UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 29, 2007

OR

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

Commission File Number: 333-124824

RBC Bearings Incorporated

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	95-4372080 (I.R.S. Employer Identification No.)
One Tribology Center Oxford, CT 06478 (Address of principal executive offices)	06478 (Zip Code)

(203) 267-7001
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):
Large Accelerated filer o Accelerated filer x Non-accelerated filer o

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

As of January 25, 2008, RBC Bearings Incorporated had 21,732,936 shares of Common Stock outstanding.

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Part I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

RBC Bearings Incorporated
Consolidated Balance Sheets
(dollars in thousands, except share and per share data)

	December 29, 2007	March 31, 2007
ASSETS	(Unaudited)	
Current assets:		
Cash	$ 9,194	$ 5,184
Accounts receivable, net of allowance for doubtful accounts of $936 at December 29, 2007 and $867 at March 31, 2007	57,697	54,636
Inventory	117,946	103,022
Deferred income taxes	6,645	7,115
Prepaid expenses and other current assets	3,921	2,914
Total current assets	195,403	172,871
Property, plant and equipment, net	70,280	61,209
Goodwill	29,847	29,631
Intangible assets, net of accumulated amortization of $3,221 at December 29, 2007 and $2,329 at March 31, 2007	9,165	5,793
Deferred financing costs, net of accumulated amortization of $560 at December 29, 2007 and $409 at March 31, 2007	1,025	1,207
Other assets	3,055	3,002
Total assets	$ 308,775	$ 273,713
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 25,329	$ 21,299
Accrued expenses and other current liabilities	11,123	11,683
Current portion of long-term debt	750	750
Capital lease obligations	170	169
Total current liabilities	37,372	33,901
Long-term debt, less current portion	50,500	58,655
Capital lease obligations, less current portion	426	456
Deferred income taxes	4,793	6,479
Other non-current liabilities	7,606	6,051
Total liabilities	100,697	105,542
Stockholders' equity:		
Preferred stock, $.01 par value; authorized shares: 10,000,000 at December 29, 2007 and March 31, 2007; none issued and outstanding	—	—
Common stock, $.01 par value; authorized shares: 60,000,000 at December 29, 2007 and March 31, 2007; issued and outstanding shares: 21,571,686 at December 29, 2007 and 21,408,994 at March 31, 2007	216	214
Additional paid-in capital	180,800	169,489
Accumulated other comprehensive loss	(786)	(2,206)
Retained earnings	29,649	1,724
Treasury stock, at cost, 57,955 shares at December 29, 2007 and 37,356 shares at March 31, 2007	(1,801)	(1,050)
Total stockholders' equity	208,078	168,171
Total liabilities and stockholders' equity	$ 308,775	$ 273,713

See accompanying notes.

RBC Bearings Incorporated
Consolidated Statements of Operations
(dollars in thousands, except share and per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	December 29, 2007	**December 30, 2006**	**December 29, 2007**	**December 30, 2006**
Net sales	$ 80,407	$ 76,544	$ 238,462	$ 225,023
Cost of sales	52,853	52,001	157,226	153,468
Gross margin	27,554	24,543	81,236	71,555
Operating expenses:				
Selling, general and administrative	12,042	10,762	35,232	30,999
Other, net	401	(552)	1,117	115
Total operating expenses	12,443	10,210	36,349	31,114
Operating income	15,111	14,333	44,887	40,441
Interest expense, net	744	1,225	2,291	4,590
Loss on early extinguishment of debt	—	—	27	3,576
Other non-operating expense (income)	(255)	(1,227)	(255)	(1,227)
Income before income taxes	14,622	14,335	42,824	33,502
Provision for income taxes	5,041	4,976	14,669	11,741
Net income	$ 9,581	$ 9,359	$ 28,155	$ 21,761
Net income per common share:				
Basic	$ 0.45	$ 0.45	$ 1.31	$ 1.07
Diluted	$ 0.44	$ 0.44	$ 1.29	$ 1.03
Weighted average common shares:				
Basic	21,458,764	20,573,670	21,422,581	20,319,173
Diluted	21,833,870	21,439,491	21,811,793	21,149,868

See accompanying notes.

RBC Bearings Incorporated
Consolidated Statements of Cash Flows
(dollars in thousands)
(Unaudited)

	Nine Months Ended	
	December 29, 2007	December 30, 2006
Cash flows from operating activities:		
Net income	$ 28,155	$ 21,761
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,725	6,994
Excess tax benefits from stock-based compensation	(8,789)	(4,406)
Deferred income taxes	(1,238)	7,173
Amortization of intangible assets	891	537
Amortization of deferred financing costs and debt discount	168	511
Stock-based compensation	770	292
Loss (gain) on disposition of assets	25	(658)
Loss on early extinguishment of debt (non-cash portion)	27	3,576
Other	—	16
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(403)	1,565
Inventory	(11,124)	2,179
Prepaid expenses and other current assets	(993)	(404)
Other non-current assets	1,671	(1,830)
Accounts payable	2,712	292
Accrued expenses and other current liabilities	6,726	4,758
Other non-current liabilities	(717)	(156)
Net cash provided by operating activities	24,606	42,200
Cash flows from investing activities:		
Purchase of property, plant and equipment	(14,288)	(8,031)
Acquisition of businesses, net of cash acquired	(7,947)	(8,753)
Proceeds from sale of assets	14	3,517
Net cash used in investing activities	(22,221)	(13,267)
Cash flows from financing activities:		
Net increase (decrease) in revolving credit facility	(7,000)	52,000
Net proceeds from issuance of common stock	—	57,824
Repurchase of common stock	(750)	—
Exercise of stock options and warrants	1,753	1,144
Excess tax benefits from stock-based compensation	8,789	4,406
Payments on term loans	—	(1,422)
Retirement of debt	(1,155)	(144,875)
Principal payments on capital lease obligations	(141)	(235)
Financing fees paid in connection with senior credit facility	(53)	(889)
Net cash provided by (used in) financing activities	1,443	(32,047)
Effect of exchange rate changes on cash	182	444
Cash and cash equivalents:		
Increase (decrease) during the period	4,010	(2,670)
Cash, at beginning of period	5,184	16,126
Cash, at end of period	$ 9,194	$ 13,456
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 2,464	$ 5,234
Income taxes (refunds)	5,727	(79)

See accompanying notes.

The consolidated financial statements included herein have been prepared by RBC Bearings Incorporated, a Delaware corporation (collectively with its subsidiaries, the “Company”), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The March 31, 2007 fiscal year end balance sheet data have been derived from the Company’s audited financial statements, but do not include all disclosures required by generally accepted accounting principles in the United States. The interim financial statements included with this report have been prepared on a consistent basis with the Company’s audited financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2007.

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”), Tyson Bearings, Inc. (“Tyson”), 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”) and RBC CBS Coastal Bearing Services LLC (“CBS”), as well as its Transport Dynamics (“TDC”), Heim (“Heim”) and Engineered Components (“ECD”) divisions. U.S. Bearings (“USB”) is a division of SWP and Schaublin USA is a division of Nice. All material intercompany balances and transactions have been eliminated in consolidation.

These statements reflect all adjustments, accruals and estimates consisting only of items of a normal recurring nature, which are, in the opinion of management, necessary for the fair presentation of the consolidated financial condition and consolidated results of operations for the interim periods presented. These financial statements should be read in conjunction with the Company’s audited financial statements and notes thereto included in the Annual Report on Form 10-K.

Certain reclassifications have been made to prior year’s financial statements to conform with current year presentation.

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.

The results of operations for the three month and nine month periods ended December 29, 2007 are not necessarily indicative of the operating results for the full year. The nine month periods ended December 29, 2007 and December 30, 2006 each include 39 weeks. The dollar amounts are in thousands, unless otherwise indicated.

Recent Accounting Pronouncements

The Company adopted Financial Accounting Standards Board (“FASB”) Interpretation No. 48, “Accounting for Uncertainty in Income Taxes - an Interpretation of SFAS No. 109,” (“FIN 48”), as of the beginning of its 2008 fiscal year. This interpretation clarifies the accounting for uncertainty in income taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. Under FIN 48, the Company first assesses whether it is more likely than not that an individual tax position will be sustained upon examination based on its technical merits. If the tax position is more likely than not to be sustained, under the presumption the taxing authority has all relevant information, it is recognized. The recognized tax position is measured as the largest benefit that is greater than 50% likely of being realized upon ultimate settlement. Previously recognized tax positions that no longer meet the more likely than not recognition threshold are derecognized in the period in which that threshold is no longer met. Accordingly, the unit of account under FIN 48 is the individual tax position and not a higher level such as the aggregate of the various positions that are encompassed by the total tax return filing. As a result of the adoption of FIN 48, the Company recognized a $230 increase in its income tax liabilities and a reduction to the April 1, 2007 beginning balance of retained earnings of $230 (see Note 7).

In September 2006, the FASB issued Statement of Financial Accounting Standard (“SFAS”) No. 157, “Fair Value Measurements,” (“SFAS 157”). This statement is effective as of the beginning of fiscal 2009. SFAS 157 provides a common fair value hierarchy for companies to follow in determining fair value measurements in the preparation of financial statements and expands disclosure requirements relating to how fair value measurements were developed. SFAS 157 clarifies the principal that fair value should be based on the assumptions that the marketplace would use when pricing an asset or liability, rather than company specific data. The Company is currently assessing the impact that SFAS 157 will have on its results of operations and financial position.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Liabilities, Including an amendment of FASB Statement No. 115,” (“SFAS 159”). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 is effective as of the beginning of fiscal 2009. The Company has not yet assessed the effect, if any, that adoption of SFAS 159 will have on its results of operations and financial position.

In December 2007, the FASB issued SFAS No. 141(R), “Business Combinations,” (“SFAS 141(R)”) and SFAS No. 160, “Accounting and Reporting of Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51,” (“SFAS 160”). These new standards will significantly change the financial accounting and reporting of business combination transactions and noncontrolling (or minority) interests in consolidated financial statements.

In comparison to current practice in U.S. GAAP, the most significant changes to business combination accounting pursuant to SFAS 141(R) include requirements to:

- Recognize, with certain exceptions, 100 percent of the fair values of assets acquired, liabilities assumed, and noncontrolling interests in acquisitions of less than a 100 percent controlling interest when the acquisition constitutes a change in control of the acquired entity.
- Measure acquirer shares issued in consideration for a business combination at fair value on the acquisition date.
- Recognize contingent consideration arrangements at their acquisition-date fair values, with subsequent changes in fair value generally reflected in earnings.
- With certain exceptions, recognize preacquisition loss and gain contingencies at their acquisition-date fair values.
- Capitalize in-process research and development (IPR&D) assets acquired.
- Expense, as incurred, acquisition-related transaction costs.
- Capitalize acquisition-related restructuring costs only if the criteria in SFAS 146 are met as of the acquisition date.
- Recognize changes that result from a business combination transaction in an acquirer’s existing income tax valuation allowances and tax uncertainty accruals as adjustments to income tax expense.

The premise of SFAS 160 is based on the economic entity concept of consolidated financial statements. Under the economic entity concept, all residual economic interest holders in an entity have an equity interest in the consolidated entity, even if the residual interest is relative to only a portion of the entity (i.e., a residual interest in a subsidiary). Therefore, SFAS 160 requires that a noncontrolling interest in a consolidated subsidiary be displayed in the consolidated statement of financial position as a separate component of equity because the noncontrolling interests meet the definition of equity of the consolidated entity.

SFAS 141 (R) is required to be adopted concurrently with SFAS 160 and is effective for business combination transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, which for the Company is fiscal 2010. Early adoption is prohibited.

1. Acquisition

On May 22, 2007, the Company acquired the capital stock of Phoenix for $4,360 in cash. As a result of the acquisition, the Company recorded amortizable intangible assets of $2,379, fixed assets of $852, other long-term liabilities of $82, and $1,211 of working capital. No goodwill resulted. Phoenix, located in Gloucestershire, England, manufactures bearings for the steel and mining industries as well as other general industrial applications with bore sizes ranging from 100 millimeters to one meter. Phoenix is included in the Roller Bearings segment.

On July 25, 2007, the Company acquired the assets of CBS for $3,587 in cash. As a result of the acquisition, the Company recorded amortizable intangible assets of $1,464, goodwill of $216, fixed assets of $825, and $1,082 of working capital. CBS, located in Houston, Texas, manufactures, inspects and refurbishes large bearings for the oil and mining industries, as well as other general industrial applications with sizes ranging up to 124 inches in diameter. CBS is included in the Ball Bearings segment.

Proforma net sales and net income inclusive of Phoenix and CBS are not materially different from those reported.

2. Secondary Offering

On April 18, 2006, pursuant to a purchase agreement with Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, KeyBanc Capital Markets and Robert W. Baird & Co., the Company, along with certain of its stockholders, sold 8,989,550 shares of its common stock (5,995,529 sold by certain of the Company’s stockholders). The offering yielded the Company aggregate net proceeds of $57,824 after payment of the underwriting discount, commissions and offering expenses. The full amount of the net proceeds was used to prepay outstanding balances under the previous credit agreement.

3. 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, 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 and warrants.

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

	Three Months Ended		Nine Months Ended	
	December 29, 2007	December 30, 2006	December 29, 2007	December 30, 2006
Net income	$ 9,581	$ 9,359	$ 28,155	$ 21,761
Denominator for basic net income per common share—weighted-average shares	21,458,764	20,573,670	21,422,581	20,319,173
Effect of dilution due to employee stock options and warrants	375,106	865,821	389,212	830,695
Denominator for diluted net income per common share — weighted-average shares	21,833,870	21,439,491	21,811,793	21,149,868
Basic net income per common share	$ 0.45	$ 0.45	$ 1.31	$ 1.07
Diluted net income per common share	$ 0.44	$ 0.44	$ 1.29	$ 1.03

4. Inventory

Inventories are stated at the lower of cost or market, using the first-in, first-out method, and are summarized below:

	December 29, 2007	March 31, 2007
Raw materials	$ 10,257	$ 8,133
Work in process	36,583	32,457
Finished goods	71,106	62,432
	$ 117,946	$ 103,022

5. Comprehensive Income

Total comprehensive income is as follows:

	Three Months Ended		Nine Months Ended	
	December 29, 2007	December 30, 2006	December 29, 2007	December 30, 2006
Net income	$ 9,581	$ 9,359	$ 28,155	$ 21,761
Amortization of pension prior service cost and actuarial losses, net of taxes of $8 and $26, respectively	15	—	43	—
Foreign currency translation adjustments	474	431	1,377	833
Total comprehensive income	$ 10,070	$ 9,790	$ 29,575	$ 22,594

6. Debt

On June 26, 2006, the Company and RBCA terminated the previous credit agreement and the related credit, security and ancillary agreements, and entered into a credit agreement (the “KeyBank Credit Agreement”) and related security and guaranty agreements with certain banks, KeyBank National Association, as Administrative Agent, and J.P. Morgan Chase Bank, N.A. as Co-Lead Arrangers and Joint Lead Book Runners. The KeyBank Credit Agreement provides RBCA, as borrower, with a $150,000 five-year senior secured revolving credit facility which can be increased by up to $75,000, 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).

On June 26, 2006, the Company borrowed approximately $79,000 under the KeyBank Credit Agreement and used such funds to (i) pay fees and expenses associated with the KeyBank Credit Agreement and (ii) repay the approximately $78,000 balance outstanding under the Amended Credit Agreement. As of December 29, 2007, $35,000 was outstanding under the KeyBank Credit Agreement. The Company recorded a non-cash pre-tax charge of approximately $3,576 in fiscal 2007 to write off deferred debt issuance costs associated with the early termination of the previous credit agreement.

On September 10, 2007, the Company and RBCA entered into an amendment of the KeyBank Credit Agreement. Pursuant to the terms of the amendment, the commitment fees payable under the KeyBank Credit Agreement were decreased from a range of 10 to 27.5 basis points, based on the Company's leverage ratio (as defined under the KeyBank Credit Agreement) to a range of 7.5 to 20 basis points. Further, the margin payable under the KeyBank Credit Agreement for revolving loans that are base rate loans, based on the Company's leverage ratio, was decreased from a range of 0 to 75 basis points to a range of 0 to 25 basis points. The margin payable under the KeyBank Credit Agreement for revolving loans that are fixed rate loans, based on the Company's leverage ratio (as defined under the agreement) was decreased from a range of 62.5 to 165 basis points to a range of 37.5 to 115 basis points. Also, the covenant requiring the Company to limit capital expenditures (excluding acquisitions) in any fiscal year to an amount not to exceed $20,000 was amended to increase the limit to an amount not to exceed $30,000.

Approximately $21,638 of the KeyBank Credit Agreement is being utilized to provide letters of credit to secure RBCA's obligations relating to certain Industrial Development Revenue Bonds (the "IRB's") and insurance programs. As of December 29, 2007, RBCA had the ability to borrow up to an additional $93,362 under the KeyBank Credit Agreement.

On September 4, 2007, the Company voluntarily paid off the Series 1998 IRB, the principal amount of which was $1,155.

On December 8, 2003, Schaublin entered into a bank credit facility (the "Swiss Credit Facility") with Credit Suisse providing for 10,000 Swiss francs, or approximately $8,811, of term loan (the "Swiss Term Loan") and up to 2,000 Swiss francs, or approximately $1,762, of revolving credit loans and letters of credit (the "Swiss Revolving Credit Facility"). RBCA pledged 99.4% of the present and future share capital of Schaublin S.A. (1,366 shares) against this facility. On November 8, 2004, Schaublin amended the Swiss Credit Facility to increase the Swiss Revolving Credit Facility to 4,000 Swiss francs, or approximately $3,525. Borrowings under the Swiss Credit Facility bear interest at a floating rate of LIBOR plus 2.25%. As of December 29, 2007, there were no borrowings outstanding under the Swiss Credit Facility.

The balances payable under all borrowing facilities are as follows:

	December 29, 2007	March 31, 2007
KeyBank Credit Agreement		
Five-year senior secured revolving credit facility; amounts outstanding bear interest at the prime rate or LIBOR, plus a specified margin, depending on the type of borrowing being made (5.5% at December 29, 2007 and 6.1% at March 31, 2007)	$ 35,000	$ 42,000
Note Payable	750	750
Industrial Development Revenue Bonds		
Series 1994 A, bears interest at a variable rate, payable monthly through September 2017	7,700	7,700
Series 1994 B, bears interest at a variable rate, payable monthly through December 2017	3,000	3,000
Series 1998, bears interest at variable rates, payable monthly through December 2021.	—	1,155
Series 1999, bearing interest at variable rates, payable monthly through April 2024	4,800	4,800
Total Debt	51,250	59,405
Less: Current Portion	750	750
Long-Term Debt	$ 50,500	$ 58,655

The current portion of long-term debt as of December 29, 2007 and March 31, 2007 consists of a $750 note payable related to the All Power acquisition.

7. Income Taxes

The Company adopted the provisions of FIN 48 on April 1, 2007. As a result of its implementation, the Company recognized an increase in the liability for unrecognized tax benefits of approximately $230 and a reduction to the April 1, 2007 balance of retained earnings. The total amount of unrecognized tax benefits as of April 1, 2007, including the cumulative effect of the adoption of FIN 48, was $3,210, substantially all of which represents liabilities that, if recognized, would impact the effective tax rate. Unrecognized tax benefits have not materially changed since April 1, 2007 and the Company does not anticipate any material changes within the next 12 months.

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, 2001. The Company is no longer subject to U.S. federal tax examination by the Internal Revenue Service for years ending before March 31, 2003.

The Company recognizes the interest and penalties accrued related to unrecognized tax benefits in income tax expense. The Company had approximately $72 of accrued interest and penalties at April 1, 2007 with no material change through December 29, 2007.

The effective income tax rates for the three and nine month periods ended December 29, 2007 and December 30, 2006 were 34.5% and 34.7% and 34.3% and 35.0%, respectively. The effective income tax rates are below the U.S. statutory rate due to foreign income taxed at lower rates and a special manufacturing deduction in the U.S.

8. Pension and Postretirement Plans

The Company has noncontributory defined benefit pension plans covering union employees in its Heim division plant in Fairfield, Connecticut and its Plymouth subsidiary plant in Plymouth, Indiana.

Effective March 31, 2007, the pension plan for the Tyson subsidiary in Glasgow, Kentucky was frozen pursuant to the terms of the Shutdown Agreement between Tyson Bearings Company, Inc. and the United Steelworkers of America (AFL-CIO) Local 7461-01 dated February 6, 2007. No further benefits will accrue under this plan, and no new employees will become eligible for participation in the plan. However, the Company will continue to maintain the plan.

Effective May 1, 2006, the pension plan for the Nice subsidiary in Kulpsville, Pennsylvania was frozen in accordance with the terms of the Shutdown Agreement between RBC Nice Bearings, Inc. and the United Steelworkers of America (AFL-CIO) Local 6816-12 dated February 15, 2006. No further benefits will accrue under this plan, and no new employees will become eligible for participation in the plan. However, the Company will continue to maintain the plan. Net periodic benefit cost in the nine month period ended December 30, 2006 included $77 related to the impact of the curtailment of this plan.

The following table illustrates the components of net periodic benefit cost for the Company’s pension benefits:

	Pension Benefits Three Months Ended		Pension Benefits Nine Months Ended	
	December 29, 2007	December 30, 2006	December 29, 2007	December 30, 2006
Components of net periodic benefit cost:				
Service cost	$ 69	$ 114	$ 207	$ 371
Interest cost	262	258	786	774
Expected return on plan assets	(340)	(327)	(1,020)	(981)
Amortization of prior service cost	2	10	6	19
Amortization of losses	18	35	54	130
Curtailment loss	—	—	—	77
Total net periodic benefit cost	$ 11	$ 90	$ 33	$ 390

The postretirement medical and life insurance benefits for the Tyson subsidiary in Glasgow, Kentucky were curtailed pursuant to the terms of the Shutdown Agreement between Tyson Bearing Company, Inc. and the United Steelworkers of America (AFL-CIO) Local 7461-01 dated February 6, 2007.

Effective May 1, 2006, the postretirement medical and life insurance benefits for the Nice subsidiary in Kulpsville, Pennsylvania were curtailed pursuant to the terms of the Shutdown Agreement between RBC Nice Bearings, Inc. and the United Steelworkers of America (AFL-CIO) Local 6816-12 dated February 15, 2006. No further benefits will accrue under this plan, and no new employees will become eligible for participation in the plan. Life insurance benefits terminated July 31, 2006. Postretirement medical benefits will be available until the contract expires on January 31, 2008. Net periodic benefit cost in the nine month period ended December 30, 2006 included a gain of $132 related to the impact of the curtailment of this plan.

The following table illustrates the components of net periodic benefit cost for the Company’s other postretirement benefits:

	Other Postretirement Benefits Three Months Ended		Other Postretirement Benefits Nine Months Ended	
	December 29, 2007	December 30, 2006	December 29, 2007	December 30, 2006
Components of net periodic benefit cost:				
Service cost	$ 11	$ 31	$ 35	$ 95
Interest cost	39	50	115	150
Prior service cost amortization	(8)	(4)	(22)	(39)
Amount of loss recognized	11	11	31	38
Curtailment (gain)	—	—	—	(132)
Total net periodic benefit cost	$ 53	$ 88	$ 159	$ 112

9. 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 do not exhibit the common attributes mentioned above and do not meet the quantitative thresholds for separate disclosure, and their information is combined and disclosed as “Other.” There is also a segment reflecting corporate charges.

The Company has four reportable business segments engaged in the manufacture and sale of the following:

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.

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

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 two minor operating locations that do not fall into the above segmented categories. The Company produces precision ground ball bearing screws at its LPP plant that offer repeatable positioning accuracy in machine tools, transfer lines, robotic handling and semiconductor equipment. The Company's Schaublin location produces precision machine tool collets that provide effective part holding and accurate part location during machining operations.

Corporate. Corporate consists of expenses incurred at the corporate office.

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.

	Three Months Ended		Nine Months Ended	
	December 29, 2007	**December 30, 2006**	**December 29, 2007**	**December 30, 2006**
Net External Sales				
Roller	$ 22,832	$ 21,348	$ 69,582	$ 68,945
Plain	38,653	37,166	112,548	104,250
Ball	13,004	13,382	40,257	37,722
Other	5,918	4,648	16,075	14,106
	$ 80,407	$ 76,544	$ 238,462	$ 225,023
Operating Income				
Roller	$ 6,813	$ 5,524	$ 20,698	$ 17,611
Plain	10,504	9,823	30,115	27,957
Ball	2,794	4,500	9,455	10,420
Other	744	330	1,753	1,820
Corporate	(5,744)	(5,844)	(17,134)	(17,367)
	$ 15,111	$ 14,333	$ 44,887	$ 40,441
Geographic External Sales				
Domestic	$ 67,330	$ 66,453	$ 202,291	$ 195,951
Foreign	13,077	10,091	36,171	29,072
	$ 80,407	$ 76,544	$ 238,462	$ 225,023
Intersegment Sales				
Roller	$ 2,378	$ 2,203	$ 6,659	$ 6,206
Plain	373	240	875	771
Ball	1,948	1,268	5,381	3,457
Other	4,352	3,803	12,923	10,934
	$ 9,051	$ 7,514	$ 25,838	$ 21,368

All intersegment sales are eliminated in consolidation.

10. Restructuring of Operations

In January 2007, the Company began the consolidation of its tapered bearing manufacturing capacity. The Company has discontinued manufacturing tapered bearings in its Glasgow, Kentucky facility and has consolidated the remaining manufacturing into other Company manufacturing facilities. At March 31, 2007, a balance of $893 was included in accrued liabilities related to this activity. This balance was paid during the nine months ended December 29, 2007.

ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement As To Forward-Looking Information

The information in this discussion contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 which are subject to the “safe harbor” created by those sections. All statements other than statements of historical facts, included in this quarterly report on Form 10-Q and in statements made by employees in oral discussion regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects and plans and objectives of management are “forward-looking statements” as the term is defined in the Private Securities Litigation Reform Act of 1995.

The words “anticipates,” “believes,” “estimates,” “expects,” “intends,” “may,” “plans,” “projects,” “will,” “would” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements that we make. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those in the forward-looking statements, including, without limitation: (a) the bearing industry is highly competitive, and this competition could reduce our profitability or limit our ability to grow; (b) the loss of a major customer could result in a material reduction in our revenues and profitability; (c) weakness in any of the industries in which our customers operate, as well as the cyclical nature of our customers’ businesses generally, could materially reduce our revenues and profitability; (d) future reductions or changes in U.S. government spending could negatively affect our business; (e) fluctuating supply and costs of raw materials and energy resources could materially reduce our revenues, cash flow from operations and profitability; (f) we may not be able to address technological advances or maintain customer relationships which are necessary to remain competitive within our businesses; (g) our products are subject to certain approvals, and the loss of such approvals could materially reduce our revenues and profitability; (h) under certain circumstances, the U.S. government has the right to debar or suspend us from acting as a U.S. government contractor or subcontractor, and if we are suspended or debarred from acting as a government supplier for any reason, such an action would materially reduce our revenues and profitability; (i) we have outstanding debt, and may incur additional debt in the future for acquisitions or other purposes, which could materially impact our business; (j) restrictions in our indebtedness agreements could limit our growth and our ability to respond to changing conditions; (k) work stoppages and other labor problems could materially reduce our ability to operate our business; (l) our business is capital intensive and may consume cash in excess of cash flow from our operations; (m) unexpected equipment failures, catastrophic events or capacity constraints may increase our costs and reduce our sales due to production curtailments or shutdowns; (n) the occurrence of extraordinary events, such as a major terrorist attack, may adversely affect our business, resulting in a decrease in our revenues; (o) we may not be able to continue to make the acquisitions necessary for us to realize our growth strategy; (p) the costs and difficulties of integrating acquired businesses could impede our future growth; we depend heavily on our senior management and other key personnel, the loss of whom could materially affect our financial performance and prospects; (q) our international operations are subject to risks inherent in such activities; (r) currency translation risks may have a material impact on our results of operations; (s) our pension plans are underfunded, and we may be required to make significant future contributions to the plans; (t) we may incur material losses for product liability and recall related claims; (u) environmental regulations impose substantial costs and limitations on our operations, and environmental compliance may be more costly than we expect; (v) 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; (w) cancellation of orders in our backlog of orders could negatively impact our revenues; (x) 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; (y) any reduction of Continued Dumping and Subsidy Offset Act (CDSOA) distributions in the future would reduce our earnings and cash flows; (z) provisions in our charter documents and under Delaware law may prevent or frustrate attempts by our stockholders to change our management and hinder efforts to acquire a controlling interest in us and if there are substantial sales of our common stock, our stock price could decline. Additional information regarding these and other risks and uncertainties is contained in our periodic filings with the SEC, including, without limitation, the risks identified under the heading “Risk Factors” set forth in the Annual Report on Form 10-K for the year ended March 31, 2007. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make. We do not intend, and undertake no obligation, to update or alter any forward-looking statement. The following section is qualified in its entirety by the more detailed information, including our financial statements and the notes thereto, which appears elsewhere in this Quarterly Report.

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 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 20 manufacturing facilities in four countries.

Demand for bearings generally follows the market for products in which bearings are incorporated and the economy as a whole. Purchasers of bearings include industrial equipment and machinery manufacturers, producers of commercial and military aerospace equipment such as missiles and radar systems, agricultural machinery manufacturers, construction 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.

Outlook

Backlog, as of December 29, 2007, was $192.7 million versus $178.1 million as of December 30, 2006. We continue to see positive momentum from our core diversified industrial, aerospace and defense markets. Management believes that operating cash flows and available credit under the credit facility will provide adequate resources to fund internal and external growth initiatives for the foreseeable future.

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.

	Three Months Ended		Nine Months Ended	
	December 29, 2007	December 30, 2006	December 29, 2007	December 30, 2006
Statement of Operations Data:				
Net sales	100.0%	100.0%	100.0%	100.0%
Gross margin	34.3	32.1	34.1	31.8
Selling, general and administrative	15.0	14.1	14.8	13.8
Other, net	0.5	(0.7)	0.5	—
Operating income	18.8	18.7	18.8	18.0
Interest expense, net	0.9	1.6	1.0	2.0
Loss on early extinguishment of debt	—	—	—	1.6
Other non-operating expense (income)	(0.3)	(1.6)	(0.1)	(0.5)
Income before income taxes	18.2	18.7	17.9	14.9
Provision for income taxes	6.3	6.5	6.1	5.2
Net income	11.9%	12.2%	11.8%	9.7%

For purposes of this quarterly report on Form 10-Q, unless otherwise defined, capitalized terms used herein shall have the meanings assigned to them in the Financial Statements.

Three Month Period Ended December 29, 2007 Compared to Three Month Period Ended December 30, 2006

Net Sales. Net sales for the three month period ended December 29, 2007 were $80.4 million, an increase of $3.9 million, or 5.0%, compared to $76.5 million for the same period in the prior year. This includes the impact of a decrease in sales to the class 8 heavy truck market of $2.4 million, or 40.3% from the prior year. During the three month period ended December 29, 2007, we experienced net sales growth in three of our four segments, driven by demand across our end markets as well as our continued efforts to supply new products to existing and new customers. Net sales to aerospace and defense customers grew 4.3% in the third quarter of fiscal 2008 compared to the same period last year, driven mainly by commercial aerospace aftermarket and OEM demand, tempered by the relocation of one of our aircraft plants. Our net sales to our diversified industrial customers increased 5.9% in the third quarter of fiscal 2008 compared to the same period last year. Reflected in this change, our core markets of construction, mining and general industrial distribution grew 14.7%, partially offset by a decrease in year-over-year volume in our class 8 truck business.

The Plain Bearings segment achieved net sales of $38.7 million for the three month period ended December 29, 2007, an increase of $1.5 million, or 4.0%, compared to $37.2 million for the same period in the prior year. The commercial and military aerospace market grew $2.2 million due to an increase in airframe and aerospace bearing shipments to aircraft manufacturers and continued demand for aftermarket product. This was offset by a $0.7 million decline in net sales to our diversified industrial customers. This decline was mainly due to a shift in manufacturing capacity in response to growing aerospace demand and lower industrial OEM volume.

The Roller Bearings segment achieved net sales of $22.8 million for the three month period ended December 29, 2007, an increase of $1.5 million, or 7.0%, compared to $21.3 million for the same period in the prior year. Net sales to the class 8 truck OEM and aftermarket declined by $2.4 million, offset by an increase of $2.2 million in aerospace applications, general industrial demand and the inclusion of Phoenix, which accounted for $1.7 million of net sales for the period ended December 29, 2007.

The Ball Bearings segment achieved net sales of $13.0 million for the three month period ended December 29, 2007, a decrease of $0.4 million, or 2.8%, compared to $13.4 million for the same period in the prior year. Of this decrease, $1.3 million was due to timing of aerospace and defense-related shipments. Sales to our customers in the industrial market increased $0.9 million compared to the same period last fiscal year. The inclusion of CBS accounted for $1.0 million of the net sales increase for the period ended December 29, 2007, offset by a decrease of $0.1 million in sales to other general industrial customers.

The Other segment, which is focused mainly on the sale of precision ball screws and machine tool collets, achieved net sales of $5.9 million for the three month period ended December 29, 2007, an increase of $1.3 million, or 27.3%, compared to $4.6 million for the same period last year. This increase was primarily due to increased sales of machine tool collets in Europe.

Gross Margin. Gross margin was $27.6 million, or 34.3% of net sales, for the three month period ended December 29, 2007, versus $24.5 million, or 32.1% of net sales, for the comparable period in fiscal 2007. The increase in our gross margin as a percentage of net sales was primarily the result of an overall increase in volume, a shift in mix toward higher margin products and the benefit of cost reduction programs.

Selling, General and Administrative. SG&A expenses increased by $1.2 million, or 11.9%, to $12.0 million for the three month period ended December 29, 2007 compared to $10.8 million for the same period in fiscal 2007. As a percentage of net sales, SG&A increased to 15.0% for the three month period ended December 29, 2007 compared to 14.1% for the same period in fiscal 2007. The increase of $1.2 million was due to additional personnel necessary to support our increased volume and the inclusion of our new acquisitions, Phoenix and CBS.

Other, net. Other, net for the three month period ended December 29, 2007 increased by $1.0 million to an expense of $0.4 million compared to income of $0.6 million for the same period in fiscal 2007. For the three month period ended December 29, 2007, other, net consisted of $0.3 million of amortization of intangibles and $0.1 million of moving expenses related to the relocation of our aircraft products manufacturing facility. For the three month period ended December 30, 2006, other, net included a $0.8 million gain on the sale of our Nice facility offset by $0.2 million of amortization of intangibles.

Operating Income. Operating income was $15.1 million, or 18.8% of net sales, for the three month period ended December 29, 2007 compared to $14.3 million, or 18.7% of net sales, for the three month period ended December 30, 2006. Operating income for our Plain Bearings segment was $10.5 million for the three month period ended December 29, 2007, or 27.2% of net sales, compared to $9.8 million for the same period last year, or 26.4% of net sales. Our Roller Bearings segment achieved an operating income for the three month period ended December 29, 2007 of $6.8 million, or 29.8% of net sales, compared to $5.5 million, or 25.9% of net sales, for the three month period ended December 30, 2006. Our Ball Bearings segment achieved an operating income of $2.8 million, or 21.5% of net sales, for the three month period ended December 29, 2007, compared to $4.5 million, or 33.6% of net sales, for the same period in fiscal 2007. Our Other segment achieved an operating income of $0.7 million, or 12.6% of net sales, for the three month period ended December 29, 2007, compared to $0.3 million, or 7.1% of net sales, for the same period in fiscal 2007. The increase in operating income in three of our four segments was driven primarily by a shift in mix toward higher margin products and increased manufacturing efficiency resulting from facility consolidations.

Other Non-Operating Expense (Income). We received approximately $0.3 million and $1.2 million in the three month periods ended December 29, 2007 and December 30, 2006, respectively, in payments under the U.S. Continued Dumping and Subsidy Offset Act (CDSOA) for 2007 and 2006. The CDSOA distributes antidumping duties paid by overseas companies to domestic firms hurt by unfair trade.

Interest Expense, net. Interest expense, net decreased by $0.5 million to $0.7 million in the three month period ended December 29, 2007, compared to $1.2 million in the same period last fiscal year mainly driven by debt reduction. Amortization of deferred financing costs and debt discount are recorded as a component of net interest expense. Amortization expenses included in interest expense, net were $0.1 million for the three month periods ended December 29, 2007 and December 30, 2006, respectively.

Income Before Income Taxes. Income before taxes increased by $0.3 million, to $14.6 million for the three month period ended December 29, 2007 compared to $14.3 million for the three month period ended December 30, 2006.

Income Taxes. Income tax expense was $5.0 million for the three month periods ended December 29, 2007 and December 30, 2006, respectively. Our effective income tax rate for the three month period ended December 29, 2007 was 34.5% compared to 34.7% for the three month period ended December 30, 2006. The effective income tax rates are below the U.S. statutory rate due to foreign income taxed at lower rates and a special manufacturing deduction in the U.S.

Net Income. Net income increased by $0.2 million to $9.6 million for the three month period ended December 29, 2007 compared to $9.4 million for the three month period ended December 30, 2006.

Nine Month Period Ended December 29, 2007 Compared to Nine Month Period Ended December 30, 2006

Net Sales. Net sales for the nine month period ended December 29, 2007 were $238.5 million, an increase of $13.5 million, or 6.0%, compared to $225.0 million for the same period in the prior year. This includes the impact of a decrease in sales to the class 8 heavy truck market of $8.0 million, or 38.5% from the prior year. During the nine month period ended December 29, 2007, we experienced net sales growth in all our four segments, driven by demand across our end markets as well as our continued efforts to supply new products to existing and new customers. Net sales to aerospace and defense customers grew 12.3% in the nine month period of fiscal 2008 compared to the same period last year, driven mainly by commercial and military aerospace aftermarket and OEM demand. Our net sales to our diversified industrial customers declined 0.1% in the nine month period of fiscal 2008 compared to the same period last year. Reflected in this change, our core markets of construction, mining and general industrial distribution grew 8.3%, offset by a decrease in year-over-year volume in our class 8 truck aftermarket business.

The Plain Bearings segment achieved net sales of $112.5 million for the nine month period ended December 29, 2007, an increase of $8.2 million, or 8.0%, compared to $104.3 million for the same period in the prior year. The commercial and military aerospace market grew $12.2 million due to an increase in airframe and aerospace bearing shipments to aircraft manufacturers and continued demand for aftermarket product. This was offset by a $4.0 million decline in net sales to our diversified industrial customers. This decline was mainly due to a shift in manufacturing capacity in response to growing aerospace demand and lower industrial OEM volume.

The Roller Bearings segment achieved net sales of $69.6 million for the nine month period ended December 29, 2007, an increase of $0.7 million, or 0.9%, compared to $68.9 million for the same period in the prior year. Net sales to the class 8 truck OEM and aftermarket declined by $8.0 million, offset by an increase of $4.8 million in aerospace applications, general industrial demand and the inclusion of Phoenix, which accounted for $3.9 million of net sales for the nine month period ended December 29, 2007.

The Ball Bearings segment achieved net sales of $40.3 million for the nine month period ended December 29, 2007, an increase of $2.6 million, or 6.7%, compared to $37.7 million for the same period in the prior year. Of this increase, $0.3 million was driven principally by increased aerospace and defense-related demand. Sales to our customers in the industrial market increased $2.3 million compared to the same period last fiscal year. The inclusion of CBS accounted for $1.9 million of the net sales increase for the nine month period ended December 29, 2007.

The Other segment, which is focused mainly on the sale of precision ball screws and machine tool collets, achieved net sales of $16.1 million for the nine month period ended December 29, 2007, an increase of $2.0 million, or 14.0%, compared to $14.1 million for the same period last year. This increase was primarily due to increased sales of machine tool collets in Europe.

Gross Margin. Gross margin was $81.2 million, or 34.1% of net sales, for the nine month period ended December 29, 2007, versus $71.6 million, or 31.8% of net sales, for the comparable period in fiscal 2007. The increase in our gross margin as a percentage of net sales was primarily the result of an overall increase in volume and a shift in mix toward higher margin products combined with the corresponding effects of efficiency improvements, offset by $0.3 million underabsorption related to the relocation of our aircraft products manufacturing facility during the nine month period ended December 29, 2007.

Selling, General and Administrative. SG&A expenses increased by $4.2 million, or 13.7%, to $35.2 million for the nine month period ended December 29, 2007 compared to $31.0 million for the same period in fiscal 2007. As a percentage of net sales, SG&A increased to 14.8% for the nine month period ended December 29, 2007 compared to 13.8% for the same period in fiscal 2007. The increase of $4.2 million was due to additional personnel necessary to support our increased volume and the inclusion of Phoenix and CBS.

Other, net. Other, net for the nine month period ended December 29, 2007 was $1.1 million compared to $0.1 million for the same period in fiscal 2007. For the nine month period ended December 29, 2007, other, net consisted of $0.9 million of amortization of intangibles and $0.2 million of moving expenses related to the relocation of our aircraft products manufacturing facility. For the nine month period ended December 30, 2006, other, net included $0.4 million of plant shutdown expenses related to our RBC Nice Bearings, Inc. plant consolidation and $0.5 million of amortization of intangibles offset by a $0.8 million gain related to the sale of the Nice facility.

Operating Income. Operating income was $44.9 million, or 18.8% of net sales, for the nine month period ended December 29, 2007 compared to $40.4 million, or 18.0% of net sales, for the nine month period ended December 30, 2006. Operating income for our Plain Bearings segment was $30.1 million for the nine month period ended December 29, 2007, or 26.8% of net sales, compared to $28.0 million for the same period last year, or 26.8% of net sales. Our Roller Bearings segment achieved an operating income for the nine month period ended December 29, 2007 of $20.7 million, or 29.7% of net sales, compared to $17.6 million, or 25.5% of net sales, for the nine month period ended December 30, 2006. Our Ball Bearings segment achieved an operating income of $9.5 million, or 23.5% of net sales, for the nine month period ended December 29, 2007, compared to $10.4 million, or 27.6% of net sales, for the same period in fiscal 2007. Our Other segment achieved an operating income of $1.8 million, or 10.9% of net sales, for the nine month period ended December 29, 2007, compared to $1.8 million, or 12.9% of net sales, for the same period in fiscal 2007. The increase in operating income in two of our four segments was driven primarily by a shift in mix toward higher margin products offset by $0.3 million underabsorption related to the relocation of our aircraft products manufacturing facility during the nine month period ended December 29, 2007.

Interest Expense, net. Interest expense, net decreased by $2.3 million to $2.3 million in the nine month period ended December 29, 2007, compared to $4.6 million in the same period last fiscal year mainly driven by debt reduction. Amortization of deferred financing costs and debt discount are recorded as a component of net interest expense. Amortization expenses included in interest expense, net were $0.2 million for the nine month period ended December 29, 2007 compared to $0.3 million for the nine month period ended December 30, 2006.

Loss on Early Extinguishment of Debt. For the nine month period ended December 30, 2006, loss on extinguishment of debt was $3.6 million for the non-cash write-off of deferred debt issuance costs associated with the early termination of the previous senior credit facility.

Other Non-Operating Expense (Income). We received approximately $0.3 million and $1.2 million in the nine month periods ended December 29, 2007 and December 30, 2006, respectively, in payments under the U.S. Continued Dumping and Subsidy Offset Act (CDSOA). The CDSOA distributes antidumping duties paid by overseas companies to domestic firms hurt by unfair trade.

Income Before Income Taxes. Income before taxes increased by $9.3 million, to $42.8 million for the nine month period ended December 29, 2007 compared to $33.5 million for the nine month period ended December 30, 2006.

Income Taxes. Income tax expense for the nine month period ended December 29, 2007 was $14.7 million compared to $11.7 million for the nine month period ended December 30, 2006. Our effective income tax rate for the nine month period ended December 29, 2007 was 34.3% compared to 35.0% for the nine month period ended December 30, 2006. The effective income tax rates are below the U.S. statutory rate due to foreign income taxed at lower rates and a special manufacturing deduction in the U.S.

Net Income. Net income increased by $6.4 million to $28.2 million for the nine month period ended December 29, 2007 compared to $21.8 million for the nine month period ended December 30, 2006.

Liquidity and Capital Resources

Liquidity

On June 15, 2007, our board of directors authorized us to repurchase up to $10.0 million of our common stock from time to time on the open market, through block trades, or in privately negotiated transactions depending on market conditions, alternative uses of capital and other factors. Purchases may be commenced, suspended or discontinued at any time without prior notice. The new program, which does not have an expiration date, replaces a $7.5 million program that expired on March 31, 2007. As of December 29, 2007, 20,599 shares of stock have been repurchased under the new program for an aggregate cost of $0.8 million.

On April 18, 2006, pursuant to a purchase agreement with Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, KeyBanc Capital Markets and Robert W. Baird & Co., we, along with certain of our stockholders, sold 8,989,550 shares of our common stock (5,995,529 sold by certain of our stockholders). The offering yielded us aggregate net proceeds of approximately $57.8 million after payment of the underwriting discount, commissions and offering expenses. The full amount of the net proceeds was used to prepay outstanding balances under the previous credit agreement.

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

On September 10, 2007, the Company and RBCA entered into an amendment of the KeyBank Credit Agreement. Pursuant to the terms of the amendment, the commitment fees payable under the KeyBank Credit Agreement were decreased from a range of 10 to 27.5 basis points, based on the Company’s leverage ratio (as defined under the KeyBank Credit Agreement) to a range of 7.5 to 20 basis points. Further, the margin payable under the KeyBank Credit Agreement for revolving loans that are base rate loans, based on the Company’s leverage ratio, was decreased from a range of 0 to 75 basis points to a range of 0 to 25 basis points. The margin payable under the KeyBank Credit Agreement for revolving loans that are fixed rate loans, based on the Company’s leverage ratio (as defined under the agreement) was decreased from a range of 62.5 to 165 basis points to a range of 37.5 to 115 basis points. Also, the covenant requiring the Company to limit capital expenditures (excluding acquisitions) in any fiscal year to an amount not to exceed $20.0 million was amended to increase the limit to an amount not to exceed $30.0 million.

Amounts outstanding under the KeyBank Credit Agreement are due and payable on its expiration date (June 24, 2011). We may elect to prepay some or all of the outstanding balance from time to time without penalty.

Since our net operating losses will be fully utilized during fiscal 2008, we expect an increase in our cash disbursements during the fourth quarter of the fiscal year to satisfy our income tax obligations.

On December 8, 2003, Schaublin entered into a bank credit facility (the “Swiss Credit Facility”) with Credit Suisse providing for 10.0 million Swiss francs, or approximately $8.8 million, of term loan (the “Swiss Term Loan”) and up to 2.0 million Swiss francs, or approximately $1.8 million, of revolving credit loans and letters of credit (the “Swiss Revolving Credit Facility”). RBCA pledged 99.4% of the present and future share capital of Schaublin S.A. (1,366 shares) against this facility. On November 8, 2004, Schaublin amended the Swiss Credit Facility to increase the Swiss Revolving Credit Facility to 4.0 million Swiss francs, or approximately $3.5 million. Borrowings under the Swiss Credit Facility bear interest at a floating rate of LIBOR plus 2.25%. As of December 29, 2007, there were no borrowings outstanding under the Swiss Credit Facility.

Cash Flows

Nine month Period Ended December 29, 2007 Compared to the Nine month Period Ended December 30, 2006

For the nine months ended December 29, 2007, we used cash from operations of $24.6 million, excess tax benefits from stock-based compensation of $8.8 million and proceeds from the exercise of stock options of $1.8 million to fund capital expenditures of $14.3 million, fund the acquisitions of Phoenix and CBS for $7.9 million, pay down the revolving credit facility by $7.0 million, pay off an IRB for $1.2 million, repurchase common stock for $0.8 million and increase cash balances by $4.0 million.

For the nine months ended December 30, 2006, we used cash from operations of $42.2 million, net proceeds of $57.8 million from our secondary offering, excess tax benefits from stock-based compensation of $4.4 million, proceeds from the exercise of stock options of $1.1 million and proceeds of $3.5 million related to the disposal of assets and cash on hand of $2.7 million to fund capital expenditures of $8.0 million and the acquisition of All Power for $8.8 million. The balance was used to refinance the credit agreement, thereby reducing borrowings under the new agreement by $94.3 million in addition to funding other activity totaling $0.6 million.

Capital Expenditures

Our capital expenditures were $14.3 million for the nine month period ended December 29, 2007. We expect to make capital expenditures of approximately $18.0 to $21.0 million during fiscal 2008 in connection with our existing business. We intend to fund our fiscal 2008 capital expenditures principally through existing cash, internally generated funds and borrowings under our bank facilities. We may also make substantial additional expenditures in connection with acquisitions.

Obligations and Commitments

As of December 29, 2007, there was no material change in debt and interest, capital lease, operating lease or pension and postretirement obligations as compared to such obligations and liabilities as of March 31, 2007.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and Qualitative Disclosure 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 are exposed to market risk from changes in the interest rates on a significant portion of our outstanding indebtedness. Outstanding balances under our KeyBank Credit Agreement generally bear interest at the prime rate or LIBOR (the London inter-bank offered rate for deposits in U.S. dollars for the applicable LIBOR period) 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. As of December 29, 2007, our margin is 0.0% for prime rate loans (prime rate at December 29, 2007 was 7.25%) and 0.625% for LIBOR rate loans (one month LIBOR rate at December 29, 2007 was 4.88%). As of December 29, 2007, based on the aggregate amount of $35.0 million outstanding under our KeyBank Credit Agreement, a 100 basis point change in interest rates would have changed our interest expense by approximately $0.4 million per year.

Foreign Currency Exchange Rates. As a result of increased sales in Europe, our exposure to risk associated with fluctuating currency exchange rates between the U.S. dollar, the Euro, the Swiss Franc and the British Pound has increased. Our Swiss operations utilize the Swiss Franc as the functional currency, our French operations utilize the Euro as the functional currency and our English operations utilize the British Pound as the functional currency. Foreign currency transaction gains and losses are included in earnings. Approximately 15% of our net sales were denominated in foreign currencies in the first nine months of fiscal 2008. 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 currently do not have exchange rate hedges in place to reduce the risk of an adverse currency exchange movement. Although currency fluctuations have not had a material impact on our financial performance in the past, such fluctuations may materially affect our financial performance in the future. The impact of future exchange rate fluctuations on our results of operations cannot be accurately predicted.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

ITEM 4. Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of December 29, 2007. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 29, 2007, our disclosure controls and procedures were (1) designed to ensure that information relating to our Company required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported to our Chief Executive Officer and Chief Financial Officer within the time periods specified in the rules and forms of the U.S. Securities and Exchange Commission, and (2) effective, in that they 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.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the nine month period ended December 29, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

Limitation on Effectiveness of Controls

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. The design of any control system is based, in part, upon the benefits of the control system relative to its costs. Control systems can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. In addition, over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Part II - OTHER INFORMATION

ITEM 1. Legal Proceedings

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

ITEM 1A. Risk Factors

There have been no material changes to our risk factors and uncertainties during the nine month period ended December 29, 2007. For a discussion of the Risk Factors, refer to Part I, Item 1A, “Risk Factors,” contained in the Company’s Annual Report on Form 10-K for the period ended March 31, 2007.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Use of Proceeds

Not applicable.

Issuer Purchases of Equity Securities

Total share repurchases for the three months ended December 29, 2007 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)
09/30/2007-10/27/2007	—	—	—	$ 9,766
10/28/2007-11/24/2007	—	—	—	$ 9,766
11/25/2007-12/29/2007	15,000	$ 34.34	15,000	$ 9,250
Total	15,000	$ 34.34	15,000	$ 9,250

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

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Submission of Matters to a Vote of Security Holders

Not applicable.

ITEM 5. Other Information

Not applicable.

ITEM 6. Exhibits

Exhibit Number	Exhibit Description
10.1	Credit Agreement, dated as of June 26, 2006 by and between RBC Bearings Incorporated and KeyBank National Association, as Administrative Agent and Lender filed as Exhibit 99.1 on Form 8-K dated July 18, 2006 is hereby incorporated by reference herein.
10.2	Parent Guaranty, dated June 26, 2006, by and between RBC Bearings Incorporated and KeyBank National Association, as Administrative Agent and Lender filed as Exhibit 99.2 on Form 8-K dated July 18, 2006 is hereby incorporated by reference herein.
10.3	Security Agreement, dated June 26, 2006, by and between Roller Bearing Company of America, Incorporated and KeyBank National Association, as Administrative Agent and Lender filed as Exhibit 99.3 on Form 8-K dated July 18, 2006 is hereby incorporated by reference herein.
10.4	Amendment No. 2 to Credit Agreement, dated as of September 10, 2007 by and between RBC Bearings Incorporated and KeyBank National Association, as Administrative Agent and Lender filed as Exhibit 10.1 on Form 8-K dated September 10, 2007 is hereby incorporated by reference herein.
10.5	Agreement between RBC Heim Bearings and Local No. 376 International Union, United Automobile, Aerospace and Agricultural Implement Workers of America effective February 1, 2008. Filed herewith.
31.01	Certification of Chief Executive Officer Pursuant to Securities Exchange Act Rule 13a-14(a). Filed herewith.
31.02	Certification of Chief Financial Officer Pursuant to Securities Exchange Act Rule 13a-14(a). Filed herewith.
32.01	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 and Securities Exchange Act Rule 13a-14(b).* Filed herewith.
32.02	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 and Securities Exchange Act Rule 13a-14(b).* Filed herewith.

* This certification accompanies this Quarterly Report on Form 10-Q, 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 Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

SIGNATURES

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

RBC BEARINGS INCORPORATED
(Registrant)

By: /s/ Dr. Michael J. Hartnett

Name: Dr. Michael J. Hartnett
Title: Chief Executive Officer
Date: February 7, 2008

By: /s/ Daniel A. Bergeron

Name: Daniel A. Bergeron
Title: Chief Financial Officer
Date: February 7, 2008

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Exhibit 10.5

Agreement

Between

RBC Heim Bearings

And

Local No. 376

International Union,
United Automobile,
Aerospace and Agricultural
Implement Workers
Of America

Effective from February 1, 2008
To midnight January 31, 2013

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STATEMENT OF EEO POLICY

It is the policy of Heim Bearings and the UAW to uphold and maintain a continuing nondiscriminatory "Equal Employment Opportunity" policy. Our goal shall be a realistic attempt to insure genuine equal opportunity, in every sense of its meaning, in every operational area.

"Equal Employment Opportunity" will be maintained for all present employees, as well as applicants applying for positions with this company, through the following Corporation policy: "It is the policy through a positive and continuing program, to provide equal opportunity in employment for all qualified persons, to prohibit discrimination in employment because of age, race, creed, color, sex, handicap, national origin, disabled veterans and veterans of the Vietnam era, and to promote the full realization of equal employment opportunity. The program also extends to and encompasses the providing of equal opportunity in employment for all qualified personnel without regard to politics or marital status.

It is our intent to incorporate a strong EEO policy throughout virtually every personnel activity or function to assure full utilization of all available human resources and to review these policies on a semi-annual basis."

PREAMBLE

This Agreement is entered into this **19th day of November, 2007** by and between Heim Bearing division, Roller Bearing Company, hereinafter called the COMPANY, AND THE INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA, U.A.W., AND AMALGAMATED LOCAL 376, UAW, the certified bargaining representative of all employees in the appropriate unit, a signatory party hereto, hereinafter referred to as the UNION.

ASSIGNABILITY

This Agreement shall be binding upon the Successors and Assignees of the parties hereto, and no provisions, terms, or obligations herein contained shall be affected, modified, altered or changed in any respect whatsoever by any change in the regular status, ownership or management of either party herein, provided the plant and facilities of the Company remain within the State of Connecticut. In the event the present owners sell or assign the plant, or sell their interest in the business, the present owners agree to make this Agreement a condition of such sale or assignment, provided such sale or assignment contemplates that the plant and facilities of the Company will remain within the State of Connecticut, and the present owners shall be relieved of any personal liability whatsoever under the Agreement thereafter.

ARTICLE A
EMPLOYEES COVERED BY THIS
AGREEMENT

Section 1. The Company recognizes the Union as the sole and exclusive bargaining agency of the following employees: all production and maintenance employees, including stockroom employees and tool clerks, also shipping and receiving clerks, excluding, however, engineering and clerical employees and supervisory employees as defined in the Labor-Management Relations Act of 1947, and any amendments thereto.

ARTICLE B
RECOGNITION

Section 1. The Union represents that it has been authorized by a majority of the Company's employees in a unit appropriate for such purposes, as the representative designated or selected for the purpose of collective bargaining in respect to rates of pay, wages, hours of employment, or other conditions of employment.

ARTICLE C
UNION SECURITY

Section 1. All present employees within the Bargaining Unit on the effective date of this Agreement shall, within thirty days thereafter, as a condition of employment, become and/or remain members of the Union in good standing to the extent of paying membership dues and initiation fees.

Section 2. Employees in the bargaining Unit who have not on the effective date of this Agreement completed thirty days of employment with the Company shall, as a condition of employment, within thirty days after the effective date of this Agreement or at the expiration of thirty days of employment, whichever period is longer, become and remain members of the Union in good standing to the extent of paying membership dues and initiation fees.

Section 3. All new employees hired during the life of this Agreement shall, as a condition of employment, within thirty days after date of hire or thirty days after the signing of this Agreement, whichever period is longer, become and remain members of the Union in good standing to the extent of paying membership dues and initiation fees.

Section 4. The Company will give to each present employee a printed copy of this Agreement.

Section 5. The Company will give a printed copy of this agreement, together with an authorization form for check-off of dues to all new hires.

ARTICLE D
CHECK-OFF

Section 1. The Company shall deduct, for employees covered by this Agreement who are members of the Union, their Union membership dues and initiation fees levied against all Union members in accordance with the Constitution and Bylaws of the Union and promptly remit the same, together with a list of employees for whom deductions were made, to the Financial Secretary of the Union who is authorized to receive said payments, provided that the Company has received from such employees individual and voluntary signed authorizations. Authorization cards shall be in the following form:

AUTHORIZATION FOR CHECK-OFF OF DUES

To Heim Bearings Division, Roller Bearing Company, Inc.

Date______________________

I hereby assign to Local Union No. 376, International Union, United Automobile Aerospace and Agricultural Implement Workers of America (UAW), from any wages earned or to be earned by me as your employee (in my present or in any future employment by you), such sums as the Financial Officer of said Local Union No. 376 may certify as due and owing from me as membership dues, including an initiation or reinstatement fee and monthly dues in such sum as may be established from time to time as union dues in accordance with the Constitution of the International Union, UAW. I authorize and direct you to deduct such amounts from my pay and to remit same to the Union at such times and in such manner as may be agreed upon between you and the Union at any time while this authorization is in effect.

This assignment, authorization and direction shall be irrevocable for the period of one (1) year from the date of delivery hereof to you, or until the termination of the collective agreement between the Company and the Union which is in force at the time of delivery of this authorization, whichever occurs sooner; and I agree and direct that this assignment, authorization and direction shall be automatically renewed and shall be irrevocable for successive periods of one (1) year each or for the period of each succeeding applicable collective period of each succeeding applicable collective agreement between the Company and the Union, whichever shall be shorter, unless written notice is given by me to the Company and the Union, not more than twenty (20) days and not less than ten (10) days prior to the expiration of each period of one (1) year, or of each applicable collective agreement between the Company and the Union whichever occurs sooner.

This authorization is made pursuant to the provisions of Section 392 (c) of the Labor Management Relations Act of 1947 and otherwise.

____
(Signature of Employee here)

____
(Type of print name of employee here)

____
(Date of sign.) (Emp. Clock No.)

____
(Address of Employee)

____
(City) (State) (Zip)

____
(Soc. Sec. No.) (Date of del. to Employer)

Section 2. All deductions covered by this Agreement shall be made in a manner agreed upon with the Union, except that dues and initiation fees will be on a monthly basis. However, local practices, relative to number of hours per month to be worked before dues deductions shall be made, shall be in accord with the Constitution of the International Union. If in any month full dues are not deducted, the Company and Union may agree upon an orderly manner of collection in the succeeding month or months.

Section 3. All sums deducted under the Agreement shall be remitted to the Financial Secretary of the local Union, prior to the first of the month following the deduction and the Company will furnish the financial Secretary of the local Union, monthly, a record of those for whom deductions have been made, together with the amount of such deductions and also a record of all terminations and employees absent during the week of the check-off.

ARTICLE 1
HOURS AND OVERTIME

Section 1. The normal work week shall be:

(a) Forty (40) hours, based on eight (8) hours per day, five (5) days per week, Monday through Friday inclusive.

(b) The normal work week shall begin on Sunday night at 11:00 p.m. with the start of the third (3rd) shift and end 168 hours later.

(c) The first day shall be the 24 hour period beginning with the employees regular scheduled shift starting time.

(1) First shift hours 6:00 a.m. to 2:30 p.m.

(2) Second shift hours 3:30 p.m. to midnight

(3) Third shift hours 11:00 p.m. to 7:00 a.m.

(d) Third shift employees will be entitled to a paid 20 minute lunch.

(e) Friday will be the third shift's "Saturday" for overtime pay calculation purposes.

(f) Saturday will be the third shift's "Sunday" for overtime pay calculation purposes.

(g) Third shift employees will not be required to work overtime prior to the start of the shift on Sunday night.

(h) First and second shift employees presently working twelve (12) hour shifts will revert to the schedules in paragraph (c) respectively in the event that the twelve (12) hour shifts are discontinued for any reason.

Section 2. Time and one-half shall be paid for all work performed.

(a) In excess of eight (8) hours in any one day.

(b) In excess of forty (40) hours in any one week.

(c) On Saturdays as such.

(d) Any employee called in to work outside of the regularly scheduled shift hours shall be paid not less than four (4) hours at his/her base rate as follows:

(1) Time actually worked at prevailing rate, plus

(2) The remaining of the four (4) hours not worked at straight time pay unless it is a premium day and the premium rate shall prevail.

(e) Double time will be paid for all work performed on Sundays.

Section 3. Notification of Overtime

(a) Employees shall not be required to work overtime when insufficient notice is given. Notification at any time prior to the close of the prior day's shift will be considered sufficient notice for daily overtime.

(b) Employees will be charged for all overtime hours where proper notification has been given, whether the employee works or not.

(c) Employees shall not be required to work Saturday or Sunday overtime when insufficient notice is given or when there is a reasonable excuse for not working. Notice of Saturday of Sunday overtime must be given to the employee no later than the end of the shift on the preceding Thursday.

Section 4.

(a) Overtime will be equally distributed among those employees within the departments by classification provided they have the ability to perform the available overtime work.

(b) Overtime records will be maintained in each department next to the work instructions for employees to inspect at any time. All records will be updated weekly.

(c) Employees with the lowest overtime hours will be asked to work first within their department by job classification.

(d) Employees working overtime outside their departments shall be charged for actual hours worked back to their department for overtime equalization.

(e) The company shall keep a record of overtime worked and overtime refused by employees and shall furnish the Union with a copy of such record at the end of each month. If the difference in overtime hours worked between the employee with the greatest number of overtime hours and the other employees in the same work classification shall exceed ten (10) hours at the end of every three (3) month period, such difference shall be paid at time and one-half the other employee's regular hourly rate, except when such difference results from the other employee's refusal to work in accordance with this article.

Section 5. Overtime hours available will be recorded according to the following:

(a) Overtime hours offered and refused will be considered hours worked for the purpose of equalizing overtime.

(b) Employees absent for any reason will be charged for all overtime hours they would have been offered had they been at work.

Section 6. There shall be no duplication of compensation for overtime for the same hours worked by an employee by reason of daily, weekly or other overtime provisions of any kind.

ARTICLE 2
HOLIDAYS

Section 1.

(a) Except as hereinafter provided, all work done on the holidays set forth below shall be paid for at the rate of double time plus holiday pay. The specified holidays shall also be considered as days worked for the purpose of computing overtime pay only.

Floating Holiday	Labor Day
Good Friday	Thanksgiving Day
Memorial Day	Friday after Thanksgiving
Independence Day	Employee’s Birthday

The Company will provide the following Christmas and New Year’s Holidays with pay per the following schedule:

2008 Dec. 24, 25, 26, 29, 30, 31 and January 1, 2009
2009 Dec. 24, 25, 28, 29, 30, 31 and January 1, 2010
2010 Dec. 24, 27, 28, 29, 30 and 31 (for January 1, 2011)
2011 Dec. 26, 27, 28, 29 and 30 (for January 1, 2012)
2012 December 24, 25, 26, 27, 28, 31 and January 1, 2013

(b) It is understood between the parties that an employee who is off work receiving sick and accident benefits during a week in which a holiday falls will be paid such holiday pay in addition to S & A benefits. Similarly, employees receiving Workers’ Compensation will receive holiday pay for a period not to exceed the agreed upon time limits for S & A coverage.

Section 2. When a holiday falls on a Saturday, it shall be celebrated on the preceding Friday. When a holiday falls on a Sunday, such holiday shall be celebrated on the following Monday, excluding Christmas and New Year’s week.

Section 3. The holidays mentioned above shall be with pay. Consequently, all employees shall receive an amount equal to eight (8) hours pay at their hourly rate for the specified holiday even though no work is performed. In order to be eligible for holiday pay, the employees must:

(a) Have been in attendance on the work days preceding and following the holiday unless the absence is for:

(1) Death in the immediate family as defined in Article 9.

(2) Jury Duty.

(3) Important Union business on the part of stewards, Shop Committee persons, Officers or Appointees made known to and approved by the Company prior to such holidays.

(4) An employee who is laid off and again recalled within thirty (30) days, during which period a paid holiday falls, shall receive holiday pay for that holiday.

(5) For other reasonable cause.

(b) Employees on twelve (12) hour shifts will revert to their normal eight (8) hour shifts and will not be required to work overtime on the day prior to Good Friday, Thanksgiving and Independence Day.

Section 4. When a holiday falls within a scheduled vacation period, another day off be between Monday and Friday will be granted for that vacation day not taken or paid for during the vacation period.

Section 5. Employees on leave of absence shall not be entitled to any holiday pay during such leave.

ARTICLE 3
WAGES AND RATES OF PAY

Section 1.

(a) **Effective November 19, 2007, a general wage increase of 3.75%**

Effective February 2, 2009, a general wage increase of 3%

Effective February 1, 2010, a general wage increase of 3%

Effective February 1, 2011 a general wage increase of 3%

Effective February 6, 2012 a general wage increase of 4%

The hourly rates of pay shown in Appendix A, and Appendix B attached hereto and made a part hereof, shall remain in effect for the life of this Agreement.

(b) It is agreed that during the period of this Agreement, each employee covered by this Agreement, shall receive a guaranteed cost of living allowance which will be added to the employee's straight time hourly earnings as set forth in Appendix A of the Agreement. The guaranteed cost of living increases will be as follows:

	Hired before 2/1/96	Hired after 2/1/96
August 4, 2008	**10 cents**	**15 cents**
August 3, 2009	**10 cents**	**15 cents**
August 1, 2010	**10 cents**	**15 cents**
August 1 , 2011	**10 cents**	**15 cents**
August 6, 2012	**15 cents**	**20 cents**

(c) Should the effective date of the increases mentioned above fall on a Monday, Tuesday or Wednesday, the increase specified shall revert to Monday. Should the increases specified above fall on a Thursday or Friday, the increases shall become effective on the following Monday.

Section 2.

Employees required to work on a shift other than the day shift will be paid a shift premium equal to 10% of their hourly rate in addition to their regular earnings for such hours worked.

Section 3.

(a) The Company and the Union have negotiated job descriptions and evaluations by Labor Grade. Such descriptions and evaluations are apart of this Agreement.

(b) Newly hired employees will start at the hire rate unless their training, knowledge or experience justify hiring at a higher rate. They will progress to the maximum rate by receiving a twenty (20) cent per hour increase after each sixty (60) days worked, payable starting in the nearest Monday. It is recognized that the last raise may be less than twenty (20) cents per hour.

Employees, still in progression, who are successful bidders on another job in a higher labor grade will receive a twenty (20) cent per hour increase when they start the new job and then will progress in twenty (20) cent increments after each sixty (60) days worked until they reach the maximum. Rate changes will be made on the nearest Monday. The last raise may be less than twenty (20) cents.

(c) Employees who are promoted from the maximum rate of one job to a higher paying job will receive the maximum rate of the higher job on the date of promotion.

(d) Employees who are at maximum and have been transferred to a higher rated job and are later transferred back to a lower rated job will receive the maximum of the lower rated job.

(e) Employees who have not progressed to the maximum and who move from a higher rated job to a lower rated job will go down to a rate in the lower grade that is equivalent to the progression point that they were in the higher rated job.

(f) All employees currently in Labor Grade 1 will be promoted to Labor Grade 2.

ARTICLE 4
VACATIONS

Section 1. Effective February 1, 1996, the continuous service requirements and earned vacation with pay at straight time as detailed in the following vacation schedule table shall apply. The service requirement will be based upon seniority as of August 1st of the vacation year.

Service Requirement Earned Vacation

1 year but less than 2 years	1 week (40 hrs)
2 years but less than 5 years	2 weeks (80 hrs)
5 years but less than 10 years	2-1/2 weeks (100 hrs)
10 years but less than 15 years	3 weeks (120 hrs)
15 years but less than 20 years	3-1/2 weeks (140 hrs)
20 years but less than 25 years	4 weeks (160 hrs)
25 years and over	5 weeks (200 hrs)

Section 2. A vacation shutdown period of up to two weeks may be designated by the Company upon notice to the Union by January 31 of each calendar year. If an employee has scheduled a vacation relying on the Company's shutdown notice, the employee will not be compelled to work.

Section 3. Employees entitled to at least two (2) weeks of vacation must take the same during the plant shutdown. Employees entitled to more than two (2) weeks of vacation may take same at a time of their choice but seniority and Company production schedules shall be taken into consideration.

Section 4. Employees must have worked a minimum of 1000 hours in order to qualify for full vacation pay as provided in Section 1 above. Employees working less than 1000 hours shall be paid on a pro-rated basis. The period for determining hours worked shall be from August 1 of the prior year through July 31 of the current year. Employees terminated for any reason shall receive a pro-rated vacation pay. Absence due to sickness or injury shall be counted as hours worked.

Section 5. The Company agrees to provide a vacation bonus of $100 to all employees with 20 years of service. The Company agrees to provide a vacation bonus of $200 to all employees with 25 years service or more. **The vacation bonus shall be paid prior to Christmas**.

Section 6. Employees who are entitled to and wish to schedule a vacation should notify their supervisor in writing by March 15. Permission will be granted based upon Company seniority and Company production schedules and specific written responses will be made by April 1.

Once an employee's vacation has been approved, it will not be changed unless circumstances mandate a change and more senior employees may not displace an employee's approved vacation.

An employee who does not request vacation by March 15 or who requests additional vacation time must submit a request in writing no later than three weeks prior to the time requested. This three week notice requirement will not apply in emergencies.

Section 7. The employee can elect, by June 30, to be paid all of their vacation time in a lump sum on or about August 1st, or as they take vacation time.

ARTICLE 5
SENIORITY

Section 1. A seniority list including date of birth, hiring date, job classification, department, labor grade, total points and social security number shall be maintained and a copy shall be furnished to the Union quarterly.

(a) The Company shall furnish the Union with a monthly report showing the names and dates of new hires, layoffs, recalls, quits, discharges, leaves of absence (granted and expired) and adjustments in the seniority listings with respect to dates. Any errors in the seniority lists, layoffs and recalls that are discovered due to this submission shall be corrected immediately.

(b) The Shop Chairperson shall be notified promptly of any additions or deletions.

Section 2. Employees will lose their seniority status if they:

(a) Quit.

(b) Are discharged for justifiable cause.

(c) Do not report for work within five (5) working days following a notification by certified letter of restoration after a layoff, except where a reasonable excuse is provided.

(d) Are absent without a leave of absence or excused absence for three (3) consecutive working days without notifying the Company, except where reasonable cause is provided.

(e) Are on layoff in excess of thirty-six (36) months. Probationary employees who are laid-off will not be listed on the layoff list.

(f) Are absent from work because of a non-occupational disability for a continuous period in excess of eighteen (18) months.

Section 3. New employees shall be regarded as temporary or probationary employees for the first sixty (60) calendar days of their employment.

Section 4. Employees advanced from hourly status to salary status shall lose seniority and privileges under this contract thirty (30) calendar days after such appointment unless returned to the Bargaining Unit within said period.

Section 5. Employees who are absent from work because of illness or injury will be returned to their “original” job upon presenting the Company with a copy of their unconditional medical release to return to work.

If their “original” job is no longer available, they will exercise their contract rights in accordance with Article 8 of this contract.

Jobs that become vacant, because the employee in that job classification has been absent from work because of injury or illness for a period of more than thirty (30) days and,

In the judgment of the Company, that job needs to be filled it shall be handled as follows:

1. The Company shall offer recall rights to all eligible employees in an equal or higher labor grade in accordance with Article 8, Section 1 (b) of the contract.

2. If no employee(s) have recall rights as describe in item 1 above, the Company , at its discretion may post the job as “Temporary” job.

   Bids on the “Temporary” job shall be handled in accordance with Article 6 of the contract.

3. If there are no successful bids on the “Temporary” job, the Company shall offer recall rights to all eligible employees in a lower labor grade.

4. If there is a reduction in force in a department where a “Temporary” job exists, the employee in the “Temporary” job must be returned to the same status he/she had prior to accepting the “Temporary” job before the layoff commences.

5. If the “Temporary” job is not filled after the above three actions have been taken and, in the judgement of the Company, the job needs to be filled, the Company may hire “from the street” to fill the job with the understanding that it is a “Temporary” job. The person hired from the street to fill the “Temporary” job shall exercise his/her rights, if any, under Article 8 of the contract when such “Temporary” job ceases to exist.

6. When it is determined the disabled employee will not or cannot return to work the opening will be posted in accordance to Article 6.

ARTICLE 6
JOB POSTING

Section 1. Job openings will be filled based on plantwide seniority and basic qualifications regardless of shift.

(a) New jobs and vacancies in existing jobs to which no employee has recall rights will be posted on the plant bulletin board for a period of three (3) working days. A general description of each job responsibility will be shown on the posting.

(b) If the same job opening occurs within a period of thirty (30) days from the first date of an original job posting, no new posting will be required. The new job opening will be filled from the original bidding list. If there are no remaining qualified bidders on the original list, the new job opening shall be posted immediately. However, a new posting will be required at the end of the original thirty (30) day job posting.

(c) During the posting period, eligible employees may bid on the posted jobs by completing a Bid Slip and submitting it to their Supervisor. The Company will notify the Union in writing and state the reason for withdrawing the posting for any job.

(d) Employees will be eligible to bid on higher, equal or lower paying job provided:

(1) They have completed the probationary period.

(2) Those who have bid and been accepted on lower paying jobs under this procedure must remain in the new department for a period of at least six (6) months before being eligible to again bid on another job outside their department. However, these employees may bid upward or lateral through all labor grades within their department at any time.

(e) Following the closing of the posting, bidders will be considered and interviewed by the Personnel Department for each job opening in order of seniority; a Shop Commiteeperson shall be present. The most senior employee who has the basic qualifications to perform the required work will be promoted to the job within a period of thirty (30) calendar days. Unsuccessful bidders will be notified by the company in writing. A copy of the notice of disaward which will include the grounds for disaward will be given to the Shop Chairperson. Bidders may withdraw their bids at any time before starting the new job by signing a refusal slip provided by the Company, a copy of which will be given to the Shop Chairperson.

(f) Job openings in a "Training Program" will also be filled under this procedure.

(g) Should an employee with basic qualifications grieve the Company's selection in filling the vacancy, the employee must be shown the basic requirements of the job and have the assistance of the Leadperson and/or Supervisor for a five (5) day period in order to prove his/her ability to meet the basic qualifications.

(h) The shop chairperson or an appointee will be notified prior to all permanent transfers and promotions within the Bargaining Unit.

ARTICLE 7
TEMPORARY TRANSFERS

Section 1. The Union will be notified at the time when temporary transfers become necessary.

Temporary work assignments:

(a) Employees may be temporarily transferred from one department to another for a period not to exceed six (6) days per month, and provided that during the transfer, the job he/she left shall not be filled and he/she shall be returned to his/her permanent job upon completion of temporary assignment or for longer periods of time if agreed by the Union and the Company.

(b) Employees shall be transferred by seniority, lowest senior person first within the department to a lower rated job.

(c) Employees shall be transferred by seniority, highest senior person first within the department to a higher rated job.

(d) No employee will be required to perform work in a higher labor grade on any basis (temporary or permanent) unless they are paid according to the prevailing rate of pay on said higher labor grade. No employee will be forced or coerced into taking a promotion.

(e) No employee will be required to perform work in a lower labor grade on a temporary basis at the rate of pay in said lower labor grade. That is, employees will be guaranteed their former (higher) rate of pay while working on a temporary transfer in a lower labor grade.

(f) The shop Committeeperson in the area involved in a transfer will receive a copy of a transfer notice. This transfer notice will state the department, job title and labor grade to which the employee is being transferred. The Shopcommittee- person will be notified immediately by a written transfer notice in any of the following conditions:

A. Any transfer lasting more than one day.

B. Any change in labor grade at any time.

(g) Employees shall have the privilege of exchanging shifts temporarily by individual arrangement provided they notify their supervisor in advance and have the necessary qualifications to perform the work. The change must be effected without additional cost or penalty to the Company. If the period of such exchange of shifts is in excess of one (1) week, the Company and the Union must mutually agree to such arrangements.

<u>Section 2.</u> An employee with one (1) year of seniority or more shall be permitted to use this seniority to exercise shift preference in writing one week in advance to displace another employee with less seniority in the same job classification and department on another shift. The shift change option is limited to only one (1) time per year.

ARTICLE 8
LAYOFF RECALLS

Section 1.

(a) All layoffs, recalls, transfers and promotions within the Bargaining Unit shall be made on the basis of plantwide seniority provided the employee has the basic qualifications to perform the required work.

(b) When it becomes necessary to reduce the workforce it shall be done as follows by laying off all probationary and part-time employees first.

(c) The Company shall, in the event of layoff, provide notification to affected employees early enough to furnish at least three (3) working days notice to the Shop Committee and employees affected by any layoff for any period of time, or pay such employees hourly base rates in lieu of said notice. This requirement shall not apply to interruption resulting from any condition beyond the Company's controls. All layoffs must commence on the last working day of the week (Friday).

(d) Employees in classifications affected by layoff will have an option to accept a lay-off slip stating lack-of-work or bump a junior service employee provided they have the basic qualifications to perform the work. The initial notification mentioned in paragraph (c) will begin the bumping process and employees must make their bumping decision immediately. Upon request by the employee, the bumping decision can be delayed, but not beyond two (2) hours and then is bound by that choice.

(e) Employees will have five (5) days in which to demonstrate their ability to perform a job in case of layoff and recall. Employee must be shown basic requirements of job and have assistance of Leadperson and/or Foreperson for a five (5) day period.

(f) There shall be no upward bumping.

(g) In the event of a layoff, the Shop Chairperson, the members of the Shop Committee and Company employees who are Executive Officers of the Local Union shall be accorded top seniority, but they must have the basic qualifications to perform the available work.

(h) Recalls shall be in reverse order of layoff. The most senior employee with basic qualifications on the layoff list will be recalled for available work. Employees recalled to fill a temporary job vacancy may refuse this assignment without prejudicing their recall rights.

(i) Employees affected by bumping procedure must return to their original job when such opening occurs.

ARTICLE 9
LEAVE OF ABSENCE-EMERGENCY TIME OFF

Section 1. When the requirements of the Company will permit, employees upon written request on account of illness or death in their immediate family or other reasonable cause approved by the Company, will be granted a leave of absence without pay for a period of not more than ninety (90) days, which shall be renewable if production requirements permit. Any such employees on leave who engaged in other employment, or who fail to report for work on the expiration of their leave, will be considered as having quit. All such leaves of absences shall be granted in writing by the Company.

Section 2. Employees granted a leave of absence must prepay all insurance premiums prior to their departure for said leave. This prepayment must also be made in the event the leave is extended by mutual agreement.

Section 3. Any employee who enters the Armed Forces shall be entitled to a leave of absence, accumulations of seniority and re-employment rights, in accordance with Federal and State Laws. In addition, an employee who is a member of the Military Reserve or National Guard shall be granted leave for annual training or special tour not to exceed three (3) weeks per calendar year. Such employee during this period shall receive the difference in pay, if any, between their normal rate of pay and wages paid by the service branch.

Section 4. Seniority will be accumulated during leaves of absences as described above.

Section 5. Employees may be granted emergency time off of not more than fourteen (14) calendar days by contacting the Company by telephone or telegram within three (3) working days giving the reasons for such request. Such time off will be granted for legitimate emergency reasons. Extensions of emergency time off may be requested under the provisions of Section 1 of the Article 9.

Section 6. Employees will be granted pregnancy leave of absence and such leaves will be treated as any other type of medical leave of absence.

ARTICLE 10
CALL TIME

Section 1.

(a) Employees reporting for work on their regular shift without notice from the Company that no work will be available for them, shall be offered other work for at least four (4) hours or shall be paid the base rate of their regular job for four (4) hours if there is no other work for them. If they refuse the work offered, they shall forfeit the right to receive reporting pay.

(b) Notice to the employees by the company will be given not later that the end of their regular shift.

(c) This Article shall not apply where the lack of work is due to conditions beyond the control of the Company, or in the case of an employee who has been absent and has not given the Company adequate notice of return to work.

ARTICLE 11
COMMITTEE PERSONS, GRIEVANCE AND ARBITRATION PROCEDURE

Section 1. In addition to the Shop Chairperson, the Union shall have a Committee-Person for each sixty (60) employees, except that there shall be a minimum of three (3) Committeepersons on the first shift, two (2) on the second shift and one (1) on the third shift. The Union will provide the Company with a current list of the Committeepersons and their departmental responsibilities.

Section 2. Time necessarily spent during the normal working hours (and during scheduled overtime) by the Shop Chairperson, Committeeperson, grievant and Union employees of the Company on negotiations, grievances or arbitration hearings will be paid for by the Company. If in the opinion of the Company such time becomes unreasonable, the Company will notify and confer with the Union.

(a) The Company shall pay the Shop Chairperson for all time spent during the normal working hours (and during scheduled overtime) on Union business including the handling and investigations of grievances as set out in this Agreement, for time spent on arbitration hearings and for negotiations.

Section 3. A grievance is a difference of opinion between the Company and the Union or an employee involving the interpretation of application of the terms of this Agreement.

Section 4. Grievances shall be processed as follows:

(a) The grievance must be submitted within fifteen (15) working days after the employee and the Union are aware of it.

(b) The Shop Chairperson or Committeeperson and employee shall discuss the grievance with the immediate Supervisor of the department in which the grievance has occurred. If the immediate Supervisor’s oral answer is not satisfactory, the grievance shall be submitted to Step 1.

(c) Step 1: The grievance shall be reduced to writing and presented to the employee’s immediate Supervisor by the Union within three (3) working days from the date of the oral answer. The Supervisor shall write the answer on the grievance form and return three (3) copies to the Union Committeeperson before the end of the third (3rd) working day after receipt of the grievance. Failing a satisfactory settlement, the Union will have three (3) working days in which to appeal to the Supervisor for referral to Step 2.

(d) Step 2. The Union Shop Chairperson shall meet with the Company representative designated to handle the second step within three (3) days from the date of the appeal. The Company will give its written answer within three (3) working days after the meeting. Failing a satisfactory settlement, the Union will have three (3) working days in which to appeal to the Personnel Manager for referral to Step 3.

(e) Step 3: The President of the Local Union and/or the Business Agent and/or the International Representative, together with the Union Shop Committee shall take up the grievance with the Committee of Management which shall include an executive of the Company. This meeting will be scheduled within seven (7) working days after the date of the appeal.

The Company will have five (5) working days following the date of the meeting in which to make a written disposition of the grievance. Failing a satisfactory settlement, the Union will have fourteen (14) days in which to notify the Company in writing of its intent to arbitrate the issue.

(f) Upon receipt of the Union’s notice of their intention to arbitrate, a prearbitration hearing shall be scheduled within thirty (30) working days. After the pre-arbitration hearing, the Company General Manager will have ten (10) working days to answer. If the answer is not satisfactory, the Union will have thirty (30) days following that answer in which to appeal for arbitration. If the Union does not appeal within said time limit, the grievance shall be considered as being satisfactorily settled.

(g) All of the above stated time limits may be extended by mutual agreement.

(h) The Grievant may be present upon request of either party at any of the steps outlined above.

(i) If grievances are appealed to arbitration, the parties will alternate between the American Arbitration Association and the State Board of Mediation and Arbitration.

(j) If submitted to the Connecticut State Board of Mediation and Arbitration, the parties shall operate under the procedures set forth by said Board, whose decision shall be final and binding upon the parties.

(k) If submitted to the American Arbitration Association, the parties shall operate under the procedure set forth by the American Arbitration Association, whose decision shall be final and binding upon the parties.

(l) The Arbitrator may interpret this agreement and apply it to the particular case under consideration but shall, however, have no authority to add to, subtract from or modify the terms of this agreement in any way.

(m) The cost of Arbitration shall be shared equally by the Company and the Union.

(n) Arbitration cases involving time study, job evaluation and job standards shall be submitted only to the American Arbitration Association.

(o) The Company shall not be required to pay back pay for any period in excess of thirty (30) working days prior to the time a written grievance is properly filed with the Company.

Section 5. The local Union President and/or two (2) appointees, and/or a representative of the International UAW Engineering Department, shall be permitted to enter the plant for the purpose of investigating, advising or negotiating on grievances. However, they shall first make known their intent to the Company and shall receive permission for said visit. This shall be restricted to entrance during working hours only.

ARTICLE 12
HEALTH AND SAFETY

Section 1.

(a) The Company agrees it will provide proper safety devices and sanitary conditions in the plant. Failure to do so may be a matter of grievance. Furthermore, the Company agrees that it will pay the full cost of Company mandated safety equipment.

(b) Once each month starting in February, 1989, at a time to be scheduled by management, a safety tour between two (2) members of management and two (2) employee representatives of the Union will make a plant safety tour. At the end of the tour, unsafe practices and conditions found in the plant will be listed. Appropriate actions will be taken by management to correct unsafe conditions found. This committee will jointly plan to prevent accidents, investigate accidents, review accident reports, and OSHA compliance. Regular meetings will be scheduled to facilitate the promotion of health and safety in the plant.

(c) The Company will issue and fill out accident forms on all injuries and give the Shop Committeeperson a copy immediately.

Section 2. The Company shall provide first aid facilities and a qualified attendant to perform first aid duties.

Section 3. Employees who are injured on the job can be sent home and receive pay for the balance of their day only if authorized by written instruction from the Medical Department or the Company doctor. The Company will issue a form to be used in such cases, a copy of which will be given to the employee’s Foreperson and to the Union.

Section 4. Where possible, employees sustaining injuries at work, or affected by occupational diseases during the course of their employment, and who are physically handicapped as a result thereof, shall be given other suitable employment as may be then available.

ARTICLE 13
LEADPERSON'S SCOPE

Section 1. To relay general instructions from Foreperson to operators with reference to product, operations, tools, equipment and duties.

Section 2. All matters involving personnel problems are to be handled by the Forepersons who have full supervisory authority over all employees in their departments, including Leadpersons.

Section 3. Leadpersons shall not have the right to hire, fire, or recommend disciplinary action or recommend promotions or demotions.

ARTICLE 14
BEREAVEMENT PAY

Section 1. Employees (including probationary) shall be entitled to three (3) working days off with pay in the event of a death within the "immediate family."

Section 2. Immediate family shall be limited to spouse, child, mother, father, sister, brother, grandparent, mother or father-in-law, brother or sister-in-law, daughter or son-in-law, legal guardian or stepchild.

ARTICLE 15
JURY DUTY

Section 1. Employees who have completed their probationary period, and who are called and report for Jury Duty on days they would have otherwise worked for the Company, shall be paid regular wages for thirty (30) days. Should Jury Duty continue past 30 days, the employee shall be paid the difference between the payment they receive for such service and the amount calculated by multiplying eight (8) times their regular hourly rate for each day involved limited, however, to Monday through Friday.

Section 2. In order to receive Jury Duty make-up payment, the employees must give Management prior notice of said Duty and furnish evidence that they actually performed such service, showing the amount of payment received accordingly. These provisions are not applicable to employees who, without being called, volunteer for Jury Duty.

ARTCILE 16
NOTICE OF DISCHARGE

Section 1. The Company agrees to give immediate written notice to the Shop Committeeperson and the employee involved of all discharges and suspensions made within the unit, except in emergencies.

Section 2. The Chairperson and/or Committeeperson shall be present at time of employee discharge and suspension except in emergencies.

Section 3. If an employee is discharged or suspended, he/she shall have the right to a hearing within twenty-four (24) hours after suspension or discharge. He/she shall be represented by the Shop Chairperson and Committeeperson and/or Business Agent and/or International Representative.

Section 4. When employees are discharged or suspended and file a complaint claiming that they were unjustly discharged or suspended, the Shop Committeeperson may invoke the grievance procedure at the third step within (5) days after the discharge or suspension.

Section 5. If, upon appeal, any discharge or suspension shall be found to be unfair or discriminatory, the employee will be reinstated with seniority rights unimpaired and will be given retroactive pay for all time lost due to the discharge or suspension, less the earnings he/she may have received from gainful employment or unemployment insurance obtained in the interim.

ARTICLE 17
UNION COOPERATION

The Union agrees that in exchange for a fair day's pay for a fair day's work, it must maintain a high level of productivity. The Union and its members will cooperate in attaining such a level of productivity as is consistent with the health and welfare of its members. The Union and its members will seek to assist in effectuating economies and the utilization of improved methods and machinery.

ARTICLE 18
MANAGEMENT

It is understood and agreed that with the exception of the specific provisions of this contract, nothing in this Agreement shall be considered to limit or restrict the Company in the exercise of the customary functions of Management.

ARTICLE 19
NO STRIKES OR LOCKOUTS

Section 1. The Union agrees that there shall be no strikes during the term of this Agreement on any issues which may be the subject of arbitration or on which the contract is silent.

Section 2. The Company agrees that there shall be no lockouts during the terms of this Agreement on any issues which may be the subject of arbitration or on which the contract is silent.

ARTICLE 20
PAID SICK AND/OR
PERSONAL LEAVE ALLOWANCE

Section 1. Each employee, upon vacation eligibility date, shall be credited with six (6) days (48 hours) paid sick and or personal leave allowance in accordance with the following provisions:

(a) Employee must have worked at least 1000 hours in the prior twelve (12) month period. The period for determining hours worked shall be from August 1st of the prior year through July 31st of the current year.

(b) In the event an employee worked less than 1000 hours in said period, paid sick and/or personal leave allowance will be credited in the same proportion as the hours worked are to 1000. New employees must have worked at least 1000 hours in order to be eligible for paid sick and/or personal leave allowance. Employees terminated for any reason shall receive a pro-rated sick or personal pay.

Section 2. Any employee with credited sick and/or personal leave allowance, as provided in Section 1 above, may use such allowance during the following twelve (12) month period for illness (when not receiving accident and health insurance benefits), or personal reasons, but provided that absence from work has been excused, is for not less than four (4) continuous hours and has at least four (4) hours paid sick and/or personal leave allowance credit remaining. Employees shall notify the Company when electing to take personal days off.

Section 3. Paid sick and/or personal leave allowance shall be computed on the basis of the employee’s regular rate of pay as of the day of absence and shall be paid on the pay check for said period so long as application for same has been submitted on a timely basis. Application for payment shall be made through the employee’s supervisor on forms so provided.

Section 4. Unused sick and/or personal leave allowance, at the time of the employee’s next eligibility date, will be paid to the employee in a lump sum calculated on the basis of the employee’s regular rate of pay at such time.

ARTICLE 21
NON-COVERED EMPLOYEES

Section 1. Persons excluded from the Bargaining Unit shall not perform work of the type customarily performed by employees of the Bargaining Unit, except in the following situations:

(a) In emergencies when employees are not available.

(b) In the bona fide instruction or training of employees.

(c) Duties of an experimental nature or in the case of vendors or warrantees, tryouts.

Section 2. When it is determined that bargaining Unit work has been performed by a non-bargaining unit employee in violation of Section 1, the employee in the appropriate job description with the least amount of accumulated overtime hours will receive pay at the applicable rate for the hours of work performed.

Section 3. The Company shall notify the Union Chairperson and/or the Committee person in the section affected prior to the assignment of any persons excluded from the Bargaining Unit to any of the situations listed in Section 1.

Section 4. Any grievance involving interpretation of this Article may be submitted in writing directly to Step 3.

ARTICLE 22
GENERAL PROVISIONS

Section 1. The Company shall notify the Union of its supervisory representatives; the Union shall notify the Company of its Committee members operating under the Contract.

Section 2. Employees will be paid equal pay for equal work.

Section 3. The Company and the Union agree that they will not discriminate against any employee or applicant for employment because of age, race, color, religious creed, sex, national origin, ancestry or physical disability, disabled veterans, and veterans of the Vietnam era.

Section 4. Part time employees shall have seniority only among other part-time employees, and shall share in monetary benefits under the contract on a prorated basis only, with the exception of general wage rates which they shall share fully.

Section 5. Officers, Stewards and Committee persons of the Union shall be permitted to leave work in connection with official Union business whenever authorized by the President or the Business Agent of the Amalgamated Local Union, and members elected or appointed to official Union conventions or conferences, or authorized by the Local Union to attend any official Union functions shall be permitted to leave work for such purposes provided permission shall be obtained in advance from the Company, which permission will not unreasonably be withheld and provided further that the Company shall not be liable for any pay during the period of absence.

Section 6. Except as provided herein, it is understood between the parties that there shall be no duplication of Compensation for the same hours for any reason.

Section 7. The Company and the Union agree to institute a mutually agreeable training or apprenticeship program.

Section 8. The Company shall print and distribute copies of this contract to all Bargaining Unit employees within one hundred twenty (120) days of the effective date of this Agreement.

Section 9. The Company will offer educational assistance to any employee with three or more years of service under the following conditions:

(a) Courses must be job related and approved by Management prior to starting the program of instruction for which payment will be made.

(b) Courses must be successfully passed prior to payment.

(c) There will be a semester limitation of assistance not to exceed $200 per individual, effective February 1, 1992.

Section 10. Bargaining unit work within the plant shall not be sub-contracted when the work is normally and usually performed by bargaining unit employees with appropriate equipment and qualified employees are available, except where circumstances demand or economics warrant it. If such decision is based on cost, the Company will notify and discuss with the Union as soon as possible the reasons why it believes such action to be necessary, so the parties may explore alternatives to such transfer of work.

ARTICLE 23
INSURANCE PROGRAM

Section 1. Health Maintenance Organization

Each employee covered by this Agreement shall have their hospital, medical, surgical, and related insurance coverage under **the Health Net Charter Outtlook POS $1,500 hospital/outpatient deductible per covered family member per calendar year (employee pays first $400, and company pays the next $1,100). Contract formula for determining increases applies.**

Section 2. The Company agrees to provide insurance coverage as outlined in the Health Net plan description as provided to all employees upon enrollment. Details are explained in the insurance contract.

Section 3. Employee Contributions

Effective 3/1/08 **and beyond** the employee contribution will be the existing contribution plus 50% of the premium increase up to a maximum of $5.00 from the prior contribution.

If during the life of the contract the projected cost of premium increases would result in an increase of more than $5.00 above the previous year's employee contribution, the Company and the Union will meet to develop an alternate plan which will not result in an increase in Company cost. If the parties agree on a plan which results in a lesser premium cost the parties will share the savings.

If the parties do not agree on an alternate plan, the Company and the employee will share the increased cost of the premium on a 50%/50% basis.

Premium Conversion

Current tax laws allow us to provide you with a tax-advantaged way to pay your share of Medical premiums. You may elect to contribute toward the cost of your coverage on a pre-tax basis. That means your premiums will be deducted from your paycheck before Social Security, federal, and state taxes are taken out. This lowers your taxable income and, in effect, lowers your share of the premiums.

Section 4. Accident and Sickness weekly benefits for employees with accidents or sickness will be paid as follows:

2/08 - $325 per week

Section 5. **The Company shall pay $35 per month per employee for dental insurance to Local 376, UAW Dental Plan in the first, second, third and fourth year of the agreement and in the last year of the agreement this will increase to $40 per month .**

Section 6. Employees who retire early may continue their life and/or medical insurance at group rates until age sixty-five (65). In order to receive retiree life paid for by the company and $50/month towards retiree medical and/or Medicare Part B Reimbursement paid for by the Company at age sixty-five (65), the employee must elect to carry the retiree life and/or medical insurance until age sixty-five (65).

Section 7. Employees who retire on or after 2/1/96 are entitled to $50 per month paid for by the Company toward both medical and/or Medicare Part B reimbursement when they reach age sixty-five (65).

Section 8. The Company will provide Life Insurance Coverage and Accidental Death and Dismemberment Coverage in the following amounts:

February 2008	$	25,000
February 2009	$	26,000
February 2010	$	27,000
February 2011	**$**	28,000
February 2012	$	29,000

Section 9. **The Pension Plan Monthly Benefit shall be increased from $25.50 as follows for employees retiring after: 2/1/08: $26.25; 2/1//09: $27.00; 2/1/10: $28.00; 2/1/11: $28.75; 2/1/12: $29.50. Employees hired on or after March 1, 2005 will not be covered by the defined benefit pension plan, but will instead be entitled to participate in the Company's 401k plan, which includes a 25% match on the first 4% of the employee's contribution.**

Section 10. **Survivor Income Benefit Insurance** - If you should die the Company shall pay a monthly benefit of $100 to your spouse commencing on the first day of the calendar month following the date of death and on the first day of each month thereafter until 24 such monthly payments have been made. No survivor Income Benefit shall be subject in any manner to assignment, pledge, attachment of encumbrance of any kind, nor subject to the debts or liability of any eligible survivor except as required by applicable law.

Section 11. **Prescription Safety Glasses**

The following prescription safety glass program is in effect for employees only:

Expenses Covered

Every 12 months:	Up to:
Lenses (per lens)	
Single Vision	$ 10.00
Bifocal	$ 15.00
Trifocal	20.00
Contact Lens	$ 15.00
Every 24 months:	
Frames	14.00

Section 12. **Provisions Applicable to Coverage if you cease active work because of certain specified reasons** -If you cease work because of non-occupational disability, all your coverage except insurance for Death or Dismemberment by Accidental means and Weekly Accident and Sickness insurance will be continued during absence due to such disability up to a maximum of 18 months from the end of the calendar month in which you last worked. This provision runs concurrently with your COBRA Rights.

Section 13. **Layoff or Leave of Absence** -Your insurance for Death or Dismemberment by Accidental Means and your Weekly Accident and Sickness Insurance will terminate on the date you cease active work, and all your other coverage will be continued during such lay-off up to the end of the calendar month in which you cease work. If your lay-off continues beyond that period, you may elect on or before the 15^{th} day of the next calendar month to continue all of your insurance other than your insurance for Death or Dismemberment by Accidental means and your Weekly Accident and Sickness insurance for not more than the next 18 months by paying the full cost of the coverage thus continued for you. Failure to make such contribution on or before the 15^{th} day of any month will terminate such insurance at the end of the last month for which payment has been made. If your are on lay-off, this provision will run concurrently with your COBRA rights under COBRA.

Section 14. **What Happens to Your Insurance at Retirement** - All employees retiring under the Pension Plan, upon attaining their normal retirement date, will receive $4,000 of life insurance.

If an employee retires early under the Pension Plan and pays the required contributions for the amount of life insurance he is entitled to as a retiree, until attainment of age 65, the Company will then continue this amount of life insurance at no cost to the employee.

ARTICLE 24
PLANT CLOSURE AGREEMENT

An employee whose employment is terminated as a direct result of the plant being closed shall receive:

(a) Separation pay in an amount equal to $200 for each year of continuous service;

(b) Any vacation benefits accrued but not yet paid, and

(c) The continuation of the hospital, medical, surgical, dental and life insurance in effect at the time of their termination for four (4) months.

ARTICLE 25
TERMINATION DATE

This Agreement shall commence February 1, 2008 and terminate midnight, January 31, 2013. The first year wage increase of 3.75% became payable upon the Monday following the ratification of this contract which occurred on November 19, 2007.

This Agreement shall be in full force and effect for a period of **five (5) years** from the date hereof and for additional periods of one (1) year thereafter except that should either party hereto intend to terminate this Agreement or modify any portion of any of the terms hereof, it shall give written notice by certified mail to the other party not less than sixty (60) no more than seventy-five (75) days prior to its expiration date.

Should notice of termination be given by either party as herein provided, this Contract shall terminate as of its expiration date.

Should either party hereto give the other party such written notice requesting amendment or modification of this Agreement, such notice shall be specific as to the amendments or modifications proposed. Negotiations on such proposed amendments or modifications shall begin not later than twenty (20) days after the date of mailing of such notice. During such negotiation, this Agreement shall remain in full force and effect except that should negotiations extend beyond the termination date then either party, upon ten (10) days notice to the other in writing and by certified mail may terminate the Contract in which event this Agreement shall terminate on the tenth day after mailing of such notice.

Notice shall be in writing and shall be sent by certified mail addressed, if to the Union, to the International Union, United Automobile, Aerospace and Agricultural Implement Workers or America, UAW, and Amalgamated Local 376, 30 Elmwood Court, Newington, Connecticut and if to the Company, to The Heim Bearings Division of Roller Bearing Company, 60 Round Hill Road, Fairfield, Connecticut, 06430.

IN WITNESS WHEREOF, the parties hereto have caused their names to be subscribed by their duly authorized officers and representatives this

INTERNATIONAL UNION,
UNITED AUTOMOBILE, AEROSPACE
AND AGRICULTURAL IMPLEMENT
WORKERS OF AMERICA, UAW
AND AMALGAMATED LOCAL 376

/s/ Wendel Askew
Wendel Askew, Chairperson

/s/ Mary Pereira
Mary Pereira, Committee person

/s/ Ron Jarkes
Ron Jarkes, Committee person

/s/ Gene Piscane
Gene Piscane, Committee Person

/s/ Carmen Burhnam
Carmen Burhnam
President, UAW Local 376

HEIM BEARINGS DIVISION OF RBC BEARINGS

/s/ Jamie King
Jamie King
Plant Manager

/s/ Pamela S. Kaczer
Pamela S. Kaczer
Human Resources Manager

/s/ Jeffrey M. Post
Jeffrey M. Post
General Manager

Exhibit 31.01

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dr. Michael J. Hartnett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of RBC Bearings Incorporated;

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

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

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

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

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

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

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

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

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

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

Date: February 7, 2008

By: /s/ Dr. Michael J. Hartnett
Dr. Michael J. Hartnett
President and Chief Executive Officer

Exhibit 31.02

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel A. Bergeron, certify that:

1. I have reviewed this quarterly report on Form 10-Q of RBC Bearings Incorporated;

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

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

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

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

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

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

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

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

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

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

Date: February 7, 2008	By:	/s/ Daniel A. Bergeron
		Daniel A. Bergeron
		Chief Financial Officer

Exhibit 32.01

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C SECTION 1350

The undersigned, Dr. Michael J. Hartnett, the President and Chief Executive Officer of RBC Bearings Incorporated (the “Company”), pursuant to 18 U.S.C. §1350, hereby certifies that:

(i) the Quarterly Report on Form 10-Q for the period ended December 29, 2007 of the Company (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: February 7, 2008

/s/ Dr. Michael J. Hartnett
Dr. Michael J. Hartnett
President and Chief Executive Officer

Exhibit 32.02

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350

The undersigned, Daniel A. Bergeron, Chief Financial Officer, of RBC Bearings Incorporated (the “Company”), pursuant to 18 U.S.C. §1350, hereby certifies:

(i) the Quarterly Report on Form 10-Q for the period ended December 29, 2007 of the Company (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: February 7, 2008

/s/ Daniel A. Bergeron
Daniel A. Bergeron
Chief Financial Officer