby incorporated by reference herein.
10.3	RBC Bearings Incorporated 2005 Long Term Incentive Plan (Amended and Restated as of August 29, 2007) filed as Exhibit 10.1 on Form 8-K dated August 30, 2007 is hereby incorporated by reference herein.
10.4	Form of Change in Control Letter Agreement for Named Executive Officers, filed as Exhibit 10.1 to Form 10-Q dated February 1, 2010 is hereby incorporated by reference herein.
10.5	Credit Agreement, dated as of November 30, 2010, among Roller Bearing Company of America, Inc., RBC Bearings Incorporated, the Lenders named therein, J.P. Morgan Chase Bank, N.A. and KeyBank National Association, filed as Exhibit 10.1 to Form 8-K dated December 1, 2010 is hereby incorporated by reference herein.
10.6	Guaranty Agreement, dated as of November 30, 2010, by and between RBC Bearings Incorporated and J.P. Morgan Chase Bank, N.A., as Administrative Agent, filed as Exhibit 10.2 to Form 8-K dated December 1, 2010 is hereby incorporated by reference herein.
10.7	

	Security Agreement, dated as of November 30, 2010, among Roller Bearing Company of America, Inc., RBC Bearings Incorporated, the Subsidiary Guarantors (as defined therein), and J.P. Morgan Chase, N.A., filed as Exhibit 10.2 to Form 8-K dated December 1, 2010 is hereby incorporated by reference herein.
10.8	Form of RBC Bearings Incorporated 2005 Long Term Incentive Plan (Amended and Restated as of August 25, 2010) filed as Exhibit 10.1 to Form 8-K dated August 25, 2010 is hereby incorporated by reference herein.
10.9	Form of RBC Bearings Incorporated 2005 Long Term Incentive Plan (Amended and Restated as of September 8, 2010) filed as Exhibit 10.1 to Form 8-K dated September 10, 2010 is hereby incorporated by reference herein.
10.10	RBC Bearings Incorporated Executive Officer Performance Based Compensation Plan filed as Exhibit 10.1 to Form 8-K dated September 13, 2011 is hereby incorporated by reference herein.
10.11	Collective Bargaining Agreement effective February 1, 2013 between Heim Bearing division of Roller Bearing Company of America, Inc. and The International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, U. A. W., and Amalgamated Local 376, UAW filed as Exhibit 10.1 to Form 8-K dated December 10, 2012 is hereby incorporated by reference herein.
10.12	Amended and Restated Employment Agreement, effective April 1, 2013, between RBC Bearings Incorporated and Michael J. Hartnett, Ph.D. filed as Exhibit 10.1 to Form 8 K dated July 2, 2013 is hereby incorporated by reference herein.
10.13	RBC Bearings Incorporated 2013 Long Term Incentive Plan (Amended and Restated as of August 21, 2013), filed as Exhibit 10.1 on Form 8-K dated August 21, 2013 is hereby incorporated by reference herein.

10.14	May 16, 2014 amendment to Credit Agreement, dated as of November 30, 2010 by and between the Company, RBCA, certain Lenders signatory thereto, J.P. Morgan Chase Bank, N.A., as Administrative Agent, and J.P. Morgan Chase Bank, N.A. and KeyBank National Association as Co-Lead Arrangers and Joint Lead Book Runners filed as Exhibit 10.1 on Form 8-K dated May 16, 2014 is hereby incorporated by reference herein.
16.1	Letter to the Securities and Exchange Commission, dated June 10, 2010, from Ernst & Young LLP relating to the change in RBC Bearings Incorporated's independent registered public accounting firm filed as Exhibit 16.1 to Form 8-K dated June 15, 2010 is hereby incorporated by reference herein.
16.2	Letter to the Securities and Exchange Commission, dated January 27, 2011 from PricewaterhouseCoopers LLP relating to the change in RBC Bearings Incorporated's independent registered public accounting firm filed as Exhibit 16.1 to Form 8-K dated January 27, 2011 is hereby incorporated by reference herein.
21	Subsidiaries of the Registrant. Filed herewith.
23	Consent of Ernst & Young LLP. Filed herewith.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.* Filed herewith.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.* Filed herewith.

* This certification accompanies this Annual Report on Form 10-K, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Annual Report on Form 10-K), irrespective of any general incorporation language contained in such filing.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

RBC Bearings Incorporated
(Registrant)

By: /s/ Michael J. Hartnett
Name: Michael J. Hartnett
Title: Chief Executive Officer
Date: Date: May 28, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	**Title**
/s/ Michael J. Hartnett Michael J. Hartnett Date: May 28, 2014	Chairman, President and Chief Executive Officer (Principal Executive Officer and Chairman)
/s/ Daniel A. Bergeron Daniel A. Bergeron Date: May 28, 2014	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Thomas M. Burigo Thomas M. Burigo Date: May 28, 2014	Corporate Controller
/s/ Richard R. Crowell Richard R. Crowell Date: May 28, 2014	Director
/s/ Alan B. Levine Alan B. Levine Date: May 28, 2014	Director
/s/ Dr. Amir Faghri Dr. Amir Faghri Date: May 28, 2014	Director

/s/ Dr. Thomas J. O’Brien Director
Dr. Thomas J. O'Brien
Date: May 28, 2014

/s/ MITCHELL I. Quain Director
Mitchell I. Quain
Date: May 28, 2014

/s/ EDWARD D. STEWART Director
Edward D. Stewart
Date: May 28, 2014