RBC Bearings INC
Form 10-K
May 26, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**
For the fiscal year ended April 2, 2016

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

(203) 267-7001

(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(g) of the Act:

Class A Common Stock, Par Value $0.01 per Share

(Title of class)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

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

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

Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨

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

The aggregate market value of the registrant's Class A Common Stock held by non-affiliates of the registrant on September 26, 2015 (based on the September 25, 2015 closing sales price of $58.50 of the registrant's Class A Common Stock, as reported by the Nasdaq National Market) was approximately $1,370,643,300.

Number of shares outstanding of the registrant's Class A Common Stock at May 18, 2016:

23,541,972 Shares of Class A Common Stock, par value $0.01 per share.

Documents Incorporated by Reference:

Portions of the registrant's proxy statement to be filed within 120 days of the close of the registrant's fiscal year in connection with the registrant's Annual Meeting of Shareholders to be held September 12, 2016 are incorporated by reference into Part III of this Form 10-K.

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PART I

ITEM 1. BUSINESS

RBC Bearings Incorporated

We are an international manufacturer and marketer of highly engineered precision bearings and products, which are integral to the manufacture and operation of most machines, aircraft and mechanical systems, to reduce wear to moving parts, facilitate proper power transmission, reduce damage and energy loss caused by friction and control pressure and flow. While we manufacture products in all major categories, we focus primarily on highly technical or regulated bearing products and engineered products for specialized markets that require sophisticated design, testing and manufacturing capabilities. We believe our unique expertise has enabled us to garner leading positions in many of the product markets in which we primarily compete. Over the past fifteen years, we have broadened our end markets, products, customer base and geographic reach. We currently have 37 facilities of which 33 are manufacturing facilities in five countries.

The Bearing and Engineered Products Industry

The bearing and engineered products industry is a fragmented multi-billion dollar market. Purchasers of bearings and engineered products include producers of commercial and military aircraft, submarine and vehicle equipment, oil and gas equipment and machinery manufacturers, industrial equipment and machinery manufacturers, construction machinery manufacturers and rail and train equipment manufacturers, mining and specialized equipment manufacturers.

Demand for bearings and precision components in the diversified industrial market are influenced by growth factors in industrial machinery and equipment shipments and construction, mining, energy and general industrial activity. In addition, usage of existing machinery will impact aftermarket demand for replacement products. In the aerospace market, aging of the existing commercial aircraft fleet, new aircraft build rates along with carrier traffic growth worldwide determines demand for our solutions. Lastly, activity in the defense market is being influenced by modernization programs necessitating spending on new equipment, as well as continued utilization of deployed equipment supporting aftermarket demand for replacement bearings and engineered products.

Customers and Markets

We serve a broad range of end markets where we can add value with our specialty, precision bearing and engineered products, components, and applications. We classify our customers into two principal categories: industrial and aerospace. These principal end markets utilize a large number of both commercial and specialized bearings and engineered products. Although we provide a relatively small percentage of total bearing and engineered products supplied to each of our overall principal markets, we believe we have leading market positions in many of the specialized product markets in which we primarily compete and serve. Financial information regarding geographic areas is set forth in Part II, Item 8. “Financial Statements and Supplementary Data,” Note 18 “Reportable Segments.”

- ***Industrial Market (34% of net sales for the fiscal year ended April 2, 2016)***

We manufacture bearings and engineered products for a wide range of diversified industrial markets, including construction and mining, oil and natural resource extraction, heavy truck, marine, rail and train, packaging, semiconductor machinery and the general industrial markets. Our products target market applications in which our engineering and manufacturing capabilities provide us with a competitive advantage in the marketplace.

Our largest industrial customers include Caterpillar, Halliburton, Komatsu America, National Oilwell Varco, Newport News Shipbuilding and various aftermarket distributors including Applied Industrial, BDI Corporation, Kaman Corporation, McMaster Carr and Motion Industries. We believe that the diversification of our sales among the various segments of the industrial markets reduces our exposure to downturns in any one individual market. We believe opportunities exist for growth and margin improvement in this market as a result of the introduction of new products, the expansion of aftermarket sales and continued manufacturing process improvements.

- ***Aerospace Market (66% of net sales for the fiscal year ended April 2, 2016)***

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

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

Our largest aerospace customers include Airbus, Boeing, General Electric, Lockheed Martin, Safran, U.S. Department of Defense and various aftermarket distributors including National Precision Bearing, Wencor Group and Wesco Aircraft. We believe our strong relationships with OEMs help drive our aftermarket sales since a portion of OEM sales are ultimately intended for use as replacement parts. We believe that growth and margin expansion in this market will be driven primarily by expanding our international presence, new commercial aircraft introductions, new products, and the refurbishment and maintenance of existing commercial and military aircraft.

In fiscal 2016, 4.0% of our net sales were made directly, and we estimate that approximately an additional 18.0% of our net sales were made indirectly, to the U.S. government. These contracts or subcontracts may be subject to renegotiation of profit or termination of contracts at the election of the government. We, based on experience, believe that no material renegotiations or refunds will be required. See Part I, Item 1A. “Risk Factors – Future reductions or changes in U.S. government spending could negatively affect our business.”

Products

Bearings and engineered products are employed to fulfill several functions including reduction of friction, transfer of motion and carriage of loads, and control of pressure and flows. We design, manufacture and market a broad portfolio of bearings and engineered products. We operate through operating segments for which separate financial information is available, and for which operating results are evaluated regularly by our 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.

The following table provides a summary of our four reportable product segments: Plain Bearings; Roller Bearings; Ball Bearings; and Engineered Products.

Segment	Net Sales for the Fiscal Year Ended April 2, 2016		March 28, 2015		March 29, 2014		Representative Applications
Plain Bearings	$270,534		$ 230,168		$ 223,099		· Aircraft engine controls and landing gear
	(45.3	)%	(51.7	)%	(53.3	)%	· Missile launchers
							· Mining, energy, and construction equipment
Roller Bearings	$112,039		$ 128,702		$ 115,806		· Aircraft hydraulics
	(18.8	)%	(28.9	)%	(27.6	)%	· Military and commercial truck chassis
							· Packaging machinery and gear pumps
Ball Bearings	$53,650		$ 56,464		$ 49,555		· Radar and night vision systems
	(8.9	)%	(12.7	)%	(11.8	)%	· Airframe control and actuation
							· Semiconductor equipment
Engineered Products	$161,249		$ 29,944		$ 30,426		· Hydraulics, valves and fasteners
	(27.0	)%	(6.7	)%	(7.3	)%	· Industrial gears, components and collets

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

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

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

Engineered Products. Engineered Products consist primarily of highly engineered hydraulics and valves, fasteners, precision mechanical components and machine tool collets. Engineered hydraulics and valves are used in aircraft and submarine applications and aerospace and defense aftermarket services. Precision mechanical components are used in all general industrial applications, where some form of movement is required. Machine tool collets are cone-shaped metal sleeves, used for holding circular or rod like pieces in a lathe or other machine that provide effective part holding and accurate part location during machining operations.

Product Design and Development

We produce specialized bearings and engineered products that are often tailored to the specifications of a customer or application. Our sales professionals are highly experienced engineers who collaborate with our customers on a continual basis to develop bearing and engineered product solutions. The product development cycle can follow many

paths which are dependent on the end market or sales channel. The process normally takes between 3-6 years from concept to sale depending upon the application and the market. A common route that is used for major OEM projects begins when our design engineers meet with their customer counterparts at the machine design conceptualization stage and work with them through the conclusion of the product development.

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

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

For the majority of our products, the culmination of this lengthy process is the receipt of a product approval or certification, generally obtained from either the OEM, the Department of Defense or the Federal Aviation Administration, or "FAA," which allows us to supply the product to the customer and to the aftermarket. We currently have in excess of 71,600 of such approvals, which often gives us a competitive advantage, and in many of these instances we are the only approved supplier of a given bearing or engineered product**.**

Manufacturing and Operations

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

Capacity. Our plants currently run on a full first shift with second and third shifts at selected locations to meet the demands of our customers. We believe that current capacity levels and future annual estimated capital expenditures on equipment up to approximately 3.5% of net sales should permit us to effectively meet demand levels for the foreseeable future.

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

Sales, Marketing and Distribution

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

representatives and product application engineers in our selling efforts.

We have developed our sales force through the hiring of sales personnel with prior industry experience, complemented by an in-house training program. We intend to continue to hire and develop expert sales professionals and strategically locate them to implement our expansion strategy. Today, our direct sales force is located to service North America, Europe, Asia and Latin America and is responsible for selling all of our products. This selling model leverages our relationship with key customers and provides opportunities to market multiple product lines to both established and potential customers. We also sell our products through a well-established, global network of industrial and aerospace distributors. This channel primarily provides our products to smaller OEM customers and the end users of bearings and engineered products that require local inventory and service. Our worldwide distributor network provides our customers with more than 4,600 points of sale for our products. We intend to continue to focus on building distributor sales volume.

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

We store product inventory in warehouses located in the Midwest, Southwest and on the East and West coasts of the U.S. as well as in France and Switzerland. The inventory is located in these locations based on analysis of customer demand to provide superior service and product availability.

Competition

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

Product Qualifications. Many of the products we produce are qualified for the application by the OEM, the U.S. Department of Defense, the FAA or a combination of these agencies. These credentials have been achieved for thousands of distinct items after years of design, testing and improvement. In many cases patent protection presides, in most cases there is strong brand identity and in numerous cases we have the exclusive product for the application.

Product Line Breadth. Our products encompass an extraordinarily broad range of designs which often create a critical mass of complementary bearings and engineered products for our markets. This position allows many of our industrial and aerospace customers the ability for a single manufacturer to provide the engineering service and product breadth needed to achieve a series of OEM design objectives and/or aftermarket requirements. This ability enhances our value to the OEM considerably while strengthening our overall market position.

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

Price. We believe our products are priced competitively in the markets we serve. We continually evaluate our manufacturing and other operations to maximize efficiencies in order to reduce costs, eliminate unprofitable products from our portfolio and maximize our profit margins. We invest considerable effort to develop our price to value algorithms and we price to market levels where required by competitive pressures.

Suppliers and Raw Materials

We obtain raw materials, component parts and supplies from a variety of sources and generally from more than one supplier. Our principal raw material is steel. Our suppliers and sources of raw materials are based in the U.S., Europe and Asia. We purchase steel at market prices, which fluctuate as a result of supply and demand driven by economic conditions in the marketplace. For further discussion of the possible effects of changes in the cost of raw materials on our business, see Part I, Item 1A. “Risk Factors” in this Annual Report on Form 10-K.

Backlog

As of April 2, 2016, we had order backlog of $346.4 million compared to a backlog of $209.6 million in the prior fiscal year. The amount of backlog includes orders which we estimate will be fulfilled within the next 12 months; however, orders included in our backlog are subject to cancellation, delay or other modifications by our customers prior to fulfillment. We sell many of our products pursuant to contractual agreements, single source relationships or long-term purchase orders, each of which may permit early termination by the customer. However, due to the nature of many of the products supplied by us and the lack of availability of alternative suppliers to meet the demands of such customers' orders in a timely manner, we believe that it is not practical or prudent for most of our customers to shift their business to other suppliers.

Employees

We had 1,996 hourly employees and 1,281 salaried employees as of April 2, 2016, of whom 981 were employed in our international operations. As of April 2, 2016, 174 of our hourly employees were represented by unions in the U.S and 70 were represented by a union in Canada. We believe that our employee relations are satisfactory.

We are subject to four collective bargaining agreements covering substantially all of the hourly employees at our Fairfield, Connecticut, West Trenton, New Jersey, Plymouth, Indiana, and Montreal, Canada plants. These agreements expire on January 31, 2018, June 30, 2017, October 30, 2018, and June 23, 2018, respectively.

Intellectual Property

We own U.S. and foreign patents and trademark registrations and U.S. copyright registrations, and have U.S. trademark and patent applications pending. We currently have 205 issued or pending U.S. and foreign patents. We file patent applications and maintain patents to protect certain technology, inventions and improvements that are important to the development of our business, and we file trademark applications and maintain trademark registrations to protect product names that have achieved brand-name recognition among our customers. We also rely upon trade secrets, know-how and continuing technological innovation to develop and maintain our competitive position. Many of our brands are well recognized by our customers and are considered valuable assets of our business. We currently have 165 issued or pending U.S. and foreign trademark registrations and applications. We do not believe, however, that any individual item of intellectual property is material to our business.

Regulation

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

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

Environmental Matters

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

compliance in fiscal years 2017 or 2018.

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

Available Information

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

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

ITEM 1A. RISK FACTORS

Cautionary Statement As To Forward-Looking Information

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

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

- Weaknesses and cyclicality in any of the industries in which our customers operate;
- Changes in marketing, product pricing and sales strategies or developments of new products by us or our competitors;
- Future reductions in U.S. governmental spending or changes in governmental programs, particularly military equipment procurement programs;
- Our ability to obtain and retain product approvals;
- Supply and costs of raw materials, particularly steel, and energy resources and our ability to pass through these costs on a timely basis;
- Our ability to acquire and integrate complementary businesses;
- Unanticipated liabilities of acquired businesses, including Sargent;
- Unexpected equipment failures, catastrophic events or capacity constraints;
- The costs of defending, or the results of, new litigation;
- Our ability to attract and retain our management team and other highly-skilled personnel;
- Increases in interest rates;
- Work stoppages and other labor problems for us and our customers or suppliers;
- Limitations on our ability to expand our business;
- Regulatory changes or developments in the U.S. and foreign countries;
- Developments or disputes concerning patents or other proprietary rights;

- Changes in accounting standards, policies, guidance, interpretation or principles;
- Risks associated with operating internationally, including currency translation risks;
- The operating and stock performance of comparable companies;
- Investors' perceptions of us and our industry;
- General economic, geopolitical, industry and market conditions;
- Changes in tax requirements (including tax rate changes and new tax laws);
- Health care reform; and
- Unforeseen developments in contingencies, such as litigation, could adversely affect our operating results and financial condition.

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

We are not under any duty to update any forward-looking statements after the date of this report to conform such statements to actual results or to changes in our expectations. You are advised, however, to review any further disclosures we make on related subjects in our periodic filings with the Securities and Exchange Commission. All forward-looking statements contained in this report and any subsequently filed reports are expressly qualified in their entirety by these cautionary statements.

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

Risk Factors Related to Our Company

The bearing and engineered products industries are highly competitive, and competition could reduce our profitability or limit our ability to grow.

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

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

Our top ten customers generated 33% and 28% of our net sales during fiscal 2016 and fiscal 2015, respectively. Accordingly, the loss of one or more of those customers or a substantial decrease in such customers' purchases from us could result in a material reduction in our revenues and profitability.

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

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

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

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

In fiscal 2016, 4.0% of our net sales were made directly, and we estimate that, including our diversified industrial market, approximately an additional 18.0% of our net sales were made indirectly, to the U.S. government to support military or other government projects. Our failure to obtain new government contracts, the cancellation of government contracts or reductions in federal budget appropriations regarding our products could result in materially reduced revenue. In addition, the funding of defense programs also competes with non-defense spending of the U.S. government. Our business is sensitive to changes in national and international priorities and the U.S. government budget. A shift in government defense spending to other programs in which we are not involved or a reduction in U.S. government defense spending generally could materially reduce our revenues, cash flows from operations and profitability. If we, or our prime contractors for which we are a subcontractor, fail to win any particular bid, or we are unable to replace lost business as a result of a cancellation, expiration or completion of a contract, our revenues or cash flows could be reduced.

The U.S. government continues to focus on developing and implementing spending, tax, and other initiatives to stimulate the economy, create jobs, and reduce the deficit. One of these initiatives, the Budget Control Act of 2011 ("BCA"), imposed greater constraints around government spending. In an attempt to balance decisions regarding defense, homeland security, and other federal spending priorities, the BCA immediately imposed spending caps that contain significant reductions to the Department of Defense ("DOD") base budgets over a ten-year period ending in 2021. The BCA also provided for an automatic sequestration process, that impose additional cuts to the annual proposed DOD budgets continuing through 2021.

Although we cannot predict whether the automatic sequestration process will continue to proceed as set forth in the BCA or will be further modified by new or additional legislation, we believe our portfolio of programs and product offerings are well positioned and will not be materially impacted by such proposed DOD budget cuts. However, one or more of our programs could be reduced, extended, or terminated as a result of the U.S. Government's continuing assessment of priorities, which could significantly impact our operations.

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

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

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

The Dodd-Frank Wall Street Reform and Consumer Protection Act contains provisions to improve transparency and accountability concerning the supply of certain minerals, known as conflict minerals, originating from the Democratic Republic of Congo ("DRC") and adjoining countries. As a result, in August 2012 the SEC adopted annual disclosure and reporting requirements for those companies who use materials containing conflict minerals in their products mined from the DRC and adjoining countries. These new requirements necessitated due diligence efforts in calendar 2013, with initial disclosure requirements beginning in May 2014. There will be costs associated with complying with these disclosure requirements, including for diligence to determine the sources of materials containing conflict minerals used in our products and other potential changes to products, processes or sources of supply as a consequence of these verification activities. The implementation of these rules could adversely affect the sourcing, supply and pricing of materials used in certain of our products. As there may be only a limited number of suppliers offering "conflict free" materials, we cannot ensure that we will be able to obtain necessary materials containing conflict free minerals from such suppliers in sufficient quantities or at competitive prices. Also, we may face negative reactions from customers if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to sufficiently verify the origins for all materials containing conflict minerals used in our products through the procedures we implement.

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

Essential to servicing the aerospace market is the ability to obtain product approvals. We have a substantial number of product approvals, which enable us to provide products used in virtually all domestic aircraft platforms presently in production or operation. Product approvals are typically issued by the FAA to designated OEMs who are Production Approval Holders of FAA approved aircraft. These Production Approval Holders provide quality control oversight and generally limit the number of suppliers directly servicing the commercial aerospace aftermarket. Regulations enacted by the FAA provide for an independent process (the PMA process), which enables suppliers who currently sell their products to the Production Approval Holders, to sell products to the aftermarket. Our foreign sales may be subject to similar approvals or U.S. export control restrictions. We cannot assure you that we will not lose approvals for our products in the future. The loss or suspension of product approvals could result in lost sales and materially reduce our revenues and profitability. The repair and overhaul of aircraft parts and accessories throughout the world is highly regulated by government agencies, including the FAA. Our repair and overhaul operations are subject to certification pursuant to regulations established by the FAA and other country government agencies which regulations vary from country to country, although compliance with FAA requirements generally satisfies regulatory requirements in other countries. New and more stringent government regulations, if adopted and enacted, could have an adverse effect on our business, financial condition and results of operations.

The retirement of commercial aircraft could reduce our revenues.

Our repair and overhaul operations repair, overhaul and sell jet engine and aircraft components. If aircraft or engines for which we offer replacement parts or supply repair and overhaul services are retired and there are fewer aircraft that require these parts or services, our revenues may decline.

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

As of April 2, 2016, approximately 12.2% of our hourly employees were represented by labor unions in the U.S. and abroad. While we believe our relations with our employees are satisfactory, a lengthy strike or other work stoppage at any of our facilities, particularly at some of our larger facilities, could materially reduce our ability to operate our business. In addition, any attempt by our employees not currently represented by a union to join a union could result in additional expenses, including with respect to wages, benefits and pension obligations. We currently have four collective bargaining agreements, one agreement covering approximately 40 employees will expire in June 2017, one agreement covering approximately 93 employees will expire in January 2018, one agreement covering approximately 41 employees will expire in October 2018 and one agreement covering approximately 70 employees will expire in June 2018.

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

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

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

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

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

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

Over the past several years, as part of our strategic growth plans, we have typically acquired multiple businesses in any given year. Some of those acquisitions have been significant to our overall growth, such as the acquisition of Sargent in fiscal 2016. The full realization of the expected benefits and synergies of Sargent and other acquisitions will require integration over time of certain aspects of the manufacturing, engineering, administrative, sales and marketing and distribution functions of the acquired businesses, as well as some integration of information systems platforms and processes. Complete and successful integration of Sargent and other acquired businesses, and realization of expected synergies, can be a long and difficult process and may require substantial attention from our management team and involve substantial expenditures and include additional operational expenses, matching with our culture, the ability to retain and assimilate employees of the acquired business, the ability to retain customers and integrate customer bases, the adequacy of our implementation plans, the ability of our management to oversee and operate effectively the combined operations and our ability to achieve desired operating efficiencies and sales goals. The integration of any acquired businesses might cause us to incur unforeseen costs, which would lower our future earnings and would prevent us from realizing the expected benefits of these acquisitions.

Even if we are able to integrate future acquired businesses with our operations successfully, we cannot assure you that we will realize all of the cost savings, synergies or revenue enhancements that we anticipate from such integration or that we will realize such benefits and synergies within the expected time frame, or at all, and the costs of achieving these benefits may be higher than, and the timing may differ from, what we initially expect. Future acquisitions may also result in potentially dilutive issuances of securities.

Our ability to realize anticipated benefits and synergies from the acquisitions may be affected by a number of factors, including: the use of more cash or other financial resources, and additional management time, attention and distraction, on integration and implementation activities than we expect, including restructuring and other exit costs; increases in other expenses related to an acquisition, which may offset any potential cost savings and other synergies from the acquisition; our ability to avoid labor disruptions or disputes in connection with any integration; the timing and impact of purchase accounting adjustments; difficulties in employee or management integration; and unanticipated liabilities associated with acquired businesses.

Any potential cost-saving opportunities may take at least several quarters following an acquisition to implement, and any results of these actions may not be realized for at least several quarters following implementation.

Businesses that we have acquired, such as Sargent, or that we may acquire in the future may have liabilities which are not known to us.

In certain cases we have assumed liabilities of other acquired businesses including Sargent, and may assume liabilities of businesses that we acquire in the future. There may be liabilities or risks that we fail, or are unable, to discover, or that we underestimate, in the course of performing our due diligence investigations of acquired businesses. Additionally, businesses that we have acquired or may acquire in the future may have made previous acquisitions, and we could be subject to certain liabilities and risks relating to these prior acquisitions as well. We cannot assure you that our rights to indemnification contained in definitive acquisition agreements that we have entered or may enter into will be sufficient in amount, scope or duration to fully offset the risk of unforeseen business uncertainties or related possible liabilities. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial condition or results of operations. As we begin to operate acquired businesses, we may learn additional information about them that adversely affects us, such as unknown or contingent liabilities, issues relating to compliance with applicable laws or issues related to ongoing supply chain or customer relationships or order demand.

Goodwill and indefinite-lived tradename intangibles comprise a significant portion of our total assets, and if we determine that goodwill and indefinite-lived tradename intangibles have become impaired in the future, our results of operations and financial condition in such years may be materially and adversely affected.

Goodwill represents the excess of cost over the fair market value of net assets acquired in business combinations. Indefinite-lived tradename intangibles represent long-standing brands acquired in business combinations and assumed to have indefinite lives. We review goodwill and indefinite-lived tradename intangibles at least annually for impairment and any excess in carrying value over the estimated fair value is charged to the results of operations. Our estimates of fair value are based on assumptions about the future operating cash flows, growth rates, discount rates applied to these cash flows and current market estimates of value. A reduction in net income resulting from the write down or impairment of goodwill or indefinite-lived tradename intangibles would affect financial results and could have a material and adverse impact upon the market price of our common stock. If we are required to record a significant charge to earnings in our consolidated financial statements because an impairment of goodwill or indefinite-lived tradename intangibles is determined, our results of operations and financial condition could be materially and adversely affected.

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

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

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

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

We have established operations in certain countries outside the U.S., including Mexico, France, Switzerland, Poland, China and Canada. Of our 37 facilities, 8 are located outside the U.S., including 7 manufacturing facilities**.**

In fiscal 2016, 13% of our net sales were generated by our international operations. We expect that this proportion is likely to increase as we seek to increase our penetration of foreign markets, including through acquisitions, particularly within the aerospace and defense markets. Our foreign operations are subject to the risks inherent in such activities such as: currency devaluations, logistical and communication challenges, costs of complying with a variety of foreign laws and regulations, greater difficulties in protecting and maintaining our rights to intellectual property, difficulty in staffing and managing geographically diverse operations, acts of terrorism or war or other acts that may cause social disruption which are difficult to quantify or predict and general economic conditions in these foreign markets. Our international operations may be negatively impacted by changes in government policies, such as changes in laws and regulations (or the interpretation thereof), restrictions on imports and exports, sources of supply, duties or tariffs, the introduction of measures to control inflation and changes in the rate or method of taxation. To date we have not experienced significant difficulties with the foregoing risks associated with our international operations.

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

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

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

As of April 2, 2016, we maintained one noncontributory defined benefit pension plan. The plan was underfunded by $4.2 million as of April 2, 2016 and by $5.0 million as of March 28, 2015, which are the amounts by which the accumulated benefit obligations are more than the sum of the fair market value of the plan's assets. We are required to make cash contributions to our pension plan to the extent necessary to comply with minimum funding requirements imposed by employee benefit laws and tax laws. The amount of any such required contributions is determined based on annual actuarial valuation of the plan as performed by the plan's actuaries. The amount of future contributions will depend upon asset returns, then-current discount rates and a number of other factors, and, as a result, the amount we may elect or be required to contribute to our pension plan in the future may increase significantly. Additionally, there is a risk that if the Pension Benefit Guaranty Corporation concludes that its risk with respect to our pension plan may increase unreasonably if the plan continues to operate, if we are unable to satisfy the minimum funding requirement for the plan or if the plan becomes unable to pay benefits, then the Pension Benefit Guaranty Corporation could terminate the plan and take control of its assets. In such event, we may be required to make an immediate payment to the Pension Benefit Guaranty Corporation of all or a substantial portion of the underfunding as calculated by the Pension Benefit Guaranty Corporation based upon its own assumptions. The underfunding calculated by the Pension Benefit Guaranty Corporation could be substantially greater than the underfunding we have calculated because, for example, the Pension Benefit Guaranty Corporation may use a significantly lower discount rate. If such payment is not made, then the Pension Benefit Guaranty Corporation could place liens on a material portion of our assets and the assets of any members of our controlled group. Such action could result in a material increase in our pension related expenses and a corresponding reduction in our cash flow and net income. For additional information concerning our pension plan and plan liabilities, see Part II, Item 8. "Financial Statements and Supplementary Data," Note 12 "Pension Plans."

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

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

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

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

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

Our ability to compete effectively is dependent upon our ability to protect and preserve the intellectual property and other proprietary rights and materials owned, licensed or otherwise used by us. We have numerous U.S. and foreign patents, trademark registrations and U.S. copyright registrations. We also have U.S. and foreign trademark and patent applications pending. We cannot assure you that our pending trademark and patent applications will result in trademark registrations and issued patents, and our failure to secure rights under these applications may limit our ability to protect the intellectual property rights that these applications were intended to cover. Although we have attempted to protect our intellectual property and other proprietary rights both in the United States and in foreign countries through a combination of patent, trademark, copyright and trade secret protection and non-disclosure agreements, these steps may be insufficient to prevent unauthorized use of our intellectual property and other proprietary rights, particularly in foreign countries where the protection available for such intellectual property and other proprietary rights may be limited. We cannot assure you that any of our intellectual property rights will not be infringed upon or that our trade secrets will not be misappropriated or otherwise become known to or independently developed by competitors. We may not have adequate remedies available for any such infringement or other unauthorized use. We cannot assure you that any infringement claims asserted by us will not result in our intellectual property being challenged or invalidated, that our intellectual property will be held to be of adequate scope to protect our business or that we will be able to deter current and former employees, contractors or other parties from breaching confidentiality obligations and misappropriating trade secrets. In addition, we may become subject to claims which could require us to pay damages or limit our ability to use certain intellectual property and other proprietary rights found to be in violation of a third party's rights, and, in the event such litigation is successful, we may be unable to use such intellectual property and other proprietary rights at all or on reasonable terms. Regardless of its outcome, any litigation, whether commenced by us or third parties, could be protracted and costly and could result in increased litigation related expenses, the loss of intellectual property rights or payment of money or other damages, which may result in lost sales and reduced cash flow and decrease our net income. See Part I, Item 1. "Business—Intellectual Property."

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

As of April 2, 2016, we had an order backlog of $346.4 million, which we estimate will be fulfilled within the next 12 months. However, orders included in our backlog are subject to cancellation, delay or other modifications by our customers prior to fulfillment. For these reasons, we cannot assure you that orders included in our backlog will ultimately result in the actual receipt of revenues from such orders.

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

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

Health care reform could adversely affect our operating results.

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

Unforeseen developments in contingencies, such as litigation, could adversely affect our financial condition.

We and certain of our subsidiaries are, and from time to time may become, parties to a number of legal proceedings incidental to their businesses involving alleged injuries arising out of the use of their products, exposure to hazardous substances, or patent infringement, employment matters, and commercial disputes. The defense of these lawsuits may require significant expenses and divert management’s attention, and we may be required to pay damages that could adversely affect our financial condition. In addition, any insurance or indemnification rights that we may have may be insufficient or unavailable to protect us against potential loss exposures.

Risk Factors Related to our Common Stock

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

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

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

We may not pay cash dividends in the foreseeable future.

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

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

We own facilities in the following locations:

Tucson, Arizona	Delemont, Switzerland
Anjou, Quebec, Canada	Clayton, Georgia
Rancho Dominguez, California	Bremen, Indiana
Santa Ana, California	Plymouth, Indiana
Fairfield, Connecticut	Mielec, Poland
Middlebury, Connecticut	Bishopville, South Carolina
Oxford, Connecticut	Hartsville, South Carolina
Torrington, Connecticut	Westminster, South Carolina
Ball Ground, Georgia	Houston, Texas

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

Location of Leased Facility	Lease Expiration Date	Location of Leased Facility	Lease Expiration Date
Baldwin Park, California	April 30, 2018	Franklin, Indiana	May 31, 2019
Garden Grove, California	November 30, 2016	Reynosa, Mexico	February 28, 2021
Fountain Valley, California	November 30, 2019	Tecate, Mexico	January 31, 2019
Los Angeles, California	December 31, 2020	West Trenton, New Jersey	February 28, 2018
San Diego, California	October 1, 2016	Mentor, Ohio	January 31, 2023
Santa Fe Springs, California	November 30, 2018	Oklahoma City, Oklahoma	September 30, 2021
Shanghai, China	May 31, 2017	Horsham, Pennsylvania	April 14, 2018
Miami, Florida	February 16, 2019	Bishopville, South Carolina	January 31, 2020
Les Ulis, France	June 30, 2016	Hartsville, South Carolina	May 31, 2016
Hoffman Estates, Illinois	November 30, 2018	Grand Prairie, Texas	February 28, 2018

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

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

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are involved in litigation and administrative proceedings which arise in the ordinary course of our business. We do not believe that any litigation or proceeding in which we are currently involved, including those discussed below, 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.

Our wholly owned subsidiary, RBC Aircraft Products, Inc. was a plaintiff in a lawsuit against Precise Machining & Manufacturing LLC in the United States District Court, District of Connecticut's Case Number 3:10 CV 878 (SRU). A jury award against Precise Machining & Manufacturing LLC and in favor of RBC Aircraft Products, Inc. in the amount of $3.0 million was entered on April 9, 2013. Precise Machining & Manufacturing LLC subsequently filed a motion for judgment in its favor as a matter of law and a motion for a new trial. On May 5, 2014 the presiding judge surprisingly overturned the jury verdict as a matter of law and, in the alternative granted Precise a motion for a new trial on grounds not even requested by Precise. RBC Aircraft Products, Inc. subsequently filed a motion for Certification of Judgment, which was unopposed by Precise Machining & Manufacturing LLC, which was granted on July 28, 2014 and allowed RBC Aircraft Products, Inc. to immediately appeal the judges' decision to overturn the jury verdict to the Second Circuit Court of Appeals ("Second Circuit"). RBC Aircraft Products, Inc. subsequently filed an appeal. On November 10, 2015 the Second Circuit reversed the District Court's judgment in favor of Precise as a matter of law. However, the Second Circuit Court of Appeals remanded the case for a second trial giving deference to the District Court's alternative holding that a second trial on liability was appropriate. On January 6, 2016 the District Court entered a pre-trial order tentatively scheduling a trial date on July 6, 2016. On May 20, 2016 RBC Aircraft Products, Inc. accepted an offer of judgement filed by Precise Machining and Manufacturing, LLC with the court on May 6, 2016 which as of May 20, 2016 resulted in a judgment to enter against Precise Machining and Manufacturing, LLC in the amount of $0.5 million inclusive of costs.

On October 5, 2007 SKF USA, Inc. ("SKF") filed suit in Pennsylvania state court against Tyson Bearing Company, Inc. (now known as RBC Lubron Bearing Systems, Inc.) ("Tyson") alleging that when Tyson vacated a facility in Glasgow, Kentucky on June 29, 2007, it breached an alleged five-year lease. SKF sought to recover approximately $3.8 million, including rent, prejudgment interest and attorney's fees. After pending in the Pennsylvania court system for over nine years, a trial of the case was finally held during February, 2016. On February 17, 2016 the jury returned a verdict

against Tyson in the amount of $1.0 million. Both SKF and Tyson filed post-trial motions. The filing of post-trial motions is required to preserve appeal rights. Both motions were opposed. Tyson's post-trial motion sought a judgment notwithstanding the verdict, arguing that as a matter of law, the Court should set aside the verdict since there was no signed overlease; SKF violated the Statute of Frauds and was unable to sublease the property to Tyson; and there was no legally enforceable sublease because there was no agreement between SKF and Tyson. SKF filed a post-trial motion seeking a new trial as to damages on the grounds that the damages awarded by the jury did not have a rational basis to SKF's actual damages; and a post-trial request for an award for prejudgment interest. Tyson opposed SKF's motion arguing the jury verdict is rational considering the conflicting evidence related to the contract documents for the base rent, additional rent, and shared expenses and prejudgment interest requires a definitive, ascertainable sum at a definite time and that is lacking given the jury verdict. Oral argument for the post-trial motions and request was held on April 19, 2016. The Court subsequently denied Tyson's motion for a judgment notwithstanding the verdict as well as SKF's motion for a new trial. The Court did award SKF $0.5 million in prejudgment interest. On May 18, 2016 Tyson and SKF entered into a confidential settlement with respect to this matter.

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

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ended April 2, 2016.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers are elected by the Board normally for a term of one year and until the election of their successors. Our executive officers of the company as of May 18, 2016 are as follows:

Name	Age		Current Position and Previous Positions During Last Five Years
Michael J. Hartnett	70	1992	Chairman, President and Chief Executive Officer
Daniel A. Bergeron	56	2003	Director, Vice President, Chief Financial Officer and Assistant Secretary
Thomas C. Crainer	58	2008	Vice President and General Manager
Richard J. Edwards	60	1996	Vice President and General Manager
Thomas J. Williams	64	2006	Corporate General Counsel and Secretary
Thomas M. Burigo	64	2006	Corporate Controller

PART II

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

Price range of our Common Stock

Our common stock is quoted on the Nasdaq National Market under the symbol "ROLL." As of May 18, 2016, there were 3 holders of record of our common stock.

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

	Fiscal 2016		Fiscal 2015	
	High	Low	High	Low
First Quarter	$77.86	$69.40	$65.82	$56.68
Second Quarter	73.94	57.46	65.61	50.00

Third Quarter	72.20	57.33	66.68	51.96
Fourth Quarter	74.89	54.38	75.98	57.90

The last reported sale price of our common stock on the Nasdaq National Market on May 18, 2016 was $72.47 per share.

Dividend Policy

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

Issuer Purchases of Equity Securities

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

Total share repurchases for the three months ended April 2, 2016, all of which were made under this program, are as follows:

Period	Total number of shares purchased	Average price paid per share	Number of shares purchased as part of the publicly announced program	Approximate dollar value of shares still available to be purchased under the program (000's)
12/27/2015 – 01/30/2016	239	$ 61.01	239	$ 30,596
01/31/2016 – 02/27/2016	—	—	—	30,596
02/28/2016 – 04/2/2016	114	$ 63.64	114	$ 30,588
Total	353	$ 61.86	353	

During the fourth quarter of fiscal 2016, we did not issue any common stock that was not registered under the Securities Act.

Equity Compensation Plans

Information regarding equity compensation plans required to be disclosed pursuant to this Item is included in Part II, Item 8. "Financial Statements and Supplementary Data," Note 15 "Stockholders' Equity-Stock Option Plans" of this Annual Report on Form 10-K.

Performance Graph

The following graph shows the total return to our stockholders compared to the Russell 2000 Small Cap Index and the Nasdaq Composite Index over the period from April 2, 2011 to April 2, 2016. Because of the diversity of our markets

and products we do not believe that a combination of peer issuers can be selected on an industry or line-of-business basis to provide a meaningful basis for comparing shareholder return. Accordingly, the Russell 2000 Small Cap Index is comprised of issuers with generally similar market capitalizations to that of the Company, and as permitted by regulation is included in the graph. Each line on the graph assumes that $100 was invested in our common stock on April 2, 2011 or in the respective indices at the closing price on April 2, 2011. The graph then presents the value of these investments, assuming reinvestment of dividends, through the close of trading on April 2, 2016.

Comparison of Five-Year Cumulative Total Return*

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

	April 2, 2011	**March 31, 2012**	**March 30, 2013**	**March 29, 2014**	**March 28, 2015**	**April 2, 2016**
RBC Bearings Incorporated	$100.00	$ 118.71	$ 130.11	$ 162.04	$ 201.03	$195.90
Nasdaq Composite Index	100.00	111.97	119.97	154.55	184.05	187.19
Russell 2000 Small Cap Index	100.00	99.44	115.65	141.83	154.74	141.51

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

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected consolidated historical financial and other data as of the dates and for the periods indicated. The selected financial data as of and for the years ended April 2, 2016, March 28, 2015, March 29, 2014, March 30, 2013 and March 31, 2012 have been derived from our historical consolidated financial statements audited by Ernst & Young LLP, independent registered public accounting firm. Historical results are not necessarily indicative of the results expected in the future. You should read the data presented below together with, and qualified by reference to, Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included in Part II, Item 8. “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

	Fiscal Year Ended				
	April 2, 2016	**March 28, 2015**	**March 29, 2014**	**March 30, 2013**	**March 31, 2012**
	(in thousands, except share and per share amounts)				
Statement of Operations Data:					
Net sales[(1)]	$597,472	$445,278	$418,886	$403,051	$397,511
Cost of sales	378,694	275,138	254,089	250,122	256,931
Gross margin	218,778	170,140	164,797	152,929	140,580
Selling, general and administrative	98,721	75,908	71,969	65,751	61,303

Other, net	16,216	5,802	4,178	9,077	1,629
Operating income	103,841	88,430	88,650	78,101	77,648
Interest expense, net	8,722	1,055	1,019	868	1,045
Other non-operating expense (income)	334	2,820	(122)	(2,955)	624
Income before income taxes	94,785	84,555	87,753	80,188	75,979
Provision for income taxes	30,891	26,307	27,545	23,846	25,982
Net income	$63,894	$58,248	$60,208	$56,342	$49,997
Net income per common share:					
Basic	$2.75	$2.52	$2.63	$2.52	$2.28
Diluted	$2.72	$2.49	$2.59	$2.47	$2.23
Weighted average common shares:					
Basic	23,208,686	23,073,940	22,874,842	22,401,068	21,880,554
Diluted	23,508,418	23,385,061	23,244,241	22,810,793	22,390,914
Dividends per share	—	$2.00	—	—	—
Other Financial Data:					
Capital expenditures	$20,864	$20,897	$28,920	$42,017	$17,841

	As of April 2, 2016	March 28, 2015	March 29, 2014	March 30, 2013	March 31, 2012
	(in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$39,208	$125,455	$121,207	$114,480	$68,621
Working capital	340,640	383,366	374,725	326,953	270,434
Total assets	1,098,510	632,073	620,993	542,442	459,518
Total debt	363,696	9,198	10,447	10,300	1,041
Total stockholders' equity	620,947	549,433	538,452	462,195	385,815

(1) Net sales were $597.5 million in fiscal 2016 compared to $445.3 million in fiscal 2015, an increase of $152.2 million. Net sales in fiscal 2016 included net sales of $172.6 million for Sargent Aerospace and Defense (“Sargent”) which was acquired in April 2015.

Net sales were $445.3 million in fiscal 2015 compared to $418.9 million in fiscal 2014, an increase of $26.4 million. Net sales in fiscal 2015 included net sales of $19.5 million for Climax Metal Products (“CMP”) and Turbine Components Inc. (“TCI”), which were acquired in August 2013 and October 2013, respectively

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

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

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

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

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

Overview

We are a well-known international manufacturer of highly engineered precision bearings and components. 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 believe our unique expertise has enabled us to garner leading positions in many of the product markets in which we primarily compete. With 37 facilities, of which 33 are manufacturing facilities in five countries, we have been able to significantly broaden our end markets, products, customer base and geographic reach. We have a fiscal year consisting of 52 or 53 weeks, ending on the Saturday closest to March 31. Based on this policy fiscal year 2016 had 53 weeks; fiscal 2015 and fiscal 2014 contained 52 weeks. We currently operate under four reportable business segments: Plain Bearings; Roller Bearings; Ball Bearings; and Engineered Products. The following further describes these reportable segments:

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

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

Ball Bearings. We manufacture 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.

Engineered Products. Engineered Products consists of highly engineered hydraulics, fasteners, collets and precision components used in aerospace, marine and industrial applications

Purchasers of bearings and engineered products include industrial equipment and machinery manufacturers, producers of commercial and military aerospace equipment such as missiles and radar systems, agricultural machinery manufacturers, construction, energy, mining and specialized equipment manufacturers, marine products, automotive and commercial truck manufacturers. The markets for our products are cyclical, and we have endeavored to mitigate this cyclicality by entering into sole-source relationships and long-term purchase agreements, through diversification

across multiple market segments within the aerospace and industrial segments, by increasing sales to the aftermarket and by focusing on developing highly customized solutions.

Currently, our strategy is built around maintaining our role as a leading manufacturer of precision bearings and components through the following efforts:

- ***Developing innovative solutions.*** By leveraging our design and manufacturing expertise and our extensive customer relationships, we continue to develop new products for markets in which there are substantial growth opportunities.

- ***Expanding customer base and penetrating end markets.*** We continually seek opportunities to access new customers, geographic locations and bearing platforms with existing products or profitable new product opportunities.

- ***Increasing aftermarket sales.*** We believe that increasing our aftermarket sales of replacement parts will further enhance the continuity and predictability of our revenues and enhance our profitability. Such sales included sales to third party distributors, sales to OEMs for replacement products and aftermarket services. We will increase the percentage of our revenues derived from the replacement market by continuing to implement several initiatives.

- ***Pursuing selective acquisitions.*** The acquisition of businesses that complement or expand our operations has been and continues to be an important element of our business strategy. We believe that there will continue to be consolidation within the industry that may present us with acquisition opportunities.

We have demonstrated expertise in acquiring and integrating bearing and precision engineered component manufacturers that have complementary products or distribution channels and provide significant potential for margin enhancement. We have consistently increased the profitability of acquired businesses through a process of methods and systems improvement coupled with the introduction of complementary and proprietary new products. Since October 1992 we have completed 24 acquisitions, which have broadened our end markets, products, customer base and geographic reach.

The following items highlight the most recent significant events:

- In the first quarter of fiscal 2016, subsequent to the close of the fiscal 2015 year, we acquired Sargent for $500.0 million financed through a combination of cash on hand and senior debt. Headquartered in Tucson, Arizona, Sargent is a leader in precision-engineered products, solutions and repairs for aircraft airframes and engines, rotorcraft, submarines and land vehicles. Sargent manufactures sells, and services hydraulic valves and actuators, specialty bearings, specialty fasteners, seal rings & alignment joints, and precision components under leading brands including Kahr Bearing, Airtomic, Sonic Industries, Sargent Controls and Sargent Aerospace & Defense. Annual sales are approximately $195.0 million and the company has over 750 employees in six facilities in three countries.

- In connection with the Sargent acquisition on April 24, 2015, we entered into a Credit Agreement (the "Credit Agreement") and related Guarantee, Pledge Agreement and Security Agreement with Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent, Swingline Lender and Letter of Credit Issuer and the other lenders party thereto. The Credit Agreement provides RBCA, as Borrower, with (a) a $200.0 million term loan facility (the "Term Loan Facility") and (b) a $350.0 million revolving credit facility (the "Revolving Credit Facility" and together with the Term Loan Facility, the "Facilities").

- In the second quarter of fiscal 2015, we reached a decision to consolidate the manufacturing capacity of the United Kingdom (U.K.) facility into our other manufacturing facilities. This decision was based on our intent to better align manufacturing abilities and product development.

- In the third quarter of fiscal 2014, we acquired the net assets of TCI for approximately $3.9 million. Located in San Diego, California, TCI is an FAA certified aircraft gas turbine repair station and manufacturer of precision components for aerospace markets.

Outlook

We ended fiscal 2016 with a backlog of $346.4 million compared to $209.6 million for the same period last fiscal year. Our net sales increased 34.2% year over year due to a 59.6% growth in the aerospace markets and 2.9% in the industrial markets. We expect to see growth in the industrial markets resulting from the overall economic improvement of the general industrial markets and continued growth in aerospace tied to the aircraft build rates and positive movement in defense spending. Our internal goal is to grow our industrial business at a pace of 2.0 to 2.5 times Gross Domestic Product ("GDP") on a compounded basis.

Management believes that operating cash flows and available credit under the credit facilities will provide adequate resources to fund internal and external growth initiatives for the foreseeable future. As of April 2, 2016, we had cash and cash equivalents of $39.2 million of which approximately $29.3 million was cash held by our foreign operations.

We expect that our undistributed foreign earnings will be re-invested indefinitely for working capital, internal growth and acquisitions for and by our foreign entities.

Sources of Revenue

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

We also recognize revenue on a Ship-In-Place basis for two customers who have required that we hold the product after final production is complete. In this case, a written agreement has been executed (at the customer's request) whereby the customer accepts the risk of loss for product that is invoiced under the Ship-In-Place arrangement. For each transaction for which revenue is recognized under a Ship-In-Place arrangement, all final manufacturing inspections have been completed and customer acceptance has been obtained. In the twelve months ended April 2, 2016, 2.1% of our total net sales was recognized under Ship-In-Place transactions.

Sales to the industrial market accounted for 34% of our net sales for the fiscal year ended April 2, 2016. Sales to the aerospace and defense markets accounted for 66% of our net sales for the same period.

Aftermarket sales of replacement parts for existing equipment platforms and aftermarket services represented approximately 46% of our net sales for fiscal 2016. We continue to develop our OEM relationships which have established us as a leading supplier on many important industrial, aerospace and defense platforms. Over the past several years, we have experienced increased demand from the replacement parts market, particularly within the diversified industrial sectors; one of our business strategies has been to increase the proportion of sales derived from this sector and from aerospace and defense. We believe these activities increase the stability of our revenue base, strengthen our brand identity and provide multiple paths for revenue growth.

Approximately 13% of our net sales were generated by our international facilities for fiscal 2016, compared to 16% for fiscal 2015. We expect that this proportion will increase as we seek to increase our penetration of foreign markets. Our top ten customers generated 33% and 28% of our net sales in fiscal 2016 and fiscal 2015, respectively. Out of the 33% of net sales generated by our top ten customers during the fiscal year ended April 2, 2016, 20% of net sales were generated by our top four customers compared to 15% for the comparable period last fiscal year.

Cost of Revenues

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

Approximately 12% to 25% of our costs, depending on product mix, are attributable to raw materials and purchased components, a majority of which are related to steel and related products. During fiscal 2016, steel prices remained flat with slight variances up and down throughout the fiscal year. When we do experience raw material inflation, we offset these cost increases by changing our buying patterns, expanding our vendor network and passing through price increases when possible. The overall impact on raw material costs for this fiscal year was not material as a percent change on a year over year basis.

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

Fiscal 2016 Compared to Fiscal 2015

Results of Operations

	FY16	FY15	$ Change	% Change
Organic net sales	$424.9	$445.3	$ (20.4)	(4.6)%
Sales by recent acquisitions	172.6	—	172.6	
Total net sales	$597.5	$445.3	$ 152.2	34.2 %
Net income	$63.9	$58.2	$ 5.7	9.7 %
Net income per common share: Diluted	$2.72	$2.49		
Weighted average common shares: Diluted	23,508,418	23,385,061		

Net sales increased $152.2 million or 34.2% for fiscal 2016 over fiscal 2015. This increase was mainly the result of a 59.6% increase in net sales to the aerospace markets combined with a 2.9% increase in industrial net sales of $3.0 million.

Organic net sales decreased 4.6% compared to the prior fiscal year. Excluding a negative foreign exchange impact, organic net sales decreased 3.9%. Our aerospace markets decreased 0.6% mainly driven by defense and the industrial markets decreased 9.5% mainly driven by oil and gas.

Net income increased by $5.7 million to $63.9 million for fiscal 2016 compared to fiscal 2015. Excluding the after tax impact of $3.4 million in costs and $4.8 million in inventory purchase accounting associated with the Sargent acquisition, $0.7 million of costs associated with integration and restructuring, litigation reserve of $1.1 million and $0.1 million loss on extinguishment of debt offset $0.2 million of discrete tax benefit, net income would have been $73.8 million.

Gross Margin

	FY16	FY15	$ Change	% Change
Gross Margin	$218.8	$170.1	$ 48.7	28.6 %
Gross Margin %	36.6 %	38.2 %		

Gross margin increased $48.7 million or 28.6% for fiscal 2016 compared to the same period last fiscal year. Excluding the unfavorable impact of $7.2 million of inventory purchase accounting associated with the Sargent acquisition, gross margin would have been $226.0 million. Organic gross margin as a percent of net sales was 38.9% compared to an adjusted 39.0% last fiscal year.

Selling, General and Administrative

	FY16	FY15	$ Change	% Change
SG&A	$98.7	$75.9	$ 22.8	30.1 %
% of net sales	16.5%	17.1%		

SG&A decreased as a percentage of net sales to 16.5% in fiscal 2016 from 17.1% in fiscal 2015. SG&A expenses increased by $22.8 million to $98.7 million for fiscal 2016 compared to fiscal 2015. Excluding the impact of the Sargent acquisition of $17.7 million, the increase was primarily due to higher personnel expenses of $2.6 million, an increase in incentive stock compensation of $1.9 million, and increases in professional fees of $0.3 million and other miscellaneous expenses of $0.3 million.

Other Income (Expense)

	FY16	FY15	$ Change	% Change
Other, net	$16.2	$5.8	$ 10.4	179.5 %
% of net sales	2.7 %	1.3 %		

Other operating expenses for fiscal 2016 totaled $16.2 million compared to $5.8 million for fiscal 2015. For fiscal 2016 other operating expenses were comprised of $9.0 million in amortization of intangibles, $5.1 million of acquisition related costs, $1.7 million litigation reserve, $1.0 million in integration and restructuring costs offset by other income of $0.6 million. For fiscal 2015 other operating expense primarily consisted of $2.8 million related to the consolidation and restructuring of the U.K. facility, $1.8 million of amortization of intangibles and $1.5 million associated with acquisition activity offset by other income of $0.3 million.

Interest Expense, Net

	FY16	FY15	$ Change	% Change
Interest expense	$8.7	$1.1	$ 7.6	726.7 %
% of net sales	1.5 %	0.2 %		

Interest expense, net, generally consists of interest charged on our Wells Fargo Credit Agreement, mortgage, and other borrowings, offset by interest income (see “Liquidity and Capital Resources – Liquidity”, below). Interest expense, net was $8.7 million for fiscal 2016 compared to $1.1 million for 2015.

Other Non-Operating Expense (Income)

	FY16	FY15	$ Change	% Change
Other non-operating expense (income)	$ 0.3	$ 2.8	($ 2.5)	(88.2)%
% of net sales	0.1 %	0.6 %		

Other non-operating expense for fiscal 2015 totaled $2.8 million, consisting primarily of the negative impact of the removal of the foreign exchange cap of Swiss Francs 1.20 against the Euro.

Income Taxes

	FY16	FY15
Income tax expense	$30.9	$26.3
Effective tax rate with discrete items	32.6%	31.1%
Effective tax rate without discrete items	32.8%	33.8%

Income tax expense for fiscal 2016 was $30.9 million compared to $26.3 million for fiscal 2015. Our effective income tax rate for fiscal 2016 was 32.6% compared to 31.1% for fiscal 2015. In addition to discrete items, the effective income tax rates are different from the U.S. statutory rate due to a special manufacturing deduction in the U.S. and foreign income taxed at lower rates which decrease the rate, and state income taxes which increase the rate. The effective income tax rate for fiscal 2016 of 32.6% includes discrete items of $0.2 million which are comprised substantially of unrecognized tax benefits associated with federal and state income tax audits closing, the expiration of statutes of limitations and an item associated with federal legislation reinstating the U.S. research credit. The effective income tax rate for fiscal 2016 without these discrete items would have been 32.8%. The effective income tax rate of 31.1% for fiscal 2015 includes discrete items in the amount of $5.5 million which are substantially comprised items associated with the consolidation and restructuring of the Company's U.K. manufacturing facility and unrecognized tax benefits associated with federal and state income tax audits closing and the expiration of statutes of limitations. The effective income tax rate for fiscal 2015 without these discrete items would have been 33.8%.

Segment Information

We have four reportable product segments: Plain Bearings, Roller Bearings, Ball Bearings and Engineered Products. In fiscal 2016 we integrated the Sargent businesses into our Plain Bearings and Engineered Products segments (see

Notes 3 and 18). We use net sales and gross margin as the primary measurement to assess the financial performance of each reportable segment. The presentation of segment net sales includes a reconciliation to adjust for the effects of any acquisitions made in fiscal 2016 and fiscal 2015.

Plain Bearing Segment:

	FY16	FY15	$ Change	% Change
Organic net sales	$228.2	$230.2	$ (2.0)	(0.8)%
Sales by recent acquisitions	42.3	—	42.3	
Total net sales	$270.5	$230.2	$ 40.3	17.5 %
Gross margin	$103.5	$86.1	$ 17.4	20.3 %
Gross margin %	38.3 %	37.4 %		
SG&A	$21.0	$18.7	$ 2.3	12.1 %
% of segment net sales	7.8 %	8.1 %		

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Net sales increased $40.3 million, or 17.5%, for fiscal 2016 compared to fiscal 2015. Excluding the $42.3 million impact of acquisition volume from Sargent, net sales decreased $2.0 million, or 0.8%, compared to fiscal 2015. The net sales decrease of $2.0 million for this segment was mostly attributable to a net sales increase to the aerospace sector of $2.5 million offset by a net sales decrease of $2.6 million to the industrial sector, driven mainly by oil and gas, general industrial distribution and an unfavorable foreign exchange impact of $1.9 million.

Gross margin increased $17.4 million for fiscal 2016 compared to fiscal 2015. Excluding the $18.5 million impact from the Sargent acquisition, the segment achieved a gross margin of $85.0 million for fiscal 2016, a decrease of $1.1 million, over fiscal 2015. The decrease in gross margin was primarily due to unfavorable foreign exchange of $0.6 million and product mix of $0.5 million.

Roller Bearing Segment:

	FY16	FY15	$ Change	% Change
Organic net sales	$112.0	$128.7	$ (16.7)	(12.9)%
Sales by recent acquisitions	—	—	—	
Total net sales	$112.0	$128.7	$ (16.7)	(12.9)%
Gross margin	$47.5	$50.0	$ (2.5)	(5.1)%
Gross margin %	42.4%	38.9%		
SG&A	$6.0	$6.2	$ (0.2)	(3.4)%
% of segment net sales	5.3%	4.8%		

Net sales decreased $16.7 million, or 12.9%, compared to fiscal 2015. This decrease was attributable to net sales decreases to the industrial sector of $13.4 million mainly driven by oil and gas and general industrial markets and to the aerospace sector of $3.3 million mainly driven by defense.

The Roller Bearings segment achieved a gross margin of $47.5 million in fiscal 2016 compared to $50.0 million in fiscal 2015. Excluding the impact of the consolidation and restructuring of the U.K. facility of $3.7 million, gross margin would have been $53.7 million for fiscal 2015. The decrease in gross margin was primarily due to the impact of decreased volume of $3.9 million and product mix of $2.6 million offset by cost reductions of $0.3 million.

Ball Bearing Segment:

	FY16	FY15	$ Change	% Change
Organic net sales	$53.7	$56.5	$ (2.8)	(5.0)%
Sales by recent acquisitions	—	—	—	
Total net sales	$53.7	$56.5	$ (2.8)	(5.0)%
Gross margin	$21.4	$22.5	$ (1.1)	(5.1)%
Gross margin %	39.8%	39.9%		
SG&A	$5.5	$5.3	$ 0.2	3.5 %
% of segment net sales	10.3%	9.4 %		

Net sales decreased $2.8 million, or 5.0%, for fiscal 2016 compared to fiscal 2015. This decrease was attributable to net sales decreases to the industrial sector of $1.2 million due mainly to general industrial markets and to the aerospace and defense sector of $1.6 million.

Gross margin decreased $1.1 million or 5.1% for fiscal 2016 compared to fiscal 2015. The decrease was primarily due to the unfavorable impact of decreased volume and product mix of $1.1 million.

Engineered Products Segment:

	FY16	FY15	$ Change	% Change
Organic net sales	$30.9	$29.9	$ 1.0	3.5 %
Sales by recent acquisitions	130.3	—	130.3	
Total net sales	$161.2	$29.9	$ 131.3	438.5 %
Gross margin	$46.5	$11.5	$ 35.0	301.9 %
Gross margin %	28.9 %	38.7%		
SG&A	$19.6	$4.0	$ 15.6	388.6 %
% of segment net sales	12.2 %	13.4%		

Net sales increased $131.3 million, or 438.5%, in fiscal 2016 compared to the same period last fiscal year. Our net sales to aerospace markets increased 1,894.8% while our net sales to industrial markets increased 88.6%. Organic net sales increased 3.5% compared to last fiscal year driven mainly by aerospace. Net sales to aerospace markets increased 40.1% offset by a decrease in net sales to industrial markets of 5.3%. The increase in aerospace net sales was mainly due to the commercial aerospace distribution market. The decrease in industrial sales was mostly driven by the general industrial markets.

Excluding the $35.1 million impact from the Sargent acquisition (which included a $7.2 million negative purchase accounting adjustment), the gross margin decrease of $0.1 million was mostly attributable to product mix.

Corporate:

	FY16	FY15	$ Change	% Change

SG&A	$46.6	$41.7	$ 4.9	11.9 %
% of total net sales	7.8 %	9.4 %		

Corporate SG&A increased $4.9 million or 11.9% for fiscal 2016 compared to fiscal 2015. This was primarily due to higher personnel-related expenses of $2.1 million, and increases in stock compensation of $1.9 million, professional fees of $0.4 million and miscellaneous expenses of $0.5 million.

Fiscal 2015 Compared to Fiscal 2014

Results of Operations

	FY15	FY14	$ Change	% Change
Net sales	$445.3	$418.9	$ 26.4	6.3 %
Net income	$58.2	$60.2	$ (2.0)	(3.3)%
Net income per common share: Diluted	$2.49	$2.59		
Weighted average common shares: Diluted	23,385,061	23,244,241		

Net sales increased $26.4 million or 6.3% for fiscal 2015 over fiscal 2014. The increase in net sales was mainly the result of an 11.9% increase in industrial sales and a 2.2% increase in aerospace and defense. Growth in industrial sales was driven by volume increases in construction, oil and gas, the general industrial markets, and the acquisition of CMP. The aerospace and defense increase was driven by commercial aircraft build rates.

Net income decreased by $2.0 million to $58.2 million for fiscal 2015 compared to fiscal 2014. Excluding the after tax impact of costs associated with the consolidation and restructuring of facilities, net income would have been $64.0 million for fiscal 2015, an increase of $3.8 million over fiscal 2014.

Gross Margin

	FY15	FY14	$ Change	% Change
Gross Margin	$170.1	$164.8	$ 5.3	3.2 %
Gross Margin %	38.2 %	39.3 %		

Gross margin decreased as a percentage of net sales in fiscal 2015 compared to fiscal 2014 primarily due to consolidation and restructuring of the U.K. facility. Excluding the impact of the consolidation and restructuring of the U.K. facility, gross margin would have been $173.8 million for fiscal 2015, an increase of $9.0 million over fiscal 2014. This would have resulted in a gross margin percentage of sales of 39.0% in fiscal 2015 compared to 39.3% for fiscal 2014.

Selling, General and Administrative

	FY15	FY14	$ Change	% Change
SG&A	$75.9	$72.0	$ 3.9	5.5 %
% of net sales	17.0%	17.2%		

SG&A decreased solid; TEXT-ALIGN: left"> $10.46 Outstanding at end of period and expected to vest 1,270,217 $7.82 Options exercisable 787,766 $7.11

Stock-based compensation expense for the three and six months ended June 30, 2015 and 2014 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Research and development	$165,737	$69,381	$329,805	$124,910
Plasma centers	12,323	8,822	23,356	17,548
General and administrative	208,601	281,931	420,569	451,876

Total stock-based compensation expense	$386,661	$360,134	$773,730	$594,334

As of June 30, 2015, the total compensation expense related to unvested options not yet recognized totaled $2,678,130. The weighted average vesting period over which the total compensation expense will be recorded related to unvested options not yet recognized at June 30, 2015 was approximately 2.9 years.

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5. RELATED PARTY TRANSACTIONS

The Company leases an office building and equipment from an entity owned by related parties on a month-to-month basis. Rent expense amounted to $24,112 and $48,224 for each of the three and six months ended June 30, 2015 and 2014, respectively.

The Company maintains deposits and other accounts at a bank which is less than 5%-owned by related parties and where a stockholder and Company director is a member of the Board of Directors of the bank.

6. COMMITMENTS AND CONTINGENCIES

General Legal Matters

The Company is subject to certain legal proceedings and claims arising in connection with the normal course of its business. In the opinion of management, there are currently no claims that would have a material adverse effect on its consolidated financial position, results of operations or cash flows.

7. SEGMENTS

The Company is engaged in the development and commercialization of human plasma and plasma-derived therapeutics. The Company also operates an FDA-licensed source plasma collection facility located in Norcross, Georgia and a facility in Marietta, Georgia which is pending regulatory licensure and certification. The Company defines its segments as those business units whose operating results are regularly reviewed by the chief operating decision maker (“CODM”) to analyze performance and allocate resources. The Company’s CODM, is its President and Chief Executive Officer.

The plasma collection center segment includes the Company’s operations in Georgia. The research and development segment includes the Company’s plasma development operations in New Jersey.

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Summarized financial information concerning reportable segments is shown in the following table:

Three Months Ended June 30, 2015	Plasma Collection Center	Research and Development	Corporate	Consolidated
Revenues	$ 1,291,044	$ -	$ 18,889	$ 1,309,933
Cost of product revenue	786,315	-	-	786,315
Gross profit	504,729	-	18,889	523,618
Loss from operations	(592,149)	(1,505,909)	(1,418,547)	(3,516,605)
Other expense	-	-	(1,162,713)	(1,162,713)
Net loss	(592,149)	(1,505,909)	(2,581,260)	(4,679,318)
Property and equipment, net	2,492,873	-	134,820	2,627,693
Depreciation and amortization expense	105,100	-	12,477	117,577

Three Months Ended June 30, 2014	Plasma Collection Center	Research and Development	Corporate	Consolidated
Revenues	$ 1,481,430	$ -	$ 18,889	$ 1,500,319
Cost of product revenue	940,815	-	-	940,815
Gross profit	540,615	-	18,889	559,504
Loss from operations	(280,234)	(1,783,909)	(1,523,177)	(3,587,320)
Other income (expense)	1,992	-	(375,917)	(373,925)
Net loss	(278,242)	(1,783,909)	(1,899,094)	(3,961,245)
Property and equipment, net	875,538	1,111	162,278	1,038,927
Depreciation and amortization expense	36,174	810	11,580	48,564

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Six Months Ended June 30, 2015	Plasma Collection Center	Research and Development	Corporate	Consolidated
Revenues	$ 2,775,261	$ -	$ 37,778	$ 2,813,039
Cost of product revenue	1,695,944	-	-	1,695,944
Gross profit	1,079,317	-	37,778	1,117,095
Loss from operations	(1,065,655)	(2,907,633)	(2,745,654)	(6,718,942)
Other expense	-	-	(1,565,911)	(1,565,911)
Net loss	(1,065,655)	(2,907,633)	(4,311,565)	(8,284,853)
Property and equipment, net	2,492,873	-	134,820	2,627,693
Depreciation and amortization expense	210,017	-	24,682	234,699

Six Months Ended June 30, 2014	Plasma Collection Center	Research and Development	Corporate	Consolidated
Revenues	$ 3,023,100	$ -	$ 37,778	$ 3,060,878
Cost of product revenue	1,917,845	-	-	1,917,845
Gross profit	1,105,255	-	37,778	1,143,033
Loss from operations	(518,063)	(6,114,366)	(2,638,877)	(9,271,306)
Other income (expense)	262	-	(594,073)	(593,811)
Net loss	(517,801)	(6,114,366)	(3,232,950)	(9,865,117)
Property and equipment, net	875,538	1,111	162,278	1,038,927
Depreciation and amortization expense	72,157	1,619	23,087	96,863

The “Corporate” column includes general and administrative overhead expenses. Property and equipment, net, included in the “Corporate” column above includes assets related to corporate and support functions.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements as of, and for, the three and six months ended June 30, 2015 and 2014 and our Annual Report for the year ended December 31, 2014 on Form 10-K, filed with the U.S. Securities and Exchange Commission, or the Commission, on March 9, 2015.

Forward-Looking Statements

This quarterly report for the quarterly period ended June 30, 2015 on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance or achievements, and may contain the words "estimate," "project," "intend," "forecast," "anticipate," "plan," "planning," "expect," "believe," "will," "will likely," "should," "could," "would," "may" or, in each case, their negative, or words or expressions of s meaning. These forward-looking statements include, but are not limited to, statements concerning our plans and timing to develop, market and commercialize RI-002 and the success of such efforts, the expected timing of and our ability to obtain and maintain regulatory approvals for our product candidates, the acceptance of our Biologics License Application, or BLA with the U. S. Food and Drug Administration, or FDA, the timeframe within which we may receive approval from the FDA, if at all, of our BLA for RI-002, our ability to generate revenue, if any, from the potential commercialization of RI-002, if approved by the FDA, the timing, progress and results of the clinical development, our plans to increase our supplies of plasma, regulatory processes, potential clinical trial initiations, potential investigational new product applications, our intellectual property position, biologics license applications, our manufacturing capability and strategy, our plans relating to manufacturing, supply and other collaborative agreements, our estimates regarding expenses, capital requirements and needs for additional financing, and commercialization efforts relating to our product candidates and the runway and limitation of our available cash and our ability to identify alternative sources of cash. The forward-looking statements contained in this report represent our estimates and assumptions only as of the date of this report and we undertake no duty or obligation to update or revise publicly any forward-looking statements contained in this report as a result of new information, future events or changes in our expectations, except as required by applicable law or rules. Forward-looking statements are subject to many risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" in our Annual Report for the year ended December 31, 2014 on Form 10-K as filed with the U.S. Securities and Exchange Commission, or the Commission on March 9, 2015, and in other filings with the Commission.

In addition to the risks identified under the heading "Risk Factors" in the filings referenced above, many important factors affect our ability to achieve our plans and objectives and to successfully develop and commercialize our product candidates. In addition, our results may be affected by our ability to manage our financial resources, difficulties or delays in developing manufacturing processes for our product candidates, preclinical and toxicology testing and regulatory developments. Delays in clinical programs, whether caused by competitive developments, adverse events, patient enrollment rates, regulatory issues or other factors, could adversely affect our financial position and prospects. Prior clinical trial program designs and results are not necessarily indicative of future clinical trial designs or results. If our product candidates do not meet safety or efficacy endpoints in clinical evaluations, they will not receive regulatory approval and we will not be able to market them. The FDA may not accept our BLA, our data, our results or permit us to proceed. We may not be able to enter into any strategic partnership agreements. Operating expenses and cash flow projections involve a high degree of uncertainty, including variances in future spending rates

due to changes in corporate priorities, the timing and outcomes of clinical trials, competitive developments and the impact on expenditures and available capital from licensing and strategic collaboration opportunities. If we are unable to raise additional capital when required or on acceptable terms, we may have to significantly delay, scale back or discontinue one or more of our drug development or discovery research programs and delay or abandon potential commercialization efforts. We may not ever have any products that generate significant revenue.

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Therefore, current and prospective security holders are cautioned that there can be no assurance that the forward-looking statements included in this document will prove to be accurate.

Overview

We are a late-stage biopharmaceutical company that develops, manufactures, and intends to commercialize specialty plasma-based biologics for the treatment and prevention of certain infectious diseases. Our targeted patient populations include immune-compromised individuals who suffer from an underlying immune deficiency disorder or who may be immune-suppressed for medical reasons. Our product candidates are intended to be used by physician specialists focused on caring for immune-compromised patients with infectious diseases.

On July 31, 2015, we submitted our BLA application to the FDA for RI-002. The FDA has a 60-day review period to determine whether our BLA submission for RI-002 is complete and acceptable for filing. RI-002 demonstrated positive results in a Phase III study in patients with Primary Immune Deficiency Disease, or PIDD, meeting its primary endpoint, of no Serious Bacterial Infections, or SBI reported. These results, included in the submission, more than meet the requirement specified by the FDA guidance of ≤ 1 SBI per patient-year. RI-002 is intended for the treatment of PIDD. RI-002 is an Injectable Immune Globulin (human), or IGIV, derived from human plasma, which contains immune globulins extracted from source plasma in a manufacturing process called fractionation and is enriched with high levels of naturally occurring polyclonal antibodies (e.g., streptococcus pneumonia, H. influenza type B, Cytomegalovirus or CMV, measles, tetanus, etc.) as well as high levels of antibodies targeted to Respiratory Syncytial Virus, or RSV. RSV is a common virus that ordinarily leads to mild, cold-like symptoms in healthy adults and children. In high-risk groups, such as the immune-compromised, RSV can lead to a more serious infection and may even cause death. During the second quarter of 2015, we received a notice of allowance from the United States Patent Office, or USPTO, for our RI-002 patent filed under U.S. patent application 14/592,721 entitled ‘Compositions and Methods for the Treatment of Immunodeficiency.’ Our proprietary microneutralization assay allows us to effectively identify and isolate donor plasma with high-titer RSV antibodies, to standardize RI-002’s potency and thereby potentially garner a premium price.

The FDA could approve our BLA within approximately one year of submission, and potential first commercial sales could occur as early as the second half of 2016. As part of our commercialization efforts, we plan to hire a small, specialty sales force to market RI-002 to hospitals, physician offices/clinics, and other specialty treatment organizations. We anticipate staffing additional personnel for patient support, medical affairs, quality assurance, regulatory affairs, scientific affairs, reimbursement, inventory and logistics, human resources, and financial and operational management. We may also use a network of national distributors to fulfill orders for RI-002.

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On February 22, 2015, at the 2015 American Academy of Allergy, Asthma & Immunology Annual Meeting, scientific investigators reported on the secondary outcomes that included: a total of 93 days, or 1.66 days per patient per year lost from work or school due to infection; one hospitalization due to an infection of only five days duration in the entire study and IgG trough levels above those required by the FDA for IGIV products. Additionally, there was a marked increase in all of the measured specific anti-pathogen antibodies in PK subjects (n=31). The mean of maximum fold increases in specific antibody levels after infusion of RI-002 ranged from 1.9 fold (S. pneumonia type 19A) to 5.3 fold (RSV), which were statistically significant fold increases from the pathogen's specific measured baselines. The safety profile of RI-002 is comparable to that of other immunoglobulins. These secondary outcome results follow the prior announcement that the trial achieved its primary endpoint with zero reported acute SBIs in the course of the trial.

The RI-002 trial was conducted as a single arm study in which patients were treated approximately once per month for a period of 12 months plus 90 days for follow up. Fifty-nine patients were enrolled in 9 treatment centers in the United States. The pivotal Phase III primary endpoint followed published FDA industry guidance, which provides for a reduction in the incidence of serious infections to less than one per year in each subject receiving IGIV. The secondary outcome was safety and included other pharmacokinetic, or PK, data collection points including antibody titers for certain agents, including RSV antibody levels at various time points after infusion.

We previously conducted a randomized, double-blind, placebo-controlled Phase II clinical trial to evaluate RI-001, RI-002’s predecessor product candidate, in immune-compromised, RSV-infected patients. This trial was conducted with 21 patients in the United States, Canada, Australia, and New Zealand. The Phase II dose-ranging trial demonstrated a statistically significant improvement in the change from baseline RSV titers to Day 18 in the high dose and low dose treatment groups when compared with placebo (p=0.0043 and p=0.0268, respectively). The mean fold increase for high dose was 9.24 (95% CI 4.07, 21.02) and the observed mean fold increase for low dose was 4.85 (95% CI 2.22, 10.59). The mean fold change for placebo treated patients was 1.42 (95% CI 0.64, 3.17). In addition, more patients in the high dose (85.7%) and low dose (42.9%) groups experienced greater than a 4-fold increase from baseline to Day 18 in RSV titer levels compared to placebo (0%). There were no serious drug-related adverse events reported during the trial.

From April 2009 through February 2011, RI-001 was also administered to 15 compassionate use patients where physicians requested access to the product for treating their patients with documented lower respiratory tract RSV infections. Serum samples were obtained from 13 patients. Samples showed that patients had a 4-fold or greater rise in RSV antibody titers from baseline. Serum samples were not obtained from two patients that received Palivizumab. The drug was well-tolerated in these 15 patients and there were no reports of serious adverse events attributable to RI-001. Data from our Phase II trial, compassionate use experience and testing of RI-002 in the cotton rat RSV animal model has been presented at various conferences during 2013 and 2014.

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We also operate, through our wholly-owned subsidiary an FDA-licensed, German Health Authority, or GHA and Korean Ministry of Food and Safety, or MFDS certified source plasma collection facility, at ADMA BioCenters located in Norcross, Georgia, which provides us with a portion of our blood plasma for the manufacture of RI-002. In June 2013, ADMA BioCenters, Norcross, Georgia received a two-year certification from the GHA and in April 2015 ADMA BioCenters received GHA recertification through the end of April 2018. GHA certification allows plasma collected at ADMA BioCenters, Norcross, Georgia to be imported into the European Union, or EU and to be purchased and processed by European Plasma Fractionators. In September 2014, ADMA BioCenters, Norcross, Georgia received MFDS approval to sell source plasma into South Korea. During the third quarter of 2014, we completed the expansion of our Norcross, Georgia ADMA BioCenters facility by securing additional rented space to grow our donor and collection screening areas to meet an increase in market demand for source plasma. In January 2014, we also entered into another lease for a second plasma collection center in Marietta, Georgia, and we completed construction of this new facility during the fourth quarter of 2014. In November 2014, we announced the opening of our second plasma collection center in Marietta, Georgia, which is currently collecting plasma from donors and is pending regulatory licensure and certification. Upon FDA BLA approval of this second center, we will be able to sell plasma previously collected prior to such approval so as long as it is within FDA specifications. A typical plasma collection center, such as ADMA BioCenters, can collect 30,000 to 50,000 liters of source plasma annually, which may be sold for different prices depending upon the type of plasma, quantity of purchase, and market conditions at the time of sale. Plasma collected from ADMA BioCenters, Norcross, Georgia that is not used for making RI-002 is sold to customers in the United States and where we are approved globally under supply agreements or in the open “spot” market.

Financial Operations Overview

Revenues

Revenues for the three months ended June 30, 2015 are comprised of product revenues from the sale of normal source human plasma collected from our plasma collection center segment and license revenues attributable to the out-licensing of RI-002 to Biotest AG to market and sell in Europe and selected countries in North Africa and the Middle East. In exchange, Biotest Pharmaceuticals Corporation, or Biotest, a subsidiary of Biotest AG, has provided us with certain services in accordance with the related license agreement and is obligated to pay us certain amounts in the future if certain milestones are achieved. Depending upon the agreement with the customer, revenue is recognized at the time of transfer of title and risk of loss or revenue is recognized at the time of delivery if we retain the risk of loss during shipment.

Our revenues are substantially attributable to one customer within our plasma collection center segment. Revenue from license fees and research and development services rendered are recognized as revenue when we have completed the performance obligations under the terms of the license agreement with Biotest. Deferred revenue was recorded in the second quarter of 2013 as a result of certain research and development services provided in accordance with a license agreement and is being recognized over the term of the license.

Research and Development Expense

Research and development, or R&D expense, attributable to our R&D segment, consists of clinical research organization and clinical trial costs related to our clinical trial, consulting expenses relating to regulatory affairs, quality control and manufacturing, assay development and ongoing testing costs, drug product manufacturing including the cost of plasma, plasma storage and transportation costs, as well as wages and benefits for employees including stock-based compensation directly related to the research and development of RI-002. All R&D is expensed as incurred.

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The process of conducting pre-clinical studies and clinical trials necessary to obtain FDA approval is costly and time consuming. The probability of success for each product candidate and clinical trial may be affected by a variety of factors, including, among others, the quality of the product candidate's early clinical data, investment in the program, competition, manufacturing capabilities and commercial viability. As a result of the uncertainties discussed above, the uncertainty associated with clinical trial enrollments and the risks inherent in the development process, we are unable to determine the duration and completion costs of current or future clinical stages of our product candidates or when, or to what extent, we will generate revenues from the commercialization and sale of any of our product candidates. Development timelines, probability of success and development costs vary widely. R&D expense for the three months ended June 30, 2015 decreased compared to the three months ended June 30, 2014, due to the completion of our Phase III clinical study of RI-002 during the fourth quarter ended December 31, 2014. R&D expenses throughout the remainder of 2015 will primarily be comprised of regulatory consulting fees and wages and benefits for employees, including stock-based compensation directly related to R&D of RI-002. We expect that our R&D expense will continue to be lower throughout 2015 as compared to 2014 as a result of the completion of our Phase III clinical study of RI-002.

General and Administrative Expense

General and administrative, or G&A expense, consists of wages, stock-based compensation and benefits for senior management and staff unrelated to R&D, legal fees, accounting and auditing fees, commercialization and marketing activities, information technology, investor relations fees, rent, maintenance and utilities, insurance, travel and other expenses related to the general operations of the business. The decreased G&A expense for the three months ended June 30, 2015 is primarily attributable to pre-launch, market research activities during the second quarter of 2014. We expect that our G&A expenses will continue to increase throughout 2015 as a result of pre-launch, commercial planning, market research costs and the hiring of additional staff as part of the commercial development of RI-002.

Other Income and Expense

Interest income consists of interest earned on our cash, cash equivalents and short-term investments. Interest expense consists of interest incurred on our notes payable, as well as the amortization and write-off of deferred financing costs and debt discounts. During the three months ended June 30, 2015, we recorded a loss on extinguishment of debt related to the June 2015 refinancing of an existing loan with a new venture debt lender.

Results of Operations

Three Months Ended June 30, 2015 Compared to Three Months Ended June 30, 2014

Summary table

The following table presents a summary of the changes in our results of operations for the three months ended June 30, 2015 compared to the three months ended June 30, 2014:

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	Three Months Ended June 30,		Percentage Increase/ (Decrease)	
	2015	2014		
Revenues	$ 1,309,933	$ 1,500,319	(13)	%
Cost of product revenue	$ 786,315	$ 940,815	(16)	%
Research and development expenses	$ 1,505,909	$ 1,783,909	(16)	%
Plasma center operating expenses	$ 1,096,878	$ 820,849	34	%
General and administrative expenses	$ 1,437,436	$ 1,542,066	(7)	%
Total operating expenses	$ 4,826,538	$ 5,087,639	(5)	%
Other expense, net	$ (1,162,713)	$ (373,925)		>100%
Net loss	$ (4,679,318)	$ (3,961,245)	18	%
Loss in plasma collection segment	$ (592,149)	$ (278,242)		>100%
Loss attributable to research and development	$ (1,505,909)	$ (1,783,909)	(16)	%

Revenues

We recorded total revenues of $1,309,933 for the three months ended June 30, 2015 and $1,500,319 for the three months ended June 30, 2014. Product revenue was $1,291,044 for the three months ended June 30, 2015, which is attributable to our plasma collection center segment and derived from the sale of blood plasma collected in our FDA-licensed, GHA and MFDS certified Georgia-based blood plasma collection center, compared to product revenue of $1,481,430 for the three months ended June 30, 2014. Product revenue for the quarter ended June 30, 2015 was primarily attributable to sales made pursuant to our plasma supply agreement with Biotest under which Biotest purchases normal source plasma from our wholly-owned subsidiary, ADMA BioCenters, to be used in their manufacturing. The decrease in product revenue of $190,386 was primarily attributable to our inventorying additional plasma in preparation for commercialization manufacturing anticipated in 2016. License revenue was $18,889 for the three months ended June 30, 2015 and 2014, respectively, which relates to services provided by Biotest in accordance with our license agreement. We have not generated any revenue from our therapeutics research and development business.

Cost of Product Revenue

Cost of product revenue was $786,315 for the three months ended June 30, 2015, and $940,815 for the three months ended June 30, 2014. The decrease in cost of product revenues of $154,500 for the three months ended June 30, 2015 and 2014 was primarily related to the decrease in product revenues for the three months ended June 30, 2015 and 2014.

Research and Development Expenses

R&D expenses, which are attributable to our R&D segment, were $1,505,909 for the three months ended June 30, 2015, a decrease of $278,000 from $1,783,909 for the three months ended June 30, 2014. The decrease in R&D expenses during the three months ended June 30, 2015, compared to the three months ended June 30, 2014, was primarily attributable to the Phase III study being completed during the fourth quarter of 2014.

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Plasma Center Operating Expenses

Operating expenses for our plasma collection centers segment attributed solely to ADMA BioCenters were $1,096,878 for the three months ended June 30, 2015, an increase of $276,029 from $820,849 for the three months ended June 30, 2014. These operating expenses consist of G&A overhead, comprised of: rent, maintenance, utilities, wages and benefits for center staff, plasma collection supplies, plasma transportation and storage (off-site), advertising and promotion expenses, and computer software fees related to donor collections. The increase in expenses was primarily a result of ADMA BioCenters opening its second plasma collection facility during the fourth quarter of 2014, which was attributable to the higher costs in wages, rent, maintenance and plasma collection supplies during the second quarter of 2015 compared to the second quarter of 2014. Our second plasma collection facility is currently collecting plasma, which is being allocated to inventory and can be sold upon FDA BLA approval of the facility. We expect that as plasma collection increases, our operating expenses will also increase accordingly.

General and Administrative Expenses

G&A expenses were $1,437,436 for the three months ended June 30, 2015, a decrease of $104,630 from $1,542,066 for the three months ended June 30, 2014. G&A expenses primarily decreased as a result of pre-launch, market research activities undertaken during the second quarter of 2014. We expect that our G&A expenses will increase throughout the remainder of 2015 as a result of pre-launch, commercial planning, market research costs and the hiring of additional staff as part of the commercial development of RI-002.

Total Operating Expenses

Total operating expenses were $4,826,538 for the three months ended June 30, 2015, a decrease of $261,101 from $5,087,639 for the three months ended June 30, 2014, for the reasons stated above.

Other Income (Expense); Interest Expense

Other expense, net was $1,162,713 for the three months ended June 30, 2015, compared to $373,925 for the three months ended June 30, 2014. The increase of $788,788 is primarily related to a loss on extinguishment of debt of $719,097, related to the June 2015 refinancing of an existing loan with a new venture debt lender. The loss on extinguishment includes costs of writing off the previous unamortized debt discount, unamortized deferred financing costs and a prepayment premium. The increase also includes higher interest expense as we accessed an additional $5,000,000 during the fourth quarter of 2014 upon the milestone achievement of announcing positive Phase III data in accordance with the Prior Loan Agreement with our previous venture debt lender.

Net Loss

Net loss was $4,679,318 for the three months ended June 30, 2015, an increase of $718,073 from $3,961,245 for the three months ended June 30, 2014 for the reasons stated above.

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Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

Summary table

The following table presents a summary of the changes in our results of operations for the six months ended June 30, 2015 compared to the six months ended June 30, 2014:

	Six Months Ended June 30,		Percentage Increase/ (Decrease)	
	2015	2014		
Revenues	$ 2,813,039	$ 3,060,878	(8)	%
Cost of product revenue	$ 1,695,944	$ 1,917,845	(12)	%
Research and development expenses	$ 2,907,633	$ 6,114,366	(52)	%
Plasma center operating expenses	$ 2,144,972	$ 1,623,318	32	%
General and administrative expenses	$ 2,783,432	$ 2,676,655	4	%
Total operating expenses	$ 9,531,981	$ 12,332,184	(23)	%
Other expense, net	$ (1,565,911)	$ (593,811)		>100%
Net loss	$ (8,284,853)	$ (9,865,117)	(16)	%
Loss in plasma collection segment	$ (1,065,655)	$ (517,801)		>100%
Loss attributable to research and development	$ (2,907,633)	$ (6,114,366)	(52)	%

Revenues

We recorded total revenues of $2,813,039 for the six months ended June 30, 2015 and $3,060,878 for the six months ended June 30, 2014. Product revenue was $2,775,261 for the six months ended June 30, 2015, which is attributable to our plasma collection center segment and derived from the sale of blood plasma collected in our FDA-licensed, GHA and MFDS-certified Georgia-based blood plasma collection center, compared to product revenue of $3,023,100 for the six months ended June 30, 2014. Product revenue for the six months ended June 30, 2015 was primarily attributable to sales made pursuant to our plasma supply agreement with Biotest under which Biotest purchases normal source plasma from our wholly-owned subsidiary, ADMA BioCenters, to be used in their manufacturing. The decrease in product revenue of $247,839 was primarily attributable to our inventorying additional plasma in preparation for commercialization manufacturing anticipated in 2016. License revenue was $37,778 for the six months ended June 30, 2015 and 2014, respectively, which relates to services provided by Biotest in accordance with our license agreement. We have not generated any revenue from our therapeutics research and development business.

Cost of Product Revenue

Cost of product revenue was $1,695,944 for the six months ended June 30, 2015, and $1,917,845 for the six months ended June 30, 2014. The decreased cost of product revenues of $221,901 for the six months ended June 30, 2015 and 2014 was directly related to the decrease in product revenues for the six months ended June 30, 2015 and 2014.

Research and Development Expenses

R&D expenses, which are attributable to our R&D segment, were $2,907,633 for the six months ended June 30, 2015, a decrease of $3,206,733 from $6,114,366 for the six months ended June 30, 2014. R&D expenses decreased during the six months ended June 30, 2015, compared to the six months ended June 30, 2014, primarily attributable the Phase

III study being completed during the fourth quarter of 2014 and substantially all drug product supply being manufactured during the six months ended June 30, 2014.

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Plasma Center Operating Expenses

Operating expenses for our plasma collection centers segment attributed solely to ADMA BioCenters were $2,144,972 for the six months ended June 30, 2015, an increase of $521,654 from $1,623,318 for the six months ended June 30, 2014. These operating expenses consist of G&A overhead, comprised of: rent, maintenance, utilities, wages and benefits for center staff, plasma collection supplies, plasma transportation and storage (off-site), advertising and promotion expenses, and computer software fees related to donor collections. The increase in expenses was primarily a result of ADMA BioCenters opening its second plasma collection facility during the fourth quarter of 2014, which was attributable to higher costs in wages, rent, maintenance and plasma collection supplies for the six months ended 2015, compared to the six months ended 2014. Our second plasma collection facility is currently collecting plasma, which is being allocated to inventory and can be sold upon FDA BLA approval of the facility. We expect that as plasma collection increases, our operating expenses will also increase accordingly.

General and Administrative Expenses

G&A expenses were $2,783,432 for the six months ended June 30, 2015, an increase of $106,777 from $2,676,655 for the six months ended June 30, 2014. G&A expenses primarily increased as a result of fees incurred for consulting services provided to us related to pre-launch, commercial planning, market research and analysis during the six months ended June 30, 2015, compared to the six months ended June 30, 2014. We expect that our G&A expenses will increase throughout the remainder of 2015 as a result of pre-launch, commercial planning, market research costs and the hiring of additional staff as part of the commercial development of RI-002.

Total Operating Expenses

Total operating expenses were $9,531,981 for the six months ended June 30, 2015, a decrease of $2,800,203 from $12,332,184 for the six months ended June 30, 2014, for the reasons stated above.

Other Income (Expense); Interest Expense

Other expense, net was $1,565,911 for the six months ended June 30, 2015, compared to $593,811 for the six months ended June 30, 2014. The increase of $972,100 is primarily related to a loss on extinguishment of debt of $719,097, related to the June 2015 refinancing of an existing loan with a new venture debt lender. The loss on extinguishment includes costs of writing off the previous unamortized debt discount, unamortized deferred financing costs and a prepayment premium. The increase also includes higher interest expense as we accessed an additional $5,000,000 during the fourth quarter of 2014 upon the milestone achievement of announcing positive Phase III data in accordance with the Prior Loan Agreement with our previous venture debt lender.

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Net Loss

Net loss was $8,284,853 for the six months ended June 30, 2015, a decrease of $1,580,264 from $9,865,117 for the six months ended June 30, 2014 for the reasons stated above.

Cash Flows

Net Cash Used in Operating Activities

Net cash used in operating activities was $8,667,142 for the six months ended June 30, 2015. The net loss for this period was lower than net cash used in operating activities by $382,289, which was primarily attributable to decreases in accrued expenses of $774,452 related to payments made to vendors and service providers, increased inventories of $744,133 related to allocating additional plasma to inventory in preparation of commercial manufacturing activities anticipated in 2016, offset by stock-based compensation of $773,730 and a loss on extinguishment of debt of $719,097 attributable to the refinancing of previous debt with a new venture debt lender.

Net cash used in operating activities was $9,336,609 for the six months ended June 30, 2014. The net loss for this period was higher than net cash used in operating activities by $528,508, which was primarily attributable to increases in accounts receivable of $803,513, related to sales of our normal source plasma, prepaid expenses of $96,155 mostly related to our Phase III vendor payments for manufacturing and clinical research organization services, accrued expenses of $356,532 related to vendors and service providers, and a decrease in inventories of $556,457 related to the sales of our normal source plasma and use in our clinical trial, accounts payable of $369,767, offset by depreciation and amortization of $218,822 and stock-based compensation of $594,334.

Net Cash Used in Investing Activities

Net cash used in investing activities was $11,299,372 for the six months ended June 30, 2015, which was related to the increase in short-term investments of $11,277,678 and $21,694 in purchases of computers and equipment.

Net cash used in investing activities was $3,748,885 for the six months ended June 30, 2014, which was related to the increase in short-term investments of $3,378,394 and $370,491 in purchases of equipment, primarily for expansion of our ADMA BioCenters in Norcross, Georgia and construction of ADMA BioCenters in Marietta, Georgia, wholly-owned subsidiaries.

Net Cash Provided by Financing Activities

Net cash provided by financing activities totaled $10,589,325 for the six months ended June 30, 2015, which primarily consisted of $16,000,000 received from the loan from Oxford during the second quarter of 2015, and $10,393,383 received from the issuance of common stock during the first quarter of 2015, offset by the $15,300,781 related to the repayment of a pre-existing loan with Hercules, prepayment premium to Hercules of $229,512, debt issue costs to Oxford of $134,500 and an end of term fee payment of $132,500 to Hercules in addition to amortization of our leasehold improvement loan for our ADMA BioCenters wholly-owned subsidiary.

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Net cash provided by financing activities totaled $4,805,048 for the six months ended June 30, 2014, which primarily consisted of $4,850,000 of net proceeds received from the loan by our previous venture debt lender during the first quarter of 2014, offset by debt issue costs of $30,140, equity issuance costs of $8,627, and amortization on our leasehold improvement loan for our ADMA BioCenters wholly-owned subsidiary.

Liquidity and Capital Resources

Overview

We have had limited revenue from operations and we have incurred cumulative losses of $77.7 million since inception. We have funded our operations to date primarily from equity investments, loans from venture debt lenders and loans from our primary stockholders. We received net cash proceeds of approximately $10.2 million from the sales of our common stock in March 2015, $26.6 million in October 2013 from our Initial Public Offering, or IPO, a total of $16.0 million from venture debt lenders in various financings since 2012; and $15.3 million in the 2012 financing.

Based upon our projected revenue and expenditures for 2015, we currently believe that our cash, cash equivalents and short-term investments as of June 30, 2015, are anticipated to be sufficient to fund our operations into the first half of 2016. Because we do not anticipate receiving FDA approval for RI-002 earlier than the second half of 2016, if at all, we would not expect to generate revenue from the commercialization of RI-002 earlier than the second half of 2016, if at all. Our current estimates may be subject to change as circumstances regarding our business requirements evolve. We may decide to raise capital through public or private equity offerings, debt financings, or obtain a bank credit facility, or corporate collaboration and licensing arrangements. We do not have any existing commitments for future external funding. The sale of additional equity or debt securities, if convertible, could result in dilution to our current stockholders. The incurrence of indebtedness would result in increased fixed obligations and could also result in covenants that would restrict our operations or other future financing alternatives.

Additional equity or debt financing, grants, or corporate collaboration and potential licensing arrangements may not be available on acceptable terms, if at all. If adequate funds are not available, we may be required to delay, reduce the scope of or eliminate our research and development programs, reduce our planned clinical trials and delay or abandon potential commercialization efforts of our lead product candidate. See also “Future Financing Needs” below.

As of June 30, 2015, we had working capital of $23.9 million, consisting primarily of $7.8 million of cash and cash equivalents, $15.9 million of short-term investments and $2.5 million of inventories, accounts receivable of $0.5 million and prepaid expenses of $0.4 million, offset primarily by $1.6 million of accounts payable and $1.5 million of accrued expenses.

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Future Financing Needs

The net proceeds of $10.2 million from our March 2015 underwritten offering of our common stock, the net proceeds of $26.6 million from our 2013 IPO and the $16.0 million borrowed under the Oxford LSA are being used and have been used to conduct clinical trials, manufacture drug product, collect and procure plasma, test plasma donors for RSV titers, filing of our BLA for RI-002, ongoing pre-launch, commercialization and marketing activities, and the remainder for payment of existing accounts payable, general and administrative expenses as well as other business activities and general corporate purposes. We anticipate that, based upon our projected revenue and expenditures for 2015, our current cash and cash equivalents and short-term investments will be sufficient to fund our operations into the first half of 2016. If our assumptions underlying our estimated expenses and revenues prove to be incorrect, we may have to raise additional capital sooner than anticipated.

Our long-term liquidity will be dependent on our ability to raise additional capital, to fund our research and development and commercial programs and meet our obligations on a timely basis. Because of numerous risks and uncertainties associated with the research, development and future commercialization of our product candidate, we are unable to estimate with certainty the amounts of increased capital outlays and operating expenditures associated with our anticipated clinical trials and development activities. If we are unable to successfully raise sufficient additional capital we will likely not have sufficient cash flow and liquidity to fund our business operations, forcing us to delay, discontinue or prevent product development and clinical trial activities or the approval of any of our potential products or curtail our activities and, ultimately, potentially cease operations. Even if we are able to raise additional capital, such financings may only be available on unattractive terms, or could result in significant dilution of stockholders' interests and, in such event, the value and potential future market price of our common stock may decline. In addition, the incurrence of indebtedness would result in increased fixed obligations and could result in covenants that would restrict our operations or other financing alternatives. Thereafter, our ability to continue as a going concern will be dependent on our ability to achieve profitability or raise additional capital, to fund our research and development and commercial programs and meet our obligations on a timely basis.

Financial markets in the United States, Canada, Europe and Asia continue to experience disruption, including, among other things, significant volatility in security prices, declining valuations of certain investments, as well as severely diminished liquidity and credit availability. Business activity across a wide range of industries and regions continues to be greatly reduced and local governments and many businesses are still suffering from the lack of consumer spending and the lack of liquidity in the credit markets. The continued instability in the credit and financial market conditions may negatively impact our ability to access capital and credit markets and our ability to manage our cash balance. While we are unable to predict the continued duration and severity of the adverse conditions in the United States and other countries, any of the circumstances mentioned above could adversely affect our business, financial condition, operating results and cash flow or cash position.

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2015-03, Interest—Imputation of Interest, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. Debt disclosures will include the face amount of the debt liability and the effective interest rate. The update requires retrospective application and represents a change in accounting principle. The update is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. We have early adopted ASU 2015-03 in the second quarter 2015 consolidated financial statements and recast the prior period balances to conform to the current period presentation.

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In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2014-09, Revenue from Contracts with Customers, which requires that an entity recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to its customers. In order to achieve this core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. This update will replace existing revenue recognition guidance under Accounting Principles Generally Accepted in the United States of America, or GAAP when it becomes effective for us beginning January 1, 2018, with early adoption permitted in the first quarter of 2017. The updated standard will permit the use of either the retrospective or cumulative effect transition method. We are currently evaluating the impact of this update on our condensed consolidated financial statements.

Critical Accounting Policies and Estimates

On April 5, 2012, the Jumpstart Our Business Startups Act, or the JOBS Act, was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an “emerging growth company,” we may, under Section 7(a)(2)(B) of the Securities Act, delay adoption of new or revised accounting standards applicable to public companies until such standards would otherwise apply to private companies. We may take advantage of this extended transition period until the first to occur of the date that we (i) are no longer an “emerging growth company” or (ii) affirmatively and irrevocably opt out of this extended transition period. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards. Until the date that we are no longer an “emerging growth company” or affirmatively and irrevocably opt out of the exemption provided by Securities Act Section 7(a)(2)(B), upon issuance of a new or revised accounting standard that applies to our financial statements and that has a different effective date for public and private companies, we will disclose the date on which adoption is required for non-emerging growth companies and the date on which we will adopt the recently issued accounting standard.

This Management’s Discussion and Analysis of Financial Condition and Results of Operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate these estimates and assumptions, including those described below. We base our estimates on our historical experience and on various other assumptions that we believe to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results and experiences may differ materially from these estimates.

Some of the estimates and assumptions we have to make under GAAP require difficult, subjective and/or complex judgments about matters that are inherently uncertain and, as a result, actual results could differ from those estimates. Due to the estimation processes involved, the following summarized accounting policies and their application are considered to be critical to understanding our business operations, financial condition and results of operations.

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Stock-Based Compensation

Stock-based compensation cost is measured at grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite service period on a straight-line basis.

We account for stock options granted to non-employees on a fair value basis using the Black-Scholes option pricing method. The noncash charge to operations for non-employee options with vesting are revalued at the end of each reporting period based upon the change in the fair value of the options and amortized to consulting expense over the related contract service period.

For purposes of valuing options and warrants granted to our employees, non-employees and directors and officers through the three months ended June 30, 2015, we used the Black-Scholes option pricing model. We granted options to purchase an aggregate of 1,000 and 231,000 shares of common stock during the three and six months ended June 30, 2015. To determine the risk-free interest rate, we utilized the U.S. Treasury yield curve in effect at the time of the grant with a term consistent with the expected term of our awards. The expected term of the options granted is in accordance with Staff Accounting Bulletins 107 and 110, which is based on the average between vesting terms and contractual terms. The expected dividend yield reflects our current and expected future policy for dividends on our common stock. The expected stock price volatility for our stock options was calculated by examining the pro rata historical volatilities for similar publicly traded industry peers and the trading history for our common stock. We will continue to analyze the expected stock price volatility and expected term assumptions. We have not experienced any material forfeitures of stock options and, as such, have not established a forfeiture rate since the stock options currently outstanding are primarily held by our senior management and directors. We will continue to evaluate the effects of such future potential forfeitures, as they may arise, to evaluate our estimated forfeiture rate.

Research and Development Costs

Our expenses include all R&D costs as incurred, of which such expenses include costs associated with planning and conducting clinical trials, regulatory consulting and filing fees and the disposition of plasma and equipment for which there is no alternative future use.

Our agreement with Biotest includes the in-license of certain rights to incomplete, in-process technology, the terms of which we expect to finalize during 2015. As such, we expect to account for the value of this license as a charge to operations once the terms of the in-license agreement are finalized.

Revenue Recognition

Depending on the agreement with the customer, revenue from the sale of human plasma collected by ADMA BioCenters is recognized at the time of transfer of title and risk of loss to the customer, which usually occurs at the time of shipment. Revenue is recognized at the time of delivery if we retain the risk of loss during shipment. Our revenues are substantially attributable to one customer. Revenue from license fees and research and development services rendered are recognized as revenue when we have completed the performance obligations under the terms of the license agreement with Biotest. Deferred revenue of $1.7 million was recorded in the second quarter of 2013 as a result of certain research and development services provided in accordance with a license agreement and recognized over the term of the license. Deferred revenue is amortized into income for a period of approximately 20 years, the term of the license agreement.

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Accounting for Loan and Security Agreement

On June 19, 2015, we entered into the LSA with Oxford for up to $21.0 million and refinanced our existing loan with Hercules. The first tranche of $16.0 million from the Oxford loan was primarily used to repay our existing facility with Hercules and the remaining $5.0 million is available at our option upon RI-002's BLA being approved from the FDA on or before January 31, 2017. The LSA bears interest at a rate per annum equal to the greater of (i) 7.80% and (ii) the sum of (a) the three (3) month U.S. LIBOR rate (as reported in The Wall Street Journal) on the date occurring on the last business day of the month that immediately precedes the month in which the interest will accrue, plus (b) 7.54% on the outstanding principal balance. We are obligated to begin to repay the principal over 36 months beginning February 1, 2017, unless accelerated as a result of certain events of default. At our option, if we receive BLA approval for RI-002 within the initial 18-month interest only period, the interest only period may be extended for an additional six months. A final payment equal to 8.95% of the funded loan amount is due at the earlier of loan maturity or prepayment. In the event of the six-month interest only extension, the final payment will be 9.95% of the funded loan, which shall also be due at the earlier of loan maturity or prepayment. In addition, a facility fee of $105,000 was paid at closing. In the event we elect to prepay the loan, we are obligated to pay a prepayment charge corresponding to a percentage of the principal amount of the loan, with such percentage being: 3.0% if prepayment occurs through the second anniversary of funding, 1.0% if prepayment occurs after the second anniversary of the funding date and prior to maturity date of the principal amount of the term loans prepaid. The loan matures no later than January 1, 2020. The loan is secured by our assets, except for our intellectual property (which is subject to a negative pledge). The LSA contains customary representations, warranties and covenants, including limitations on incurring indebtedness, engaging in mergers or acquisitions and making investments, distributions or transfers. The representations, warranties and covenants contained in the LSA were made only for purposes of such agreement and as of a specific date or specific dates, were solely for the benefit of the parties to such agreement, and may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the LSA. Events of default under the agreement include, but are not limited to: (i) insolvency, liquidation, bankruptcy or similar events; (ii) failure to pay any debts due under the LSA or other loan documents on a timely basis; (iii) failure to observe any covenant or secured obligation under the LSA or other loan documents, which failure, in most cases, is not cured within 10 days of written notice by lender; (iv) occurrence of any default under any other agreement between us and the lender, which is not cured within 10 days; (v) occurrence of an event that could reasonably be expected to have a material adverse effect; (vi) material misrepresentations; (vii) occurrence of any default under any other agreement involving indebtedness or the occurrence of a default under any agreement that could reasonably be expected to have a material adverse effect; and (viii) certain money judgments are entered against us or a certain portion of our assets are attached or seized. Remedies for events of default include acceleration of amounts owing under the LSA and taking immediate possession of, and selling, any collateral securing the loan.

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In connection with the LSA, we issued to Oxford a 7 year warrant, expiring on June 19, 2022, to purchase 74,309 shares of common stock at an exercise price of $8.51 per share. We recorded $367,700 as the fair value of the warrant to additional paid-in capital and as a debt discount to the carrying value of the loan. The key assumptions used to value the warrants included, volatility of 57% on our common stock based upon a pro rata percentage of our common stock's volatility and similar public companies' volatilities for comparison, an expected dividend yield of 0.0%, a risk-free interest rate of 1.99% and a term of 7 years.

As a result of prepaying the Hercules loan prior to maturity, we incurred a loss on extinguishment of debt of $0.7 million comprised of debt issuance costs, debt discount related to the warrants issued to Hercules along with a prepayment penalty.

In connection with the Prior Loan Agreement, we issued to Hercules a warrant to purchase 31,750 shares of common stock with an exercise price of $7.56, and in connection with the Prior Loan Amendment, we issued to Hercules a warrant to purchase an additional 58,000 shares of our common stock, comprised of a warrant to purchase 23,200 shares of common stock issued in February 2014 and a warrant to purchase 34,800 shares of common stock issued in December 2014, each warrant issued under the prior Loan Amendment having an exercise price of $7.50. The warrants expire after 10 years and have piggyback registration rights with respect to the shares of common stock underlying the warrant. The fair value of the Prior Loan Amendment warrant was calculated using a lattice-based option model in order to account for features in the warrant that could cause the exercise price to reset ("down round protection") as a result of the next issuance of our common stock (the next round of equity financing). We initially recorded the fair value of the warrant of $219,588 as warrant liability and as a debt discount to the carrying value of the loan. The key assumptions used to value the warrants included the expected date of the next round of equity financing, volatility of 59% for our common stock based upon similar public companies' volatilities for comparison, an expected dividend yield of 0.0%, a risk-free interest rate of 2.53% and a term of 10 years. As of December 31, 2014, we recorded $476,760 as the fair value of the warrant for the purchase of 58,000 shares of common stock. As a result of the increase in warrant liability, we recorded an expense of $74,356 from the change in the fair value of warrant liability. During the first quarter ended March 31, 2015, we recorded $408,900 as the fair value of the warrant for the purchase of 58,000 shares of common stock. As a result of the decrease in warrant liability, we recorded a change in the fair value of stock warrants of $67,860 from the December 31, 2014 balance. The key assumptions used to value the warrants included the expected date of the next round of equity financing, volatility of 58% based upon a pro rata percentage of our common stock and similar public companies' volatilities, an expected dividend yield of 0.0%, a risk-free rate of 1.99% and a term of 10 years. This warrant liability was adjusted from the date of the Prior Loan Agreement on February 24, 2014, to fair value each reporting period using a lattice-based option model and the debt discount will be amortized to interest expense over the term of the loan. The down round warrant protection feature resulting in the warrant liability's quarterly "mark-to-market" valuation has terminated as of February 24, 2015, which was the end of the one-year period following the amended loan closing on February 24, 2014 and as a result the warrant liability of $408,900 was reclassified to additional paid-in capital.

Off-Balance Sheet Arrangements

The Company has entered into leases for its ADMA BioCenters' facilities in Norcross, Georgia and Marietta, Georgia. The Norcross, Georgia lease expires on September 30, 2023, and the Marietta, Georgia lease expires on January 31, 2024. There is a total minimum rent due under these leases of $3.1 million through the end of the lease terms.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We designed our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

As of the end of the six months ended June 30, 2015, our management, including our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures. Based on such evaluation of our disclosure controls and procedures, management, including our principal executive officer and principal financial officer, has concluded that our disclosure controls and procedures were effective as of June 30, 2015.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met, and therefore, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. We do not expect that our disclosure controls and procedures or our internal control over financial reporting are able to prevent with certainty all errors and all fraud.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings.

We are subject to certain legal proceedings and claims arising in connection with the normal course of our business. In the opinion of management, there are currently no claims that would have a material adverse effect on our consolidated financial position, results of operations or cash flows.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

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Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The following is a list of exhibits filed as part of this Form 10-Q:

Exhibit Number	Description
10.23	Loan and Security Agreement, dated as of June 19, 2015, among Oxford Finance LLC, the Lenders listed therein, and ADMA Biologics Inc.
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from ADMA Biologics, Inc. Form 10-Q for the quarter ended June 30, 2015, formatted in Extensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets at June 30, 2015 and December 31, 2014, (ii) Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2015 and 2014, (iii) Condensed Consolidated Statements of Changes in Stockholders' Equity for the six months ended June 30, 2015, (iv) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2015 and 2014, and (v) Notes to the Unaudited Condensed Consolidated Financial Statements.*

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SIGNATURES

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

ADMA Biologics, Inc.

Date: August 11, 2015	By:	/s/ Adam S. Grossman	
		Name:	Adam S. Grossman
		Title:	President and Chief Executive Officer
Date: August 11, 2015	By:	/s/ Brian Lenz	
		Name:	Brian Lenz
		Title:	Chief Financial Officer

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