

# HAWKINS INC

## FORM 10-K (Annual Report)

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**Form 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the Fiscal Year Ended April 3, 2011**

**Commission File No. 0-7647**

**HAWKINS, INC.**

*(Exact Name of Registrant as specified in its Charter)*

**MINNESOTA**

*(State of Incorporation)*

**41-0771293**

*(I.R.S. Employer Identification No.)*

**3100 East Hennepin Avenue, Minneapolis, Minnesota**

*(Address of Principal Executive Offices)*

**55413**

*(Zip Code)*

**(612) 331-6910**

*(Registrant's Telephone Number, Including Area Code)*

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

**Name of exchange on which registered:**

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

**COMMON STOCK, PAR VALUE \$.05**

**PER SHARE**

**NASDAQ Global Market**

**NONE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes   
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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve 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  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  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 the 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  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a 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

The aggregate market value of voting stock held by non-affiliates of the Registrant on September 30, 2010 (the last business day of the Registrant's most recently completed second fiscal quarter) was approximately \$309.4 million based upon the closing sale price for the Registrant's common stock on that date as reported by The NASDAQ Stock Market, excluding all shares held by officers and directors of the Registrant and by the Trustees of the Registrant's Employee Stock Ownership Plan and Trust.

As of May 31, 2011, the Registrant had 10,325,840 shares of common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of our Proxy Statement for the annual meeting of shareholders to be held August 2, 2011, are incorporated by reference in Part III.

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## FORWARD-LOOKING STATEMENTS

The information presented in this Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements have been made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995. These statements are not historical facts, but rather are based on our current expectations, estimates and projections, and our beliefs and assumptions. We intend words such as “anticipate,” “expect,” “intend,” “plan,” “believe,” “seek,” “estimate,” “will” and similar expressions to identify forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control and are difficult to predict. These factors could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. These risks and uncertainties are described in the risk factors and elsewhere in this Annual Report on Form 10-K. We caution you not to place undue reliance on these forward-looking statements, which reflect our management’s view only as of the date of this Annual Report on Form 10-K. We are not obligated to update these statements or publicly release the result of any revisions to them to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect the occurrence of unanticipated events.

As used in this Annual Report on Form 10-K, except where otherwise stated or indicated by the context, “Hawkins,” “we,” “us,” “the Company,” “our,” or “the Registrant” means Hawkins, Inc. References to “fiscal 2012” means our fiscal year ending April 1, 2012, “fiscal 2011” means our fiscal year ended April 3, 2011, “fiscal 2010” means our fiscal year ended March 28, 2010, and “fiscal 2009” means our fiscal year ended March 29, 2009.

**Hawkins, Inc.**  
**Annual Report on Form 10-K**  
**For the Fiscal Year Ended April 3, 2011**

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## PART I

### ITEM 1. BUSINESS

Hawkins, Inc. distributes bulk chemicals and blends, manufactures and distributes specialty chemicals for our customers in a wide variety of industries. We began our operations primarily as a distributor of bulk chemicals with a strong customer focus. Over the years, we have maintained the strong customer focus and have expanded our business by increasing our sales of value-added specialty chemical products, including repackaging, blending and manufacturing certain products. In recent years, we significantly expanded the sales of our higher-margin blended and manufactured products. We expect the specialty chemical portion of our business to continue to grow. We believe that we create value for our customers through superb service and support, quality products, personalized applications and our trustworthy, creative employees.

We currently conduct our business in two segments: Industrial and Water Treatment. Financial information regarding these segments is reported in our Financial Statements and Notes to Financial Statements. See Items 7 and 8 of this Annual Report on Form 10-K.

*Industrial Segment.* Our Industrial Group operates this segment of our business, which specializes in providing industrial chemicals, products and services primarily to the agriculture, energy, electronics, food, chemical processing, pulp and paper, pharmaceutical, medical device and plating industries. The group's principal products are acids, alkalis and industrial and food-grade salts.

The Industrial Group:

- Receives, stores and distributes various chemicals in bulk, including liquid caustic soda, sulfuric acid, hydrochloric acid, phosphoric acid, potassium hydroxide and aqua ammonia;
- Manufactures sodium hypochlorite (bleach), agricultural products and certain food-grade products, including our patented Cheese-Phos<sup>®</sup> liquid phosphate, lactates and other blended products;
- Repackages water treatment chemicals for our Water Treatment Group and bulk industrial chemicals to sell in smaller quantities to our customers;
- Performs custom blending of certain chemicals for customers according to customer formulas; and
- Performs contract and private label packaging for household chemicals.

The group's sales are concentrated primarily in Illinois, Iowa, Minnesota, Missouri, North Dakota, South Dakota, Tennessee, and Wisconsin while the group's food-grade products are sold nationally. The Industrial Group relies on a specially trained sales staff that works directly with customers on their specific needs. The group conducts its business primarily through distribution centers and terminal operations.

In the fourth quarter of fiscal 2011, we completed the acquisition of substantially all of the assets of Vertex Chemical Corporation ("Vertex"), a manufacturer of sodium hypochlorite in the central Midwest. In addition to the manufacture of sodium hypochlorite bleaches, Vertex distributes and provides terminal services for bulk liquid inorganic chemicals, and contract and private label packaging for household chemicals. Its corporate headquarters are located in St. Louis, Missouri, with manufacturing sites in Dupon, Illinois, Camanche, Iowa, and Memphis, Tennessee. In connection with the acquisition we paid the sellers \$27.2 million and assumed certain liabilities of Vertex. Vertex's business is part of our Industrial Group.

In fiscal 2009 and fiscal 2010, we invested in two new facilities, which expanded the group's ability to service its customers. Our facility in Centralia, Illinois, which primarily serves our food-grade products business, became operational in July 2009. We also opened a facility in Minneapolis, Minnesota, to handle bulk chemicals sold to pharmaceutical manufacturers. The total capital expenditures on these two facilities were approximately \$10.0 million through fiscal 2010.

*Water Treatment Segment.* Our Water Treatment Group operates this segment of our business, which specializes in providing chemicals, equipment and solutions for potable water, municipal and industrial wastewater, industrial process water and non-residential swimming pool water. The group has the resources and flexibility to treat systems ranging in size from a small single well to a multi-million-gallon-per-day treatment facility.

The group utilizes delivery routes operated by our employees who serve as route driver, salesperson and highly trained technician to deliver our products and diagnose our customers' water treatment needs. We believe that the high level of service provided by these individuals allows us to serve as the trusted water treatment expert for many of the municipalities and other customers that we serve. We also believe that we are able to obtain a competitive cost position on many of the chemicals sold by the Water Treatment Group due to the volumes of these chemicals purchased by our Industrial Group.

The group operates out of warehouses in 18 cities supplying products and services to customers in Arkansas, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, Oklahoma, South Dakota, Tennessee, Wisconsin and Wyoming. We opened two of these warehouses in fiscal 2011, one in fiscal 2010 and expect to continue to invest in existing and new branches to expand the group's geographic coverage. Our Water Treatment Group has historically experienced higher sales during April to September, primarily due to a seasonal increase in chemicals used by municipal water treatment facilities.

*Discontinued Operations.* In February 2009, we entered into two agreements whereby we agreed to sell our inventory and enter into a marketing relationship regarding the business of our Pharmaceutical segment, which provided pharmaceutical chemicals to retail pharmacies and small-scale pharmaceutical manufacturers. The transaction closed in May 2009 and we have no significant obligations to fulfill under the agreements. The results of the Pharmaceutical segment have been reported as discontinued operations in our consolidated financial statements for all periods presented in this Annual Report on Form 10-K.

*Raw Materials.* We have numerous suppliers, including many of the major chemical producers in the United States. We typically have written distributorship agreements or supply contracts with our suppliers that are periodically renewed. We believe that most of the products we purchase can be obtained from alternative sources should existing relationships be terminated. We are dependent upon the availability of our raw materials. In the event that certain raw materials become generally unavailable, suppliers may extend lead times or limit or cut off the supply of materials to us. As a result, we may not be able to supply or manufacture products for our customers. While we believe we have adequate sources of supply for our raw material and product requirements, we cannot be sure that supplies will be consistently available in the future should shortages occur.

*Intellectual Property.* Our intellectual property portfolio is of economic importance to our business. When appropriate, we have pursued, and we will continue to pursue, patents covering our products. We also have obtained certain trademarks for our products to distinguish them from our competitors' products. The patent for our Chees-Phos<sup>®</sup> liquid phosphate product, which is manufactured by our Industrial group, is scheduled to expire in November 2013. We regard much of the formulae, information and processes that we generate and use in the conduct of our business as proprietary and protectable under applicable copyright, patent, trademark, trade secret and unfair competition laws.

*Customer Concentration.* No single customer represents more than 10% of either our total sales or the total sales of any of our segments, but the loss of our five largest customers could have a material adverse effect on our results of operations. Total aggregate sales to our five largest customers were \$46.0 million in fiscal 2009, \$47.1 million in fiscal 2010 and \$53.1 million in fiscal 2011.

*Competition.* We operate in a competitive industry and compete with many producers, distributors and sales agents offering chemicals equivalent to substantially all of the products we handle. Many of our competitors are larger than we are and may have greater financial resources, although no one competitor is dominant in our industry. We compete by offering quality products at competitive prices coupled with outstanding customer service. Because of our long-standing relationships with many of our suppliers, we are often able to leverage those relationships to obtain products when supplies are scarce or to obtain competitive pricing.

*Geographic Information.* Substantially all of our revenues are generated in, and long-lived assets are located in, the United States.

*Employees.* We had 321 employees as of April 3, 2011, including 48 covered by a collective bargaining agreement.



*About Us.* Hawkins, Inc. was founded in 1938 and incorporated in Minnesota in 1955. We became a publicly-traded company in 1972. Our principal executive offices are located at 3100 East Hennepin Avenue, Minneapolis, Minnesota.

*Available Information.* We have made available, free of charge, through our Internet website (<http://www.hawkinsinc.com>) our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and, if applicable, amendments to those reports, as soon as reasonably practicable after we electronically file these materials with, or furnish them to, the Securities and Exchange Commission. Reports of beneficial ownership filed by our directors and executive officers pursuant to Section 16(a) of the Exchange Act are also available on our website. We are not including the information contained on our website as part of, or incorporating it by reference into, this Annual Report on Form 10-K.

## ITEM 1A. RISK FACTORS

*You should consider carefully the following risks when reading the information, including the financial information, contained in this Annual Report on Form 10-K.*

***Fluctuations in the prices and availability of commodity chemicals, which are cyclical in nature, could have a material adverse effect on our operations and the margins of our products.***

Periodically, we experience significant and rapid fluctuations in the commodity pricing of raw materials. The cyclicity of commodity chemical markets, such as caustic soda, primarily results from changes in the balance between supply and demand and the level of general economic activity. We cannot predict whether the markets for our commodity chemicals will favorably impact our operations or whether we will experience a negative impact due to oversupply and lower prices.

Our principal raw materials are generally purchased under supply contracts. The prices we pay under these contracts generally lag the market prices of the underlying raw material. The pricing within our supply contracts generally adjusts quarterly or monthly. In addition, the cost of inventory we have on hand generally will lag the current market pricing of such inventory. While we attempt to maintain competitive pricing and stable margin dollars, the variability in our cost of inventory from the current market pricing can cause significant volatility in our margins realized. In periods of rapidly increasing market prices, the inventory cost position will tend to be favorable to us, possibly by material amounts, which may positively impact our margins. Conversely, in periods of rapidly decreasing market prices, the inventory cost position will tend to be unfavorable to us, possibly by material amounts, which may negatively impact our margins. We do not engage in futures or other derivatives contracts to hedge against fluctuations in future prices. We may enter into sales contracts where the selling prices for our products are fixed for a period of time, exposing us to volatility in raw materials prices that we acquire on a spot market or short-term contractual basis. We attempt to pass commodity pricing changes to our customers, but we may be unable to or be delayed in doing so. Our inability to pass through price increases or any limitation or delay in our passing through price increases could adversely affect our profit margins.

We are also dependent upon the availability of our raw materials. In the event that raw materials are in short supply or unavailable, raw material suppliers may extend lead times or limit or cut off supplies. As a result, we may not be able to supply or manufacture products for some or all of our customers. For example, in calendar 2008 a miners' strike in Canada significantly limited supplies of potassium chloride, a key component of some of our products. Due to the resulting shortage, many chemical companies were unable to supply their customers. While we were able to obtain a supply of the product sufficient to meet our customers' needs, we cannot be certain that such supplies would be available in the future should other similar shortages occur. Constraints on the supply or delivery of critical raw materials could disrupt our operations and adversely affect the performance of our business.

***We operate in a highly competitive environment and face significant competition and price pressure.***

We operate in a highly competitive industry and compete with producers, manufacturers, distributors and sales agents offering chemicals equivalent to substantially all of the products we handle. Competition is based on several key criteria, including product price, product performance and quality, product availability and security of supply, responsiveness of product development in cooperation with customers, and customer service. Many of our competitors are larger than we are and may have greater financial resources. As a result, these competitors may be better able than us to withstand changes in conditions within our industry, changes in the prices and availability of raw materials, and changes in general economic conditions. Additionally, competitors' pricing decisions could compel us to decrease our prices, which could adversely affect our margins and profitability. Our ability to maintain or increase our profitability is dependent upon our ability to offset competitive decreases in the prices and margins of our products by improving production efficiency and volume, identifying higher margin chemical products and improving existing products through innovation and research and development. If we are unable to maintain our profitability or competitive position, we could lose market share to our competitors and experience reduced profitability.

***Demand for our products is affected by general economic conditions and by the cyclical nature of many of the industries we serve, which could cause significant fluctuations in our sales volumes and results.***

Demand for our products is affected by general economic conditions. A decline in general economic or business conditions in the industries served by our customers could have a material adverse effect on our business. Although our sales volumes have increased in areas traditionally considered non-cyclical such as water treatment and food products, many of our customers are in businesses that are cyclical in nature, such as the industrial manufacturing, surface finishing and energy industries which include the automobile parts markets and the ethanol industry. Downturns in these industries could adversely affect our sales and our financial results by affecting demand for and pricing of our products.

***Our business is subject to hazards common to chemical businesses, any of which could interrupt our production and adversely affect our results of operations.***

Our business is subject to hazards common to chemical manufacturing, storage, handling and transportation, including explosions, fires, severe weather, natural disasters, mechanical failure, unscheduled downtime, transportation interruptions, chemical spills, discharges or releases of toxic or hazardous substances or gases and other risks. These hazards could cause personal injury and loss of life, severe damage to or destruction of property and equipment, and environmental contamination. In addition, the occurrence of material operating problems at our facilities due to any of these hazards may diminish our ability to meet our output goals and result in a negative public or political reaction. Many of our facilities are bordered by significant residential populations which increase the risk of negative public or political reaction should an environmental issue occur and could lead to adverse zoning actions that could limit our ability to operate our business in those locations. Accordingly, these hazards and their consequences could have a material adverse effect on our operations as a whole, including our results of operations and cash flows, both during and after the period of operational difficulties.

***Environmental, health and safety laws and regulations cause us to incur substantial costs and may subject us to future liabilities.***

In the jurisdictions in which we operate, we are subject to numerous federal, state and local environmental, health and safety laws and regulations, including those governing the discharge of pollutants into the air and water, and the management and disposal of hazardous substances and wastes. The nature of our business exposes us to risks of liability under these laws and regulations due to the production, storage, use, transportation and sale of materials that can cause contamination or personal injury if released into the environment. Ongoing compliance with such laws and regulations is an important consideration for us and we invest substantial capital and incur significant operating costs in our compliance efforts. Governmental regulation has become increasingly strict in recent years. We expect this trend to continue and anticipate that compliance will continue to require increased capital expenditures and operating costs.

If we violate environmental, health and safety laws or regulations, in addition to being required to correct such violations, we could be held liable in administrative, civil or criminal proceedings for substantial fines and other sanctions that could disrupt or limit our operations. Liabilities associated with the investigation and cleanup of hazardous substances, as well as personal injury, property damages or natural resource damages arising out of such hazardous substances, may be imposed in many situations without regard to violations of laws or regulations or other fault, and may also be imposed jointly and severally (so that a responsible party may be held liable for more than its share of the losses involved, or even the entire loss). Such liabilities can be difficult to identify and the extent of any such liabilities can be difficult to predict. We use, and in the past have used, hazardous substances at many of our facilities, and have generated, and continue to generate, hazardous wastes at a number of our facilities. We have in the past, and may in the future, be subject to claims relating to exposure to hazardous materials and the associated liabilities may be material.

***Changes in our customers' products or failure of our products to meet customers' quality specifications could adversely affect our sales and profitability.***

Our chemicals are used for a broad range of applications by our customers. Changes in our customers' products or processes may enable our customers to reduce or eliminate consumption of the chemicals that we provide. Customers may also find alternative materials or processes that no longer require our products. Consequently, it is important that we develop new products to replace the sales of products that mature and decline in use.

Our products provide important performance attributes to our customers' products. If our products fail to perform in a manner consistent with quality specifications or have a shorter useful life than guaranteed, a customer could seek replacement of the product or damages for costs incurred as a result of the product failing to perform as expected. A successful claim or series of claims against us could have a material adverse effect on our financial condition and results of operations and could result in a loss of one or more customers.

***Our business, particularly our Water Treatment Group, is subject to seasonality and weather conditions, which could adversely affect our results of operations.***

Our Water Treatment Group has historically experienced higher sales during April to September, primarily due to a seasonal increase in chemicals used by municipal water treatment facilities. Demand is also affected by weather conditions, as either higher or lower than normal precipitation or temperatures may affect water usage and the consumption of our products. We cannot assure you that seasonality or fluctuating weather conditions will not have a material adverse affect on our results of operations and financial condition.

***Costs related to a multi-employer pension plan, which has liabilities in excess of plan assets, may have a material adverse effect on our financial condition and results of operations.***

We participate in the Central States Southeast and Southwest Areas Pension Funds ("CSS" or "the plan"), a multi-employer pension plan, for certain unionized employees. Our contributions to the plan may escalate in future years should we withdraw from the plan or upon the occurrence of factors outside our control, including the bankruptcy or insolvency of other participating employers, actions taken by trustees who manage the plan, government regulations, or a funding deficiency in the plan.

CSS adopted a rehabilitation plan as a result of its actuarial certification for the plan year beginning January 1, 2008 which placed the plan in critical status. The plan's 2010 Annual Funding Notice stated that as of January 1, 2010 the Central States Pension Fund remained in critical status with a funded percentage of 63.4%. The plan adopted an updated rehabilitation plan effective December 31, 2010 which implements additional measures to improve the plan's funded level, including establishing an increased minimum retirement age and actuarially adjusting certain pre-age 65 benefits for participants who retire after July 1, 2011. Despite these changes, we can make no assurances of the extent to which the updated rehabilitation plan will improve the funded status of the plan.

While the underfunding of the plan is not our direct obligation or liability, we are responsible for our portion of the underfunded liability in certain circumstances. For instance, if we were to cease making contributions to the plan or if our union employees discontinued participation in the union, we could trigger a substantial withdrawal liability. We are currently unable to reasonably estimate any such potential contingent liability. Any withdrawal liability will be recorded when it is probable that a liability exists and can be reasonably estimated.

***The insurance that we maintain may not fully cover all potential exposures.***

We maintain property, business interruption and casualty insurance, but such insurance may not cover all risks associated with the hazards of our business and is subject to limitations, including deductibles and limits on the liabilities covered. We may incur losses beyond the limits or outside the coverage of our insurance policies, including liabilities for environmental remediation. In addition, from time to time, various types of insurance for companies in the specialty chemical industry have not been available on commercially acceptable terms or, in some cases, have not been available at all. In the future, we may not be able to obtain coverage at current levels, and our premiums may increase significantly on coverage that we maintain.

***If we are unable to retain key personnel or attract new skilled personnel, it could have an adverse impact on our business.***

Because of the specialized and technical nature of our business, our future performance is dependent on the continued service of, and on our ability to attract and retain, qualified management, scientific, technical and support personnel. The unanticipated departure of key members of our management team could have an adverse impact on our business.

***We may not be able to successfully consummate future acquisitions or integrate acquisitions into our business, which could result in unanticipated expenses and losses.***

As part of our business growth strategy, we have acquired businesses and may pursue acquisitions in the future. Our ability to pursue this strategy will be limited by our ability to identify appropriate acquisition candidates and our financial resources, including available cash and borrowing capacity. The expense incurred in consummating acquisitions, the time it takes to integrate an acquisition or our failure to integrate businesses successfully could result in unanticipated expenses and losses. Furthermore, we may not be able to realize the anticipated benefits from acquisitions.

The process of integrating acquired operations into our existing operations may result in unforeseen operating difficulties and may require significant financial resources that would otherwise be available for the ongoing development or expansion of existing operations. The risks associated with the integration of acquisitions include potential disruption of our ongoing business and distraction of management, unforeseen claims, liabilities, adjustments, charges and write-offs, difficulty in conforming the acquired business' standards, processes, procedures and controls with our operations, and challenges arising from the increased scope, geographic diversity and complexity of the expanded operations.

***Our business is subject to risks stemming from natural disasters or other extraordinary events outside of our control, which could interrupt our production and adversely affect our results of operations.***

Natural disasters have the potential of interrupting our operations and damaging our properties, which could adversely affect our business. Since 1963, flooding of the Mississippi River has required the Company's terminal operations to be temporarily shifted out of its buildings seven times, including three times since the spring of 2010. No assurance can be given that flooding or other natural disasters will not recur or that there will not be material damage or interruption to our operations in the future from such disasters.

Chemical-related assets may be at greater risk of future terrorist attacks than other possible targets in the United States. Federal law imposes new site security requirements, specifically on chemical facilities, which require increased capital spending and increase our overhead expenses. New federal regulations have already been adopted to increase the security of the transportation of hazardous chemicals in the United States. We ship and receive materials that are classified as hazardous and we believe we have met these requirements, but additional federal and local regulations that limit the distribution of hazardous materials are being considered. Bans on movement of hazardous materials through certain cities could adversely affect the efficiency of our logistical operations. Broader restrictions on hazardous material movements could lead to additional investment and could change where and what products we provide.

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The occurrence of extraordinary events, including future terrorist attacks and the outbreak or escalation of hostilities, cannot be predicted, but their occurrence can be expected to negatively affect the economy in general, and specifically the markets for our products. The resulting damage from a direct attack on our assets, or assets used by us, could include loss of life and property damage. In addition, available insurance coverage may not be sufficient to cover all of the damage incurred or, if available, may be prohibitively expensive.

*We may not be able to renew our leases of land where four of our operations facilities reside.*

We lease the land where our three main terminals are located and where a significant manufacturing plant is located. We do not have guaranteed lease renewal options and may not be able to renew our leases in the future. Our current lease renewal periods extend out to 2014 (one lease), 2018 (two leases) and 2029 (one lease). The failure to secure extended lease terms on any one of these facilities may have a material adverse impact on our business, as they are where a significant portion of our chemicals are manufactured and where the majority of our bulk chemicals are stored. While we can make no assurances, based on historical experience and anticipated future needs, we believe that we will be able to renew our leases as the renewal periods expire.

### ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

### ITEM 2. PROPERTIES

We own our principal location, which consists of approximately 11 acres of land in Minneapolis, Minnesota, with six buildings containing a total of 177,000 square feet of office and warehouse space primarily used by our Industrial Group. Our principal office is located in one of these buildings, at 3100 East Hennepin Avenue. We have installed sprinkler systems in substantially all of our warehouse facilities for fire protection. We carry customary levels of insurance covering the replacement of damaged property.

In addition to the facilities described previously, our other facilities are described below. We believe that these facilities, together with those described above, are adequate and suitable for the purposes they serve. Unless noted, each facility is owned by us and is primarily used as office and warehouse.

<u>Group</u>	<u>Location</u>	<u>Approx. Square Feet</u>
Industrial	St. Paul, MN(1)	32,000
	Minneapolis, MN(2)	20,000
	Centralia, IL(3)	77,000
	Camanche, IA(4)	95,000
	St Louis, MO(4)	6,000
	Dupo, IL(4)	64,000
Water Treatment	Fargo, ND	20,000
	Fond du Lac, WI	24,000
	Washburn, ND	14,000
	Billings, MT	9,000
	Sioux Falls, SD	27,000
	Rapid City, SD	9,000
	Peotone, IL(5)	18,000
	Superior, WI	17,000
	Slater, IA	12,000
	Lincoln, NE(5)	16,000
	Eldridge, IA	6,000
	Columbia, MO(5)	14,000
	Garnett, KS	18,000
	Ft. Smith, AR(5)	17,000
Muncie, IN(6)	12,000	
Centralia, IL(6)	39,000	
Industrial and Water Treatment	St. Paul, MN(7)	59,000
	Memphis, TN(4)	41,000

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- (1) Our terminal operations, located at two sites on opposite sides of the Mississippi River, are made up of three buildings, outside storage tanks for the storage of liquid bulk chemicals, including caustic soda, as well as numerous smaller tanks for storing and mixing chemicals. The land is leased from the Port Authority of the City of St. Paul, Minnesota. The applicable leases run until December 2013, at which time we have an option to renew the leases for an additional five-year period on the same terms and conditions subject to renegotiation of rent.
  - (2) This facility is leased from a third party to serve our bulk pharmaceutical customers.
  - (3) This facility includes 10 acres of land located in Centralia, Illinois owned by the company. The facility became operational in July 2009 and primarily serves our food-grade products business. Prior to fiscal 2011 this facility was shared with the Water Treatment Group.
  - (4) The acquisition of Vertex in fiscal 2011 included an office building located in St Louis, Missouri and manufacturing and warehouse facilities located in Memphis, Tennessee; Camanche, Iowa; and Dupo, Illinois. All of the facilities and land are owned by the company with the exception of the land in Dupo, Illinois, which is leased from a third party. The lease runs through May, 2014. The facility in Memphis is shared between the Industrial and Water Treatment Groups.
  - (5) This facility is leased from a third party.
  - (6) This facility was purchased in fiscal 2011.
  - (7) Our Red Rock facility, which consists of a 59,000 square-foot building located on approximately 10 acres of land, has outside storage capacity for liquid bulk chemicals, as well as numerous smaller tanks for storing and mixing chemicals.

**ITEM 3. LEGAL PROCEEDINGS**

On November 3, 2009, ICL Performance Products, LP (“ICL”), a chemical supplier to us, filed a lawsuit in the United States District Court for the Eastern District of Missouri, asserting breach of a contract for the sale of phosphoric acid in 2009 (the “2009 Contract”). ICL seeks to recover \$7.3 million in damages and pre-judgment interest, and additionally seeks to recover its costs and attorneys’ fees. ICL also claimed that we breached a contract for the sale of phosphoric acid in 2008 (the “2008 Contract”). ICL has since dropped its claim for breach of the 2008 Contract. We have counterclaimed against ICL alleging that ICL falsely claimed to have a shortage of raw materials that prevented it from supplying us with the contracted quantity of phosphoric acid for 2008. We claim that ICL used this alleged shortage and the threat of discontinued shipments of phosphoric acid to force us to pay increased prices for the remainder of 2008, and to sign the 2009 Contract. Based on this alleged conduct, we have brought four alternate causes of action including: (1) breach of contract, (2) breach of the implied covenant of good faith and fair dealing, (3) negligent misrepresentation, and (4) intentional misrepresentation. We seek to recover \$1.5 million in damages, and additionally seek to recover punitive damages, pre- and post-judgment interest, and our costs and attorneys’ fees. The discovery phase in this action is complete and this action is scheduled for jury trial in late October 2011. We are not able to predict the ultimate outcome of this litigation, but legal proceedings such as this can result in substantial costs and divert our management’s attention and resources, which may have a material adverse effect on our business and results of operations, including cash flows.

We are a party from time to time in other legal proceedings arising in the ordinary course of our business. To date, none of the litigation has had a material effect on us.

**ITEM 4. [REMOVED AND RESERVED]**



## PART II

**ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES**

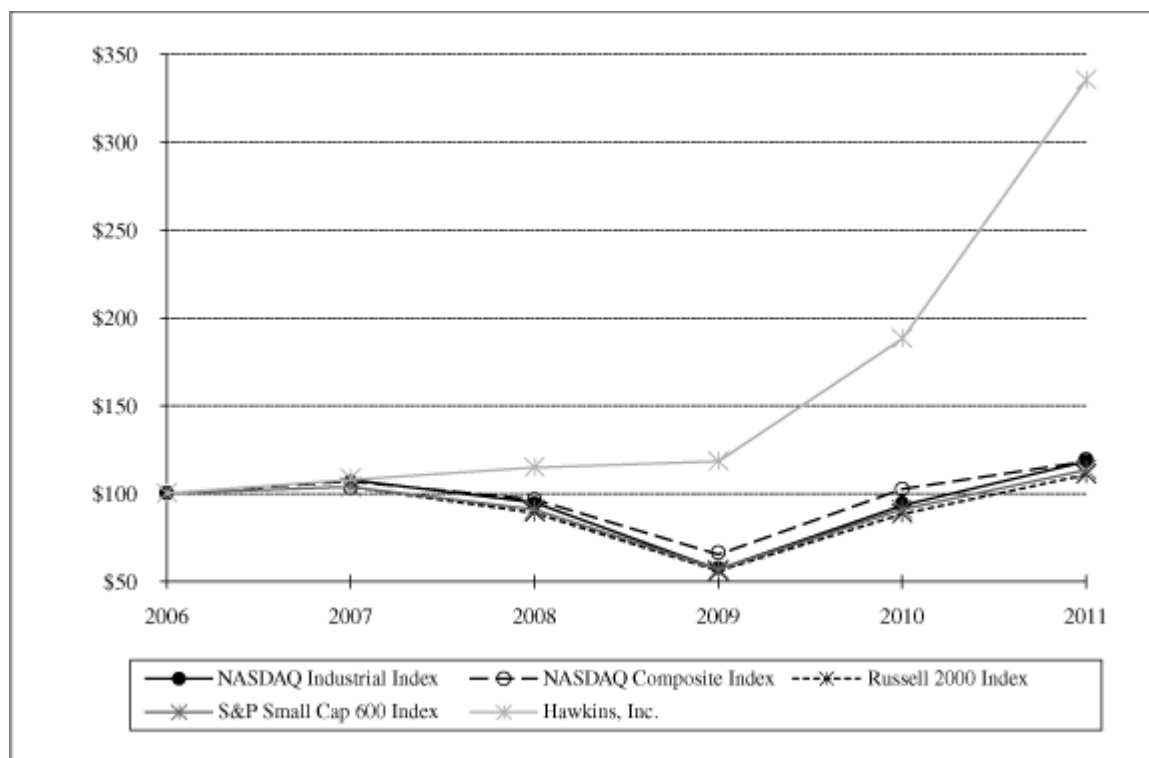
<u>Quarterly Stock Data</u>	<u>High</u>	<u>Low</u>
Fiscal 2011		
4 <sup>th</sup> Quarter	\$46.86	\$36.00
3 <sup>rd</sup> Quarter	50.18	34.03
2 <sup>nd</sup> Quarter	37.45	24.21
1 <sup>st</sup> Quarter	29.50	23.14
Fiscal 2010		
4 <sup>th</sup> Quarter	\$23.96	\$19.40
3 <sup>rd</sup> Quarter	24.43	20.27
2 <sup>nd</sup> Quarter	26.49	18.19
1 <sup>st</sup> Quarter	22.91	14.78
<u>Cash Dividends</u>	<u>Declared</u>	<u>Paid</u>
Fiscal 2012		
1 <sup>st</sup> Quarter		\$0.30
Fiscal 2011		
4 <sup>th</sup> Quarter	\$0.30	
3 <sup>rd</sup> Quarter		\$0.40
2 <sup>nd</sup> Quarter	\$0.40	
1 <sup>st</sup> Quarter		\$0.28
Fiscal 2010		
4 <sup>th</sup> Quarter	\$0.28	
3 <sup>rd</sup> Quarter		\$0.38
2 <sup>nd</sup> Quarter	\$0.38	
1 <sup>st</sup> Quarter		\$0.26

Our common shares are traded on The NASDAQ Global Market under the symbol "HWKN." The price information represents closing sale prices as reported by The NASDAQ Global Market. As of April 3, 2011, shares of our common stock were held by approximately 526 shareholders of record.

We first started paying cash dividends in 1985 and have continued to do so since. In July 2010 and August 2009, in recognition of the Company's strong financial performance in fiscal 2010 and 2009, its strong cash position and no debt, the Board of Directors authorized a special dividend of \$0.10 per share in addition to a regular semi-annual cash dividend of \$0.30 per share for July 2010 and \$0.28 per share for July 2009. Future dividend levels will be dependent upon our consolidated results of operations, financial position, cash flows and other factors, and will be evaluated by our Board of Directors.

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The following graph compares the cumulative total shareholder return on our common shares with the cumulative total returns of the NASDAQ Industrial Index, the NASDAQ Composite Index, the Russell 2000 Index and the Standard & Poor's ("S&P") Small Cap 600 Index for our last five completed fiscal years. The graph assumes the investment of \$100 in our stock, the NASDAQ Industrial Index, the NASDAQ Composite Index, the Russell 2000 Index and the S&P Small Cap 600 Index on March 31, 2006, and reinvestment of all dividends. We have added the S&P Small Cap 600 Index because during fiscal 2011, Hawkins, Inc. was added to the S&P Small Cap 600 Index based on disclosures by S&P.



## ITEM 6. SELECTED FINANCIAL DATA

Selected financial data for the Company is presented in the table below and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 and the Company's consolidated financial statements and notes thereto included in Item 8 herein.

	Fiscal Years				
	2011	2010	2009	2008	2007
	(In thousands, except per share data)				
Sales from continuing operations	\$297,641	\$257,099	\$284,356	\$186,664	\$151,766
Gross profit from continuing operations	61,902	64,445	62,420	38,528	34,709
Income from continuing operations	20,314	23,738	23,424	8,488	7,724
Basic earnings per common share from continuing operations	1.98	2.32	2.29	0.83	0.76
Diluted earnings per common share from continuing operations	1.96	2.31	2.29	0.83	0.76
Cash dividends declared per common share	0.70	0.66	0.52	0.48	0.44
Cash dividends paid per common share	0.68	0.64	0.50	0.46	0.42
Total assets	\$185,005	\$160,293	\$136,290	\$108,943	\$101,269



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

The following is a discussion and analysis of our financial condition and results of operations for our fiscal years ended April 3, 2011, March 28, 2010, and March 29, 2009. This discussion should be read in conjunction with the Financial Statements and Notes to Financial Statements included in Item 8 of this Annual Report on Form 10-K.

### **Overview**

We derive substantially all of our revenues from the sale of bulk and specialty chemicals to our customers in a wide variety of industries. We began our operations primarily as a distributor of bulk chemicals with a strong customer focus. Over the years we have maintained the strong customer focus and have expanded our business by increasing our sales of value-added specialty chemical products, including repackaging, blending and manufacturing certain products. In recent years, we significantly expanded the sales of our higher-margin blended and manufactured products, including our food-grade products. We expect this specialty chemical portion of our business to continue to grow.

We have continued to invest in growing our business. On January 14, 2011, we completed the acquisition of substantially all of the assets of Vertex Chemical Corporation ("Vertex"), for approximately \$27.2 million. In addition to the manufacture of sodium hypochlorite bleaches, Vertex distributes and provides terminal services for bulk liquid inorganic chemicals, and contract and private label packaging for household chemicals. We believe the acquisition strengthens our market position in the Midwest. Vertex had revenues of approximately \$39 million in calendar 2010. While Vertex's margins have historically been somewhat lower than ours, we expect that the acquisition will be accretive to earnings. Operating results of Vertex are included in our consolidated results of operations from the date of acquisition in this Annual Report on Form 10-K as part of our Industrial segment. See Note 2 to the Consolidated Financial Statements for further information.

In fiscal 2009 and fiscal 2010, we invested in two new facilities to expand our ability to service our customers and facilitate growth within our Industrial Group. Our facility in Centralia, Illinois began operations in July 2009 and primarily serves our food-grade products business. We closed our Linden, New Jersey food-grade production facility in September 2009 and transferred these operations to our Centralia facility. Also in fiscal 2009, we built a facility in Minneapolis, Minnesota to handle bulk chemicals sold to pharmaceutical manufacturers. The total capital expenditures on these two facilities were approximately \$10.0 million through fiscal 2010 of which approximately \$7.5 million occurred during fiscal 2009 and approximately \$2.5 million occurred in the first six months of fiscal 2010.

We opened two new branches for our Water Treatment Group in fiscal 2011 and one new branch in fiscal 2010 and expect to continue to invest in existing and new branches to expand our Water Treatment Group's geographic coverage. The cost of these branch expansions is not expected to be material. In addition, we have selectively added route sales personnel to certain existing Water Treatment Group branch offices to spur growth within our existing geographic coverage area.

In February 2009, we agreed to sell our inventory and entered into a marketing agreement regarding the business of our Pharmaceutical segment, which provided pharmaceutical chemicals to retail pharmacies and small-scale pharmaceutical manufacturers. The transaction closed in May 2009 and we have no significant obligations to fulfill under the agreement. The results of the Pharmaceutical segment have been reported as discontinued operations in our Consolidated Financial Statements for all periods presented in this Annual Report on Form 10-K.

Our financial performance in fiscal 2011 was highlighted by:

- Sales from continuing operations of \$297.6 million, a 15.8% increase from fiscal 2010;
- Gross profit from continuing operations of \$61.9 million or 20.8% of sales, a \$2.5 million decrease in gross profit dollars from fiscal 2010;
- Net cash provided by operating activities of \$28.5 million; and
- Cash and cash equivalents and investments available for sale were \$37.4 million as of the end of fiscal 2011 after expending \$25.5 million related to the Vertex acquisition during fiscal 2011.

We seek to maintain relatively constant gross profit dollars on each of our products as the cost of our raw materials increase or decrease. Since we expect that we will continue to experience fluctuations in our raw material costs and resulting prices in the future, we believe that gross profit dollars is the best measure of our profitability from the sale of our products. If we maintain relatively stable profit dollars on each of our products, our reported gross profit percentage will decrease when the cost of the product increases and will increase when the cost of the product decreases. We use the last in, first out (“LIFO”) method of valuing Hawkins’ inventory, which causes the most recent product costs to be recognized in our income statement. The valuation of LIFO inventory for interim periods is based on our estimates of fiscal year-end inventory levels and costs. The LIFO inventory valuation method and the resulting cost of sales are consistent with our business practices of pricing to current commodity chemical raw material prices. Our LIFO reserve increased by \$3.9 million in fiscal 2011 due to rising costs and higher inventory volumes on hand at year-end maintained to meet customer requirements during an anticipated flood. The increased reserve decreased our reported gross profit for the year. Our LIFO reserve decreased by \$12.6 million in fiscal 2010 due to rapidly declining costs. This decrease in the reserve increased our reported gross profit in fiscal 2010. Vertex’s inventory cost, which represents approximately 18% of the consolidated first-in, first-out (“FIFO”) inventory balance at April 3, 2011, is determined using the FIFO method.

Our raw material costs fluctuated dramatically during fiscal 2009 and fiscal 2010. The costs of the majority of our primary raw materials began to increase rapidly and substantially in the first quarter of fiscal 2009 due to high demand and, in some cases, constrained supply. We continued to experience those cost trends through the third quarter of fiscal 2009. The costs for these raw materials leveled off in the fourth quarter of fiscal 2009, before declining significantly during fiscal 2010, with the costs at the end of fiscal 2010 substantially lower than they were in the at the end of fiscal 2009. Our raw material costs have been generally increasing throughout fiscal 2011, although they have been significantly more stable than in fiscal years 2009 and 2010. Current raw material costs are at levels significantly below the peak that occurred during the third and fourth quarters of fiscal 2009.

**Results of Operations**

The following table sets forth certain items from our statement of income as a percentage of sales from period to period:

	<u>Fiscal 2011</u>	<u>Fiscal 2010</u>	<u>Fiscal 2009</u>
Sales	100.0%	100.0%	100.0%
Cost of sales	(79.2)%	(74.9)%	(78.0)%
Gross profit	20.8%	25.1%	22.0%
Selling, general and administrative expenses	(10.1)%	(10.0)%	(8.8)%
Operating income	10.7%	15.1%	13.1%
Investment income	0.1%	0.1%	0.1%
Income from continuing operations before income taxes	10.8%	15.2%	13.2%
Provision for income taxes	(4.0)%	(6.1)%	(5.0)%
Income from continuing operations	6.8%	9.1%	8.2%
Income from discontinued operations, net of tax	0.0%	0.1%	0.2%
Net income	<u>6.8%</u>	<u>9.2%</u>	<u>8.4%</u>

## Fiscal 2011 Compared to Fiscal 2010

### *Sales*

Sales increased \$40.5 million, or 15.8%, to \$297.6 million for fiscal 2011, as compared to sales of \$257.1 million for fiscal 2010. The sales increase was primarily driven by higher sales of manufactured and specialty chemical products and somewhat higher selling prices for bulk chemicals due to increasing commodity chemical costs. Sales of these bulk products were approximately 20% of sales compared to approximately 19% in the previous year. Additionally, the acquisition of Vertex, which closed in the fourth quarter of fiscal 2011, contributed \$9.2 million in revenue.

*Industrial Segment.* Industrial segment sales increased \$33.8 million, or 19.3%, to \$208.7 million for fiscal 2011. The sales increase was primarily attributable to higher sales of manufactured and specialty chemical products and somewhat higher selling prices for commodity bulk chemicals due to increased commodity chemical costs. In addition, Vertex revenues of \$9.2 million are included in fiscal 2011 Industrial segment sales.

*Water Treatment Segment.* Water Treatment segment sales increased \$6.7 million, or 8.2%, to \$88.9 million for fiscal 2011. The sales increase was primarily attributable to increased sales of manufactured and specialty chemical products.

### *Gross Profit*

Gross profit was \$61.9 million, or 20.8% of sales, for fiscal 2011, as compared to \$64.4 million, or 25.1% of sales, for fiscal 2010. The LIFO method of valuing inventory negatively impacted gross profit by \$3.9 million for fiscal 2011 due to increased raw material costs and higher volumes of inventory at year end maintained to meet customer requirements during an anticipated flood. In the prior year, LIFO positively impacted gross profit by \$12.6 million due to decreases in certain raw material costs during that period.

*Industrial Segment.* Gross profit for the Industrial segment was \$36.9 million, or 17.7% of sales, for fiscal 2011, as compared to \$37.3 million, or 21.3% of sales, for fiscal 2010. Competitive pricing pressures and increased operational overhead costs contributed to the lower gross profit levels in the Industrial segment. This group incurred \$0.3 million of overhead costs associated with flood control efforts in the fourth quarter of fiscal 2011. These reductions in gross profit were partially offset by higher sales of higher margin manufactured and specialty chemical products. The LIFO method of valuing inventory negatively impacted gross profit in this segment by \$2.9 million in fiscal 2011, as compared to positively impacting gross profit by \$10.2 million in fiscal 2010.

*Water Treatment Segment.* Gross profit for the Water Treatment segment was \$25.0 million, or 28.1% of sales, for fiscal 2011, as compared to \$27.2 million, or 33.0% of sales, for fiscal 2010. The decrease in gross profit dollars was primarily due to competitive pricing pressures and increased operational overhead costs, partially offset by increased sales. Additionally, the LIFO method of valuing inventory negatively impacted gross profit in this segment by \$1.1 million in fiscal 2011, as compared to positively impacting gross profit by \$2.4 million in fiscal 2010.

### *Selling, General and Administrative Expenses*

Selling, general and administrative (“SG&A”) expenses increased \$4.3 million to \$29.9 million, or 10.1% of sales, for fiscal 2011, as compared to \$25.6 million, or 10.0% of sales, for fiscal 2010. We incurred approximately \$1.0 million in additional expense as a result of the death of John Hawkins, our former Chief Executive Officer, through the accelerated vesting of his previously granted performance-based restricted stock units and stock options, as well as his retention bonus agreement. Other items driving the increased expenses include acquisition costs of approximately \$0.7 million relating to the Vertex acquisition in addition to higher equity incentive plan costs and litigation defense costs.

*Operating Income*

Operating income was \$32.0 million, or 10.7% of sales, for fiscal 2011, as compared to \$38.8 million, or 15.1% of sales, for fiscal 2010. The decrease in operating income was the result of reduced gross profits and increased SG&A expenses. Both reporting segments saw a decline in their gross profit dollars due to competitive pricing pressures and higher operational overhead costs. Both segments were also negatively impacted by the LIFO method of valuing inventory in fiscal 2011.

*Investment Income*

Investment income was \$0.3 million for fiscal 2011 and fiscal 2010.

*Provision for Income Taxes*

Our effective income tax rate was 37.1% for fiscal 2011 compared to 39.3% for fiscal 2010. The lower effective tax rate for fiscal 2011 was primarily due to increased permanent tax differences, lower taxable income levels and somewhat lower effective state tax rates.

**Fiscal 2010 Compared to Fiscal 2009**

*Sales*

Sales decreased \$27.3 million, or 9.6%, to \$257.1 million for fiscal 2010, as compared to sales of \$284.4 million for fiscal 2009. The sales decrease was primarily driven by lower selling prices for commodity bulk chemicals, including caustic soda, due to lower commodity chemical costs in fiscal 2010 as compared to the prior year. Sales of these products were approximately 19% of sales compared to approximately 29% in the previous year. The decline in bulk chemical sales was partially offset by higher sales of our manufactured and specialty chemical products.

*Industrial Segment.* Industrial segment sales decreased \$26.7 million, or 13.2%, to \$174.9 million for fiscal 2010. The sales decrease was primarily attributable to lower selling prices for commodity bulk chemicals due to lower commodity chemical costs in fiscal 2010 compared to the prior year. This was partially offset by higher sales of manufactured and specialty chemical products.

*Water Treatment Segment.* Water Treatment segment sales decreased \$0.6 million, or 0.7%, to \$82.2 million for fiscal 2010. Increased sales of manufactured and specialty chemical products were offset by decreases in selling prices for commodity chemicals due to lower commodity chemical costs in fiscal 2010 compared to the prior year.

*Gross Profit*

Gross profit was \$64.4 million, or 25.1% of sales, for fiscal 2010, as compared to \$62.4 million, or 22.0% of sales, for fiscal 2009. The LIFO method of valuing inventory increased gross profit by \$12.6 million for fiscal 2010 due to decreases in certain raw material costs, whereas LIFO decreased gross profit by \$10.0 million in the prior year due to increases in certain raw material costs during that period. The increase in gross profit as a percentage of sales was primarily driven by our ability to maintain relatively stable margin dollars on lower selling prices compared to the prior year, in addition to an increase in sales of higher margin manufactured and specialty chemical products and the LIFO reserve adjustments.

*Industrial Segment.* Gross profit for the Industrial segment was \$37.3 million, or 21.3% of sales, for fiscal 2010, as compared to \$41.5 million, or 20.6% of sales, for fiscal 2009. In fiscal 2009, the gross profit dollars were significantly higher than historical levels due to the sale of lower-cost inventory on hand during that period of rapidly escalating commodity chemical prices as well as an increase in profits realized on certain products where we had inventory available to meet escalated demand during a period of constrained supply. By contrast, in fiscal 2010, market conditions returned to levels more in line with our historical experience and, as a result, our gross profit dollars were lower for that period. Increased operational overhead costs, primarily related to the two new facilities, also contributed to the lower gross profit levels in the Industrial segment. The reductions were partially offset by higher profits realized from the sale of manufactured and specialty chemical products. The increase in gross profit margin as a percent of sales was primarily driven by our ability to maintain relatively stable margin dollars on lower selling prices compared to the prior year. The LIFO method of valuing inventory positively impacted gross profit in this segment by \$10.2 million in fiscal 2010, as compared to negatively impacting gross profit by \$6.9 million in fiscal 2009.

*Water Treatment Segment.* Gross profit for the Water Treatment segment was \$27.2 million, or 33.0% of sales, for fiscal 2010, as compared to \$21.0 million, or 25.3% of sales, for fiscal 2009. The higher gross profit dollars were primarily driven by a favorable product mix change as sales of higher-margin manufactured and specialty chemical products increased, and we experienced favorable weather conditions in the first quarter of fiscal 2010 as compared to the first quarter of fiscal 2009. The increase in gross profit margin as a percent of sales was primarily driven by our ability to maintain relatively stable margin dollars on lower selling prices compared to the prior year. Additionally, the LIFO method of valuing inventory positively impacted gross profit in this segment by \$2.4 million in fiscal 2010, as compared to negatively impacting gross profit by \$3.1 million in fiscal 2009.

*Selling, General and Administrative Expenses*

SG&A expenses were \$25.6 million, or 10.0% of sales, for fiscal 2010, as compared to \$25.1 million, or 8.8% of sales, for fiscal 2009. The increase in SG&A expenses was primarily the result of higher equity incentive plan, variable pay plan and medical insurance costs partially offset by lower bad debt expense. The increase as a percentage of sales was primarily the result of the decrease in sales from fiscal 2009.

*Operating Income*

Operating income was \$38.8 million, or 15.1% of sales, for fiscal 2010, as compared to \$37.3 million, or 13.1% of sales, for fiscal 2009. A \$6.1 million increase in operating income for the Water Treatment segment, which was driven by higher sales volumes for manufactured and specialty chemical products, was partially offset by a \$4.6 million decrease in operating income for the Industrial segment. Both segments benefited from the LIFO method of valuing inventory in fiscal 2010.

*Investment Income*

Investment income was \$0.3 million for fiscal 2010 and fiscal 2009. Investment income remained flat year-over-year primarily due to lower yields on investments as compared to the prior year.

*Provision for Income Taxes*

Our effective income tax rate was 39.3% for fiscal 2010 compared to 37.8% for fiscal 2009. The higher effective tax rate for fiscal 2010 was primarily due to decreased permanent tax differences that served to reduce the effective tax rate in fiscal 2009.

*Liquidity and Capital Resources*

Cash provided by operations in fiscal 2011 was \$28.5 million compared to \$38.8 million in fiscal 2010 and \$24.4 million in fiscal 2009. The decrease in cash provided by operating activities in fiscal 2011 from fiscal 2010 was primarily due to a decrease in net income, fluctuations in working capital balances and lower deferred tax liabilities. Higher working capital balances used \$0.4 million in cash in fiscal 2011 whereas lower working capital balances provided \$0.8 million in cash in fiscal 2010. The net increase in working capital balances in fiscal 2011 was primarily due to increasing commodity chemical costs and the resulting increase in selling prices, which resulted in an increase in trade receivables and inventories partially offset by an increase in accounts payable and income tax payable balance due to the timing of tax payments. The increase in cash provided by operating activities in fiscal 2010 from fiscal 2009 was primarily due to the fluctuations in working capital balances and increased deferred tax liabilities in fiscal 2010. Due to the nature of our operations, which includes purchases of large quantities of bulk chemicals, the timing of purchases can result in significant changes in working capital investment and the resulting operating cash flow. Historically, our cash requirements for working capital increase during the period from April through November as caustic soda inventory levels increase as the majority of barges are received during this period.

Cash and investments available-for-sale of \$37.4 million at April 3, 2011 decreased by \$16.3 million as compared with March 28, 2010, due to the acquisition of Vertex, capital expenditures and dividend payments, which were partially offset by cash generated from operations. Investments available-for-sale as of April 3, 2011 and March 28, 2010 consisted of certificates of deposit with maturities ranging from three months to two years.

***Capital Expenditures***

Capital expenditures were \$12.4 million in fiscal 2011, \$8.3 million in fiscal 2010 and \$14.2 million in fiscal 2009. The total capital expenditures in fiscal 2011 for new facilities were approximately \$1.6 million compared to \$2.5 million and \$7.5 million in fiscal 2010 and 2009, respectively. Additional significant capital expenditures during fiscal 2011 consisted of approximately \$3.8 million for business expansion and process improvement projects, \$3.2 million for other facility improvements and new cylinders, \$2.9 million for regulatory and safety improvements and \$0.9 million for new and replacement route sales trucks for the Water Treatment segment. We expect that recurring capital expenditures for storage, facilities improvements, returnable containers, and route sales trucks in fiscal 2012 will be comparable with the fiscal 2011 spend rate, although we are projecting higher capital spending for business expansion and project improvement processes in fiscal 2012, with total capital spending in fiscal 2012 currently projected to be approximately \$20 million. We expect our cash flows from operations will be sufficient to fund our capital expenditures in fiscal 2012.

***Dividends***

During the second quarter of fiscal 2011, our Board of Directors increased our semi-annual cash dividend by 7.1% to \$0.30 per share from \$0.28 per share. In addition, due to the Company’s strong cash position driven by its financial performance in fiscal 2010, the Board of Directors authorized a special dividend of \$0.10 per share to be paid concurrently with the semi-annual regular dividend in October 2010. We first started paying cash dividends in 1985 and have continued to do so since. Future dividend levels will be dependent upon our results of operations, financial position, cash flows and other factors, and will be evaluated by our Board of Directors.

***Off-Balance Sheet Arrangements***

We do not have any off-balance sheet arrangements.

***Contractual Obligations and Commercial Commitments***

The following table provides aggregate information about our contractual payment obligations and the periods in which payments are due:

<u>Contractual Obligation</u>	<u>Payments Due by Period</u>						
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>More than 5 Years</u>	<u>Total</u>
	(In thousands)						
Operating lease obligations	\$669	\$668	\$682	\$670	\$622	\$ 3,739	\$7,050

***Critical Accounting Policies***

In preparing the financial statements, we follow U.S. generally accepted accounting principles (“GAAP”). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosure of contingent assets and liabilities. We re-evaluate our estimates on an on-going basis. Our estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions. We consider the following policies to involve the most judgment in the preparation of our financial statements.



*Revenue Recognition* — We recognize revenue when there is evidence that the customer has agreed to purchase the product, the price and terms of the sale are fixed, the product has shipped and title passes to our customer, performance has occurred, and collection of the receivable is reasonably assured.

*Inventories* — Inventories are valued at the lower of cost or market. On a quarterly basis, management assesses the inventory quantities on hand to estimated future usage and sales and, if necessary, writes down to net realizable the value of inventory deemed obsolete or excess. Though management considers these reserves adequate and proper, changes in sales volumes due to unexpected economic or competitive conditions are among the factors that could materially affect the adequacy of this reserve.

*LIFO Reserve* — Inventories, with the exception of Vertex inventories, are primarily valued at the lower of cost or market with cost being determined using the LIFO method. We may incur significant fluctuations in our gross margins due primarily to changes in the cost of a single, large-volume component of inventory. The price of this inventory component may fluctuate depending on the balance between supply and demand. Management reviews the LIFO reserve on a quarterly basis. Vertex inventories are valued at the lower of cost or market with cost being determined using the FIFO method.

*Impairment of Long-Lived Assets* — We review the recoverability of long-lived assets to be held and used, such as property, plant and equipment and intangible assets subject to amortization, when events or changes in circumstances occur that indicate the carrying value of the asset or asset group may not be recoverable, such as prolonged industry downturn or significant reductions in projected future cash flows. The assessment of possible impairment is based on our ability to recover the carrying value of the asset or asset group from the expected future pre-tax cash flows (undiscounted) of the related operations. If these cash flows are less than the carrying value of such asset or asset group, an impairment is recognized equal to the amount by which the carrying value exceeds the fair value of the long-lived assets. The measurement of impairment requires us to estimate future cash flows and the fair value of long-lived assets. Significant judgments and assumptions are required in the forecast of future operating results used in the preparation of the estimated future cash flows. We periodically review the appropriateness of the estimated useful lives of our long-lived assets. Changes in these estimates could have a material effect on the assessment of long-lived assets subject to amortization. There were no triggering events that required material assets to be evaluated for impairment during fiscal 2011.

*Income Taxes* — In the preparation of our financial statements, management calculates income taxes. This includes estimating the current tax liability as well as assessing temporary differences resulting from different treatment of items for tax and book accounting purposes. These differences result in deferred tax assets and liabilities, which are recorded on the balance sheet. These assets and liabilities are analyzed regularly and management assesses the likelihood that deferred tax assets will be recovered from future taxable income. A valuation allowance is established to the extent that management believes that recovery is not likely. Reserves are also established for potential and ongoing audits of federal and state tax issues. We routinely monitor the potential impact of such situations and believe that it is properly reserved. Valuations related to amounts owed and tax rates could be impacted by changes to tax codes, changes in statutory tax rates, our future taxable income levels and the results of tax audits.

#### ***Recently Issued Accounting Pronouncements***

See Item 8, “Note 1 — Nature of Business and Significant Accounting Policies” of the Notes to Consolidated Financial Statements for information regarding recently adopted accounting standards or accounting standards to be adopted in the future.

#### **ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK***

We are subject to the risk inherent in the cyclical nature of commodity chemical prices. However, we do not currently purchase forward contracts or otherwise engage in hedging activities with respect to the purchase of commodity chemicals. We attempt to pass changes in material prices on to our customers, however, there are no assurances that we will be able to pass on the increases in the future.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders of Hawkins, Inc.:

We have audited the accompanying consolidated balance sheets of Hawkins, Inc. and subsidiaries (the Company) as of April 3, 2011, and March 28, 2010, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the two-year period ended April 3, 2011. In connection with our audits of the financial statements, we have also audited the financial statement schedule listed in the Index at Item 15, as of and for the years ended April 3, 2011 and March 28, 2010. We also have audited the Company's internal control over financial reporting as of April 3, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also includes performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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



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In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hawkins, Inc. and subsidiaries as of April 3, 2011 and March 28, 2010, and the results of their operations and their cash flows for each of the years in the two-year period ended April 3, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein as of April 3, 2011 and March 28, 2010 and for each of the years in the two-year period ended April 3, 2011. Furthermore, in our opinion, Hawkins, Inc. maintained, in all material respects, effective internal control over financial reporting as of April 3, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company acquired Vertex Chemical Corporation (“Vertex”) during fiscal year 2011, and management excluded from its assessment of the effectiveness of the Company’s internal control over financial reporting as of April 3, 2011, Vertex’s internal control over financial reporting associated with approximately 12% of total assets and approximately 3% of total revenues included in the consolidated financial statements of the Company as of and for the year ended April 3, 2011. Our audit of internal control over financial reporting for the Company also excluded an evaluation of the internal control over financial reporting of Vertex.

/s/ KPMG LLP

Minneapolis, Minnesota  
June 9, 2011

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of Hawkins, Inc.  
Minneapolis, Minnesota

We have audited the accompanying consolidated statements of income, shareholders' equity, and cash flows of Hawkins, Inc. (the "Company") for the year ended March 29, 2009. These financial statements are the responsibility of the Company's Management. Our audit also included the financial statement schedule for the year ended March 29, 2009, listed in the Index at Item 15. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of the Company's operations and their cash flows for the year ended March 29, 2009, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information set forth therein as of March 29, 2009.

/s/ Deloitte & Touche LLP

Minneapolis, Minnesota  
June 5, 2009

**HAWKINS, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	<u>April 3, 2011</u>	<u>March 28, 2010</u>
	(In thousands, except share data)	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 18,940	\$ 18,772
Investments available-for-sale	15,286	25,928
Trade receivables — less allowance for doubtful accounts: \$406 for 2011 and \$300 for 2010	35,736	24,832
Inventories	29,217	21,327
Income taxes receivable	2,197	4,430
Prepaid expenses and other current assets	2,872	2,209
Total current assets	104,248	97,498
<b>PROPERTY, PLANT, AND EQUIPMENT:</b>		
Land	4,362	1,840
Buildings and improvements	47,107	39,235
Machinery and equipment	35,740	28,476
Transportation equipment	14,036	11,933
Office furniture and equipment including computer systems	11,729	11,237
	112,974	92,721
Less accumulated depreciation and amortization	50,579	44,965
Net property, plant, and equipment	62,395	47,756
<b>OTHER ASSETS:</b>		
Goodwill	6,231	1,204
Intangible assets — less accumulated amortization: \$1,165 for 2011 and \$851 for 2010	8,811	3,635
Long-term investments	3,175	8,972
Other	145	1,228
Total other assets	18,362	15,039
	<u>\$ 185,005</u>	<u>\$ 160,293</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable — trade	\$ 23,350	\$ 13,940
Dividends payable	3,095	2,879
Accrued payroll and employee benefits	7,760	7,908
Deferred income taxes	2,619	3,364
Container deposits	978	924
Other accruals	1,669	1,592
Total current liabilities	39,471	30,607
<b>OTHER LONG-TERM LIABILITIES</b>		
	1,215	633
<b>DEFERRED INCOME TAXES</b>		
	7,876	7,555
Total liabilities	48,562	38,795
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Common stock; authorized: 30,000,000 shares of \$0.05 par value; 10,307,177 and 10,253,458 shares issued and outstanding for 2011 and 2010, respectively	515	513
Additional paid-in capital	41,060	39,027
Retained earnings	95,013	81,921
Accumulated other comprehensive (loss) income	(145)	37
Total shareholders' equity	136,443	121,498
	<u>\$ 185,005</u>	<u>\$ 160,293</u>

See accompanying notes to consolidated financial statements.

**HAWKINS, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Fiscal Year Ended		
	April 3, 2011	March 28, 2010	March 29, 2009
	(In thousands, except share and per-share data)		
Sales	\$ 297,641	\$ 257,099	\$ 284,356
Cost of sales	(235,739)	(192,654)	(221,936)
Gross profit	61,902	64,445	62,420
Selling, general and administrative expenses	(29,940)	(25,605)	(25,083)
Operating income	31,962	38,840	37,337
Investment income	333	286	338
Income from continuing operations before income taxes	32,295	39,126	37,675
Provision for income taxes	(11,981)	(15,388)	(14,251)
Income from continuing operations	20,314	23,738	23,424
Income from discontinued operations, net of tax	—	109	340
Net income	<u>\$ 20,314</u>	<u>\$ 23,847</u>	<u>\$ 23,764</u>
Weighted average number of shares outstanding-basic	<u>10,260,135</u>	<u>10,250,978</u>	<u>10,243,970</u>
Weighted average number of shares outstanding-diluted	<u>10,352,633</u>	<u>10,282,993</u>	<u>10,249,027</u>
Basic earnings per share			
Earnings per share from continuing operations	\$ 1.98	\$ 2.32	\$ 2.29
Earnings per share from discontinued operations	—	0.01	0.03
Basic earnings per share	<u>\$ 1.98</u>	<u>\$ 2.33</u>	<u>\$ 2.32</u>
Diluted earnings per share			
Earnings per share from continuing operations	\$ 1.96	\$ 2.31	\$ 2.29
Earnings per share from discontinued operations	—	0.01	0.03
Diluted earnings per share	<u>\$ 1.96</u>	<u>\$ 2.32</u>	<u>\$ 2.32</u>
Cash dividends declared per common share	<u>\$ 0.70</u>	<u>\$ 0.66</u>	<u>\$ 0.52</u>

See accompanying notes to consolidated financial statements.

## HAWKINS, INC.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount				
(In thousands, except share data)						
BALANCE — March 30, 2008	10,239,458	\$ 512	\$ 38,091	\$46,428	\$ (10)	\$ 85,021
Cash dividends				(5,332)		(5,332)
Stock compensation expense			277			277
Vesting of restricted stock	7,000	—	—			—
Comprehensive income:						
Adjustment for sale of securities, net of tax					6	6
Unrealized loss on post-retirement plan liability, net of tax					(6)	(6)
Net income				23,764		23,764
Comprehensive income						23,764
BALANCE — March 29, 2009	10,246,458	512	38,368	64,860	(10)	103,730
Cash dividends				(6,786)		(6,786)
Stock compensation expense			659			659
Vesting of restricted stock	7,000	1	—			1
Comprehensive income:						
Unrealized gain on available-for-sale investments, net of tax					66	66
Unrealized loss on post-retirement plan liability, net of tax					(19)	(19)
Net income				23,847		23,847
Comprehensive income						23,894
BALANCE — March 28, 2010	10,253,458	513	39,027	81,921	37	121,498
Cash dividends				(7,222)		(7,222)
Stock compensation expense			1,952			1,952
Tax benefit on share-based compensation plans				281		281
Vesting of restricted stock	58,653	3	(3)			—
Shares surrendered for payroll taxes	(4,934)	(1)	(197)			(198)
Comprehensive income:						
Unrealized gain on available-for-sale investments, net of tax					(63)	(63)
Unrealized loss on post-retirement plan liability, net of tax					(119)	(119)
Net income				20,314		20,314
Comprehensive income						20,132
BALANCE — April 3, 2011	<u>10,307,177</u>	<u>\$ 515</u>	<u>\$ 41,060</u>	<u>\$95,013</u>	<u>\$ (145)</u>	<u>\$ 136,443</u>

See accompanying notes to consolidated financial statements.

## HAWKINS, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended		
	April 3, 2011	March 28, 2010	March 29, 2009
	(In thousands)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 20,314	\$ 23,847	\$ 23,764
Reconciliation to cash flows:			
Depreciation and amortization	7,148	6,292	5,581
Deferred income taxes	(600)	7,152	3,046
Stock compensation expense	1,952	659	277
Loss (gain) on sale of investments	—	—	16
Loss from property disposals	127	12	114
Changes in operating accounts (using) providing cash, net of effects of acquisition:			
Trade receivables	(5,929)	4,050	(5,095)
Inventories	(3,141)	514	(7,830)
Accounts payable	5,356	(462)	1,844
Accrued liabilities	158	(322)	2,765
Income taxes	2,529	(2,404)	(176)
Other	619	(556)	123
Net cash provided by operating activities	28,533	38,782	24,429
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Additions to property, plant, and equipment	(12,421)	(8,331)	(14,211)
Purchases of investments	(14,210)	(41,240)	—
Sale and maturities of investments	30,545	6,450	2,841
Proceeds from property disposals	143	148	93
Acquisition of Vertex	(25,500)	—	—
Net cash used in investing activities	(21,443)	(42,973)	(11,277)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Cash dividends paid	(7,005)	(6,573)	(5,125)
Excess tax benefit from share-based compensation	281	—	—
Shares surrendered for payroll taxes	(198)	—	—
Net cash used in financing activities	(6,922)	(6,573)	(5,125)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	168	(10,764)	8,027
<b>CASH AND CASH EQUIVALENTS —</b>			
Beginning of period	18,772	29,536	21,509
<b>CASH AND CASH EQUIVALENTS —</b>			
End of period	<u>\$ 18,940</u>	<u>\$ 18,772</u>	<u>\$ 29,536</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION —</b>			
Cash paid during the year for income taxes	<u>\$ 9,771</u>	<u>\$ 10,654</u>	<u>\$ 11,588</u>
Noncash investing activities —			
Acquisition purchase price in accounts payable	\$ 1,709	\$ —	\$ —
Capital expenditures in accounts payable	\$ 1,450	\$ 1,118	\$ 1,142

See accompanying notes to consolidated financial statements.

## HAWKINS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**Note 1 —Nature of Business and Significant Accounting Policies**

**Nature of Business** — We have two reportable segments: Industrial and Water Treatment. The Industrial Group operates our Industrial segment and specializes in providing industrial chemicals, products and services to the agriculture, energy, electronics, food, chemical processing, pulp and paper, pharmaceutical, medical device and plating industries. The group also manufactures and sells certain food-grade products, including our patented Cheese Phos<sup>®</sup> liquid phosphate, lactates and other blended products. The Water Treatment Group operates our Water Treatment segment and specializes in providing chemicals, equipment and solutions for potable water, municipal and industrial wastewater, industrial process water and non-residential swimming pool water. The group has the resources and flexibility to treat systems ranging in size from a small single well to a multi-million gallon-per-day facility.

**Fiscal Year** — Our fiscal year is a 52/53-week year ending on the Sunday closest to March 31. Our fiscal year ending April 3, 2011 (“fiscal 2011”) is a 53-week year. The fiscal years ended March 28, 2010 (“fiscal 2010”), and March 29, 2009 (“fiscal 2009”) were 52-week years. The fiscal year ending on April 1, 2012 (“fiscal 2012”) will be a 52-week year. Beginning in fiscal 2012, we changed our quarters to a 4-4-5 week convention.

**Principles of Consolidation** — The consolidated financial statements include the accounts of Hawkins, Inc. and its wholly-owned subsidiaries. All intercompany transactions and accounts have been eliminated.

**Estimates** — The preparation of financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**Revenue Recognition** — We recognize revenue when there is evidence that the customer has agreed to purchase the product, the price and terms of the sale are fixed, the product has shipped and title passes to our customer, performance has occurred, and collection of the receivable is reasonably assured.

**Shipping and Handling** — All shipping and handling amounts billed to customers are included in revenues. Costs incurred related to the shipping and handling of products are included in cost of sales.

**Fair Value Measurements** — The Financial Accounting Standards Board (“FASB”) issued an accounting standard codified in ASC 820 “Fair Value Measurements and Disclosures” that provides a single definition for fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Under this standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. This standard also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of us. Unobservable inputs are inputs that reflect our assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available in the circumstances.

We adopted the standard as amended by subsequent FASB standards at the beginning of fiscal 2009 with respect to fair value measurements of financial assets and liabilities and the beginning of fiscal 2010 for nonfinancial assets and liabilities that are recognized or disclosed at fair value in our consolidated financial statements on a recurring basis (at least annually).

## HAWKINS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The financial assets and liabilities that are re-measured and reported at fair value for each reporting period include marketable securities. Other than the application of purchase accounting as a result of the Vertex acquisition, there were no fair value measurements with respect to nonfinancial assets or liabilities that are recognized or disclosed at fair value in our consolidated financial statements on a recurring basis subsequent to the effective date of this standard. The adoption did not have a material impact on our consolidated financial condition, results of operations or cash flows.

Assets and liabilities measured at fair value are classified using the following hierarchy, which is based upon the transparency of inputs to the valuation as of the measurement date:

*Level 1:* Valuation is based on observable inputs such as quoted market prices (unadjusted) for identical assets or liabilities in active markets.

*Level 2:* Valuation is based on inputs such as quoted market prices for similar assets or liabilities in active markets or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

*Level 3:* Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

In making fair value measurements, observable market data must be used when available. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

**Cash Equivalents** — Cash equivalents include all liquid debt instruments (primarily cash funds, money market accounts and certificates of deposit) purchased with an original maturity of three months or less. The balances maintained at financial institutions may, at times, exceed federally insured limits.

**Investments** — Available-for-sale securities consist of certificates of deposit and are valued at current market value, with the resulting unrealized gains and losses excluded from earnings and reported, net of tax, as a separate component of shareholders' equity until realized. Any impairment loss to reduce an investment's carrying amount to its fair market value is recognized in income when a decline in the fair market value of an individual security below its cost or carrying value is determined to be other than temporary.

**Trade Receivables and Concentrations of Credit Risk** — Financial instruments, which potentially subject us to a concentration of credit risk, principally consist of trade receivables. We sell our principal products to a large number of customers in many different industries. There are no concentrations of business transacted with a particular customer or sales from a particular service or geographic area that would significantly impact us in the near term. To reduce credit risk, we routinely assess the financial strength of our customers. We record an allowance for doubtful accounts to reduce our receivables to an amount we estimate is collectible from our customers. Estimates used in determining the allowance for doubtful accounts are based on historical collection experience, current trends, aging of accounts receivable and periodic evaluations of our customers' financial condition. We invest our excess cash balances at times in certificates of deposit and a money market account at two separate financial institutions where the cash balances may exceed federally insured limits. The institutions are two of the largest commercial banking institutions in the country and both have maintained a AA credit rating.

**Inventories** — Inventories, consisting primarily of finished goods, are primarily valued at the lower of cost or net realizable value, with cost being determined using the last-in, first-out ("LIFO") method. Vertex's inventory cost, which represents approximately 18% of the total FIFO inventory balance at April 3, 2011, is determined using the first-in, first-out ("FIFO") method.

**Property, Plant and Equipment** — Property is stated at cost and depreciated or amortized over the lives of the assets, using straight-line method. Estimated lives are: 10 to 40 years for buildings and improvements; 3 to 20 years for machinery and equipment; 3 to 10 years for transportation equipment; and 3 to 10 years for office furniture and equipment including computer systems.



HAWKINS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Significant improvements that add to productive capacity or extend the lives of properties are capitalized. Costs for repairs and maintenance are charged to expense as incurred. When property is retired or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts and any related gains or losses are included in income.

We review the recoverability of long-lived assets to be held and used, such as property, plant and equipment, when events or changes in circumstances occur that indicate the carrying value of the asset or asset group may not be recoverable, such as prolonged industry downturn or significant reductions in projected future cash flows. The assessment of possible impairment is based on our ability to recover the carrying value of the asset or asset group from the expected future pre-tax cash flows (undiscounted) of the related operations. If these cash flows are less than the carrying value of such asset or asset group, an impairment loss would be measured by the amount the carrying value exceeds the fair value of the long-lived assets. The measurement of impairment requires us to estimate future cash flows and the fair value of long-lived assets. No material long-lived assets were determined to be impaired during fiscal 2011, 2010, or 2009.

***Goodwill and Identifiable Intangible Assets*** — Goodwill represents the excess of the cost of acquired businesses over the fair value of identifiable tangible net assets and identifiable intangible assets purchased. Goodwill is tested at least annually for impairment, and is tested for impairment more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is performed using a two-step process. In the first step, the fair value of the reporting unit is compared with the carrying amount of the reporting unit, including goodwill. If the estimated fair value is less than the carrying amount of the reporting unit, an indication that goodwill impairment exists and a second step must be completed in order to determine the amount of the goodwill impairment, if any, which should be recorded. In the second step, an impairment loss would be recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation. The fair value of the reporting unit is determined using a discounted cash flow analysis. Projecting discounted future cash flows requires us to make significant estimates regarding future revenues and expenses, projected capital expenditures, changes in working capital and the appropriate discount rate. The projections also take into account several factors including current and estimated economic trends and outlook, costs of raw materials, consideration of our market capitalization in comparison to the estimated fair values of our reporting units determined using discounted cash flow analyses and other factors which are beyond our control.

Our primary identifiable intangible assets include customer lists, trade secrets, non-compete agreements, trademarks, and trade names acquired in previous business acquisitions. Identifiable intangibles with finite lives are amortized and those identifiable intangibles with indefinite lives are not amortized. The values assigned to the intangible assets with finite lives are being amortized on average over approximately 14 years. Identifiable intangible assets that are subject to amortization are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Identifiable intangible assets not subject to amortization are tested for impairment annually or more frequently if events warrant. The impairment test consists of a comparison of the fair value of the intangible asset with its carrying amount.

We completed step one of our annual goodwill impairment evaluation during the fourth quarter of fiscal 2011 and determined that the reporting unit's fair value substantially exceeded its carrying value. Accordingly, step two of the impairment analysis was not required. We also completed an impairment test of intangible assets not subject to amortization during the fourth quarter, in which the fair value exceeded the carrying amount. Additionally, no impairment charges were required for fiscal 2010 or 2009.

## HAWKINS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Income Taxes** — In the preparation of our consolidated financial statements, management calculates income taxes based upon the estimated effective rate applicable to operating results for the full fiscal year. This includes estimating the current tax liability as well as assessing differences resulting from different treatment of items for tax and book accounting purposes. These differences result in deferred tax assets and liabilities, which are recorded on the balance sheet. These assets and liabilities are analyzed regularly and management assesses the likelihood that deferred tax assets will be recovered from future taxable income. We record any interest and penalties related to income taxes as income tax expense in the statements of income.

The effect of income tax positions are recognized only if those positions are more likely than not of being sustained. Changes in recognition or measurement are made as facts and circumstances change.

**Stock-Based Compensation** — We account for stock-based compensation on a fair value basis. The estimated grant date fair value of each stock-based award is recognized in expense over the requisite service period (generally the vesting period). The estimated fair value of each option is calculated using the Black-Scholes option-pricing model. Non-vested share awards are recorded as compensation expense over the requisite service periods based on the market value on the date of grant.

**Earnings Per Share** — Basic earnings per share (“EPS”) are computed by dividing net income by the weighted-average number of common shares outstanding. Diluted EPS are computed by dividing net income by the weighted-average number of common shares outstanding including the incremental shares assumed to be issued upon the exercise of stock options and the incremental shares assumed to be issued as performance units and restricted stock. Basic and diluted EPS were calculated using the following:

	April 3, 2011	March 28, 2010	March 29, 2009
Weighted average common shares outstanding — basic	10,260,135	10,250,978	10,243,970
Dilutive impact of stock options, performance units, and restricted stock	92,498	32,015	5,057
Weighted average common shares outstanding — diluted	<u>10,352,633</u>	<u>10,282,993</u>	<u>10,249,027</u>

There were no shares or stock options excluded from the calculation of weighted average common shares for diluted EPS for fiscal 2011. Stock options totaling 70,665 in fiscal 2010 and 61,332 in fiscal 2009 have been excluded from the calculation of diluted EPS because the effect of including the shares would be anti-dilutive.

**Derivative Instruments and Hedging Activities** — We do not have any freestanding or embedded derivatives and it is our policy to not enter into contracts that contain them.

**Recently Issued Accounting Pronouncements** —

**Intangibles — Goodwill and Other** — In December 2010, the FASB issued amended guidance to modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The modified guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2010.

**Business Combinations** — In December 2010, the FASB updated guidance to clarify the acquisition date that should be used for reporting the pro forma financial information disclosures when comparative financial statements are presented. The updated guidance is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010.

## HAWKINS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

*Fair Value Measurements and Disclosures* — In January 2010, the FASB issued additional disclosure requirements for assets and liabilities held at fair value. Specifically, the new guidance requires a gross presentation of activities within the Level 3 roll forward and adds a new requirement to disclose transfers in and out of Level 1 and 2 measurements. This guidance is applicable to all entities currently required to provide disclosures about recurring and nonrecurring fair value measurements. The effective date for these disclosures is the first interim or annual reporting period beginning after December 15, 2009, except for the gross presentation of the Level 3 roll forward information, which is required for annual reporting periods beginning after December 15, 2010 and for interim reporting periods within those years.

**Note 2 —Business Combinations**

On January 14, 2011, we completed the acquisition of the assets of Vertex Chemical Corporation, Novel Wash Co. Inc. and R.H.A. Corporation, (collectively, “Vertex”), pursuant to an Asset Purchase Agreement dated as of January 10, 2011 (the “Asset Purchase Agreement”). As provided in the Purchase Agreement, we acquired substantially all of the assets used in Vertex’s business, which is primarily the manufacture and distribution of sodium hypochlorite and the distribution of caustic soda, hydrochloric acid and related products. We paid cash of \$25.5 million at closing and assumed certain liabilities of Vertex. The purchase price was revised to \$27.2 million as provided in the Purchase Agreement to reflect a final working capital adjustment of \$1.7 million, which was paid in early fiscal 2012. In connection with the acquisition we incurred acquisition related costs of \$0.7 million, which were recorded as selling, general and administrative expenses in the Consolidated Statements of Income.

The acquisition has been accounted for under the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations*. Under the acquisition method of accounting, the total estimated purchase price is allocated to the net tangible and intangible assets of Vertex acquired in connection with the acquisition, based on their estimated fair values.

The allocation of the purchase price to assets acquired and liabilities assumed follows:

	<u>Amount</u> <u>(In thousands)</u>
Accounts receivable	\$ 4,975
Inventories	4,750
Other current assets	198
Property, plant and equipment	8,991
Goodwill	5,027
Intangibles	5,490
Accounts payable	(2,012)
Accrued employee benefits	(210)
Total purchase price	<u>\$ 27,209</u>

The allocation of the purchase price to the assets acquired and liabilities assumed resulted in the recognition of the following intangible assets:

	<u>Amount</u>	<u>Weighted</u> <u>Average Life</u> <u>(In thousands)</u>
Customer relationships	\$3,450	20 years
Trademark	1,240	10 years
Carrier relationships	800	10 years
Intangible assets acquired	<u>\$5,490</u>	

## HAWKINS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The fair value of the identified intangible assets was estimated using an income approach. Under the income approach an intangible asset's fair value is equal to the present value of future economic benefits to be derived from ownership of an asset. Indications of value are developed by discounting future net cash flows to their present value at market-based rates of return.

The goodwill recognized as a result of the Vertex acquisition is primarily attributable to expected synergies, as well as Vertex's assembled work force.

Vertex operating results are included in our Consolidated Statements of Income in our Industrial segment from the date of acquisition.

The following unaudited pro forma condensed consolidated financial results of operations are presented as if the Vertex acquisition had been completed at the beginning of the each period presented:

	<u>Years Ended</u>	
	<u>April 3, 2011</u>	<u>March 28, 2010</u>
	(In thousands, except share and per-share data)	
Pro forma net sales	\$ 329,653	\$ 299,288
Pro forma net earnings	21,888	25,475
Pro forma earnings per share:		
Basic	\$ 2.13	\$ 2.49
Diluted	2.11	2.48
Weighted average common shares outstanding:		
Basic	10,260,135	10,250,978
Diluted	10,352,633	10,282,993

These unaudited pro forma condensed consolidated financial results have been prepared for illustrative purposes only and do not purport to be indicative of the results of operations that actually would have resulted had the acquisition occurred on the first day of each fiscal period presented, or of future results of the consolidated entities. The unaudited pro forma condensed consolidated financial information does not reflect any operating efficiencies and cost savings that may be realized from the integration of the acquisition.

**Note 3 — Cash and Cash Equivalents and Investments**

The following table presents information about our financial assets and liabilities that are measured at fair value on a recurring basis as of April 3, 2011 and March 28, 2010, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

<u>Description</u>	<u>April 3, 2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	(In thousands)			
<b>Assets:</b>				
Cash	\$18,485	\$18,485	\$ —	\$—
Certificates of deposit	18,461	—	18,461	—
Money market securities	455	455	—	—
<u>Description</u>	<u>March 28, 2010</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
(In thousands)				
<b>Assets:</b>				
Cash	\$18,661	\$18,661	\$ —	\$—
Certificates of deposit	34,900	—	34,900	—
Money market securities	111	111	—	—

## HAWKINS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Our financial assets that are measured at fair value on a recurring basis are certificates of deposit (“CD’s”), with maturities ranging from three months to two years which fall within valuation technique Level 2. The CD’s are classified as investments in current assets and noncurrent assets on the Consolidated Balance Sheets. As of April 3, 2011, the CD’s in current assets have a fair value of \$15.3 million, and in noncurrent assets, the CD’s have a fair value of \$3.2 million.

The carrying value of cash and cash equivalents accounts approximates fair value, as maturities are three months or less. We did not have any financial liability instruments subject to recurring fair value measurements as of April 3, 2011 and March 28, 2010.

The contractual maturities of available-for-sale securities at April 3, 2011 are shown in the table below.

	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(loss)</u>
	(In thousands)		
Within one year	\$ 15,270	\$15,286	\$ 16
Between one and two years	3,185	3,175	(10)
Total available-for-sale securities	<u>\$ 18,455</u>	<u>\$18,461</u>	<u>\$ 6</u>

The contractual maturities of available-for-sale securities at March 28, 2010 are shown in the table below.

	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains</u>
	(In thousands)		
Within one year	\$ 25,890	\$25,928	\$ 38
Between one and two years	8,900	8,972	72
Total available-for-sale securities	<u>\$ 34,790</u>	<u>\$34,900</u>	<u>\$ 110</u>

Realized gains and losses were not material for fiscal 2011, fiscal 2010 and fiscal 2009.

**Note 4 —Inventories**

Inventories at April 3, 2011 and March 28, 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Finished goods (FIFO basis)	\$35,071	\$23,258
LIFO reserve	(5,854)	(1,931)
Net inventory	<u>\$29,217</u>	<u>\$21,327</u>

The FIFO value of inventories accounted for under the LIFO method were \$28.6 million at April 3, 2011 and \$23.1 million at March 28, 2010. The remainder of the inventory was valued and accounted for under the FIFO method.

We increased the LIFO reserve by \$3.9 million in fiscal 2011 and decreased the reserve by \$12.6 million in fiscal 2010 due primarily to significant changes in inventory costs in both years, as well as changes in inventory product mix and higher inventory volumes at the end of fiscal 2011.

## HAWKINS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**Note 5 — Goodwill and Other Identifiable Intangible Assets**

The changes in the carrying amount of goodwill were as follows:

	<u>Amount</u> <u>(In thousands)</u>
Balance as of March 29, 2009	\$ 1,204
Fiscal 2010 activity	—
Balance as of March 28, 2010	1,204
Vertex acquisition	5,027
Balance as of April 3, 2011	<u>\$ 6,231</u>

A summary of our intangible assets as of April 3, 2011 and March 28, 2010 were as follows:

	<u>2011</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net</u>
	<u>(In thousands)</u>		
Finite-life intangible assets:			
Customer relationships	\$ 5,508	\$ (423)	\$5,085
Trademark	1,240	(26)	1,214
Trade secrets	862	(413)	449
Carrier relationships	800	(18)	782
Other finite-life intangible assets	339	(285)	54
Total finite-life intangible assets	8,749	(1,165)	7,584
Indefinite-life intangible assets	1,227	—	1,227
Total intangible assets, net	<u>\$ 9,976</u>	<u>\$ (1,165)</u>	<u>\$8,811</u>
	<u>2010</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net</u>
	<u>(In thousands)</u>		
Finite-life intangible assets:			
Customer relationships	\$ 2,058	\$ (292)	\$1,766
Trade secrets	862	(305)	557
Other finite-life intangible assets	339	(254)	85
Total finite-life intangible assets	3,259	(851)	2,408
Indefinite-life intangible assets	1,227	—	1,227
Total intangible assets, net	<u>\$ 4,486</u>	<u>\$ (851)</u>	<u>\$3,635</u>

Intangible asset amortization expense was \$0.3 million during fiscal 2011, \$0.2 million during fiscal 2010, and \$0.5 million during fiscal 2009.

The estimated future amortization expense for identifiable intangible assets during the next five years is as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<u>(In thousands)</u>				
Estimated amortization expense	\$619	\$596	\$592	\$592	\$502

## HAWKINS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**Note 6 —Accumulated Other Comprehensive Income (Loss)**

Components of accumulated other comprehensive income (loss), net of tax, were as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(In thousands)		
Unrealized gain (loss) on:			
Available-for-sale investments	\$ 3	\$ 66	\$ —
Post-retirement plan liability adjustments	(148)	(29)	(10)
Accumulated other comprehensive income (loss)	<u>\$(145)</u>	<u>\$ 37</u>	<u>\$(10)</u>

**Note 7 —Share-Based Compensation**

*Stock Option Awards.* Our Board of Directors approved a long-term incentive equity compensation arrangement for our executive officers during the first quarter of fiscal 2009. This long-term incentive arrangement provides for the grant of nonqualified stock options that vest at the end of a three-year period and expire no later than 10 years after the grant date. We used the Black-Scholes valuation model to estimate the fair value of the options at grant date based on the following assumptions:

	<u>June 10, 2009 Grant</u>	<u>May 13, 2008 Grant</u>
Dividend yield	2.5%	3.2%
Volatility	31.4%	28.0%
Risk-free interest rate	2.1%	3.0%
Expected life in years	4	4

Volatility was calculated using the past four years of historical stock prices of our common stock. The expected life is estimated based on expected future trends and the terms and vesting periods of the options granted. The risk-free interest rate is an interpolation of the relevant U.S. Treasury Bond Rate as of the grant date.

The following table represents the stock option activity for fiscal 2011 and fiscal 2010:

	<u>2011</u>					
	<u>Total Outstanding</u>			<u>Exercisable</u>		
	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Aggregate Intrinsic Value</u>	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Aggregate Intrinsic Value</u>
	(In thousand, except share data)					
Outstanding at beginning of year	131,997	\$ 17.82	\$ 2,607	—	\$ —	\$ —
Granted	—	—	—	—	—	—
Vested	—	—	—	66,666	17.67	—
Exercised	—	—	—	—	—	—
Forfeited or expired	—	—	—	—	—	—
Outstanding at end of year	<u>131,997</u>	<u>\$ 17.82</u>	<u>\$ 4,908</u>	<u>66,666</u>	<u>\$ 17.67</u>	<u>\$ 2,482</u>

## HAWKINS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	2010					
	Total Outstanding			Exercisable		
	Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value	Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value
	(In thousand, except share data)					
Outstanding at beginning of year	61,332	\$ 15.43	\$ 445	—	\$ —	\$ —
Granted	70,665	19.90		—	—	
Vested	—	—		—	—	
Exercised	—	—		—	—	
Forfeited or expired	—	—		—	—	
Outstanding at end of year	<u>131,997</u>	<u>\$ 17.82</u>	<u>\$ 2,607</u>	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>

The weighted average grant date fair value of options was estimated to be \$4.33 and \$2.95 for options granted in fiscal 2010 and fiscal 2009, respectively. The weighted average remaining life of all outstanding and exercisable options is 7.7 years.

Annual expense related to the value of stock options was \$0.2 million for fiscal 2011 and \$0.1 million for fiscal 2010 and fiscal 2009, substantially all of which was recorded in SG&A expense in the Consolidated Statements of Income. Options awarded to John Hawkins, former Chief Executive Officer, became fully vested and exercisable upon his death in March 2011, resulting in the acceleration of expense of \$0.1 million. The total fair value of options vested during fiscal 2011 was \$0.2 million. Unrecognized compensation expense related to outstanding stock options as of April 3, 2011 was \$0.1 million and is expected to be recognized over a weighted average period of 0.7 years.

*Performance-Based Restricted Stock Units.* Our Board of Directors approved a performance-based equity compensation arrangement for our executive officers during fiscal 2009. This performance-based arrangement provides for the grant of performance-based restricted stock units that represent a possible future issuance of restricted shares of our common stock based on our pre-tax income target for the applicable fiscal year. The actual number of restricted shares to be issued to each executive officer will be determined when our final financial information becomes available after the applicable fiscal year and will be between zero shares and 54,824 shares in the aggregate for fiscal 2011. The restricted shares issued will fully vest two years after the last day of the fiscal year on which the performance is based. We are recording the compensation expense for the outstanding performance share units and then-converted restricted stock over the life of the awards.

Performance-based restricted stock units were awarded to our executive officers on June 2, 2010, June 10, 2009 and May 13, 2008 under this arrangement. The following table represents the restricted stock activity for fiscal 2011:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at March 28, 2010	23,000	\$ 19.90
Granted	41,320	30.02
Vested	(52,653)	26.53
Forfeited or expired	—	—
Outstanding at April 3, 2011	<u>11,667</u>	<u>\$ 25.81</u>



## HAWKINS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We recorded compensation expense related to the shares issued for fiscal 2009 and fiscal 2010 and the potential issuance of shares for fiscal 2011 of approximately \$1.6 million for fiscal 2011, \$0.4 million for fiscal 2010 and \$0.1 million for fiscal 2009, substantially all of which was recorded in SG&A expense in the Consolidated Statements of Income. The performance-based restricted stock units previously awarded to John Hawkins, totaling 39,820 shares, became fully vested and payable upon his death in March 2011, resulting in the acceleration of compensation expense of \$0.4 million. The total fair value of performance-based restricted stock units vested in fiscal 2011 was \$1.4 million.

Until the performance-based restricted stock units result in the issuance of restricted stock, the amount of expense recorded each period is dependent upon our estimate of the number of shares that will ultimately be issued and our then current common stock price. Upon issuance of restricted stock, we record compensation expense over the remaining vesting period using the award date closing price, which was \$19.90 per share on June 10, 2009 and \$25.81 per share on June 2, 2010. Unrecognized compensation expense related to nonvested restricted share units as of April 3, 2011 was \$1.1 million and is expected to be recognized over a weighted average period of 1.8 years.

In conjunction with the vesting of restricted stock held by certain of our executive officers, 4,934 shares were forfeited during fiscal 2011 to cover the executive officers statutory minimum income tax withholding.

The benefits of tax deductions in excess of recognized compensation costs (excess tax benefits) are recorded as a change in additional paid in capital rather than a deduction of taxes paid. For fiscal 2011 \$0.3 million of excess tax benefit was recognized and recorded in additional paid in capital resulting from share-based compensation cost.

*Restricted Stock Awards.* As part of their retainer, the Board of Directors receives restricted stock for their Board services. The restricted stock awards are expensed over the requisite vesting period, which begins on the date of issuance and ends on the date of the next Annual Meeting of Shareholders, based on the market value on the date of grant. The following table represents the Board's restricted stock activity for fiscal 2011:

	<u>Shares</u>	<u>Weighted-Average Grant Date Fair Value</u>
Outstanding at beginning of period	6,000	\$ 18.68
Granted	6,966	30.00
Vested	(6,000)	18.68
Forfeited or expired	—	—
Outstanding at end of period	<u>6,966</u>	<u>\$ 30.00</u>

Annual expense related to the value of restricted stock was \$0.2 million for fiscal 2011 and \$0.1 million for fiscal 2010 and fiscal 2009, all of which was recorded in SG&A expense in the Consolidated Statements of Income. Unrecognized compensation expense related to nonvested restricted stock awards as of April 3, 2011 was \$0.1 million and is expected to be recognized over a weighted average period of 0.3 years.

**Note 8 — Profit Sharing, Employee Stock Ownership and Pension Plans**

Effective April 1, 2009, we converted our defined contribution pension plan covering substantially all of our non-bargaining employees to a profit sharing plan. It is our policy to fund all costs accrued. Contributions are made at our discretion subject to a maximum amount allowed under the Internal Revenue Code. Our cost for the profit sharing and pension plan was 15% of each employee's covered compensation in each of the fiscal years 2011, 2010 and 2009.

## HAWKINS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We have an employee stock ownership plan (“ESOP”) covering substantially all of our non-bargaining employees, excluding our executive officers. Contributions are made at our discretion subject to a maximum amount allowed under the Internal Revenue Code. Our cost for the ESOP was 5% of each employee’s covered compensation in each of the fiscal years 2011, 2010 and 2009.

We have an employee stock purchase plan (“ESPP”) covering substantially all of our employees, excluding officers. We match 75% of each employee’s contribution, up to a maximum of \$375 per month, on a monthly basis. This plan was discontinued as of the beginning of fiscal 2012 and replaced with an ESPP that allows employees to purchase newly-issued shares of the Company’s common stock at a discount from market, with no employee contribution match from the Company.

We participate in a union sponsored, collectively bargained pension plan (“Union Plan”). Contributions are determined in accordance with the provisions of negotiated labor contracts and generally are based on the number of hours worked. Several factors could result in potential funding deficiencies which could cause us to make significantly higher future contributions to these plans, including unfavorable investment performance, changes in demographics, and increased benefits to participants. At this time, we are unable to determine the amount of additional contributions, if any.

The following represents the contribution expense for the profit sharing, ESOP, ESPP and pension plans:

<u>Benefit Plan</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(In thousands)		
Profit sharing	\$2,675	\$2,844	\$2,669
ESOP	815	899	855
ESPP	648	650	638
Union pension	383	371	350
Total contribution expense	<u>\$4,521</u>	<u>\$4,764</u>	<u>\$4,512</u>

We do not currently offer any other significant post-retirement or post-employment benefits.

**Note 9 — Commitments and Contingencies**

**Leases** — We have various operating leases for trucks and land and buildings on which some of our operations are located. Future minimum lease payments due under operating leases with an initial term of one year or more at April 3, 2011 are as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Thereafter</u>
	(In thousands)					
Minimum lease payment	\$669	\$668	\$682	\$670	\$622	\$3,739

Total rental expense for the fiscal years 2011, 2010 and 2009 were as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(In thousands)		
Minimum rentals	\$552	\$577	\$538
Contingent rentals	114	102	106
Total rental expense	<u>\$666</u>	<u>\$679</u>	<u>\$644</u>

**Litigation** — We are a party from time to time in litigation arising in the ordinary course of our business. To date, none of the litigation has had a material effect on us.

## HAWKINS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

On November 3, 2009, ICL Performance Products, LP (“ICL”), a chemical supplier to us, filed a lawsuit in the United States District Court for the Eastern District of Missouri, asserting breach of a contract for the sale of phosphoric acid in 2009 (the “2009 Contract”). ICL seeks to recover \$7.3 million in damages and pre-judgment interest, and additionally seeks to recover its costs and attorneys’ fees. ICL also claimed that we breached a contract for the sale of phosphoric acid in 2008 (the “2008 Contract”). ICL has since dropped its claim for breach of the 2008 Contract. We have counterclaimed against ICL alleging that ICL falsely claimed to have a shortage of raw materials that prevented it from supplying us with the contracted quantity of phosphoric acid for 2008. We claim that ICL used this alleged shortage and the threat of discontinued shipments of phosphoric acid to force us to pay increased prices for the remainder of 2008, and to sign the 2009 Contract. Based on this alleged conduct, we have brought four alternate causes of action including: (1) breach of contract, (2) breach of the implied covenant of good faith and fair dealing, (3) negligent misrepresentation, and (4) intentional misrepresentation. We seek to recover \$1.5 million in damages, and additionally seek to recover punitive damages, pre- and post-judgment interest, and our costs and attorneys’ fees. The discovery phase in this action is complete and this action is scheduled for jury trial in late October 2011. We are not able to predict the ultimate outcome of this litigation, but it may be costly and disruptive. Lawsuits such as this can result in substantial costs and divert our management’s attention and resources, which may have a material adverse effect on our business and results of operations, including cash flows.

**Asset Retirement Obligations** — We have three leases of land (two relate to Hawkins and one relates to Vertex), and at the end of the lease term (currently 2014 for the Vertex lease and 2018 for the Hawkins leases if the leases are not renewed), we have a specified amount of time to remove the property and buildings. At the end of the specified amount of time, anything that remains on the land becomes the property of the lessor, and the lessor has the option to either maintain the property or remove the property at our expense. We have not been able to reasonably estimate the fair value of the asset retirement obligations, primarily due to the combination of the following factors: The leases do not expire in the near future; we have a history of extending the leases with the lessors and currently intend to do so at expiration of the lease periods; the lessors do not have a history of terminating leases with its tenants; and because it is more likely than not that the buildings will have value at the end of the lease life and therefore, may not be removed by either the lessee or the lessor. Therefore, in accordance with ASC 410-20, “Asset Retirement and Environmental Obligations,” we have not recorded an asset retirement obligation as of April 3, 2011. We will continue to monitor the factors surrounding the requirement to record an asset retirement obligation and will recognize the fair value of a liability in the period in which it is incurred and a reasonable estimate can be made.

**Note 10 — Income Taxes**

The provisions for income taxes for fiscal 2011, 2010 and 2009 are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(In thousands)		
Federal — current	\$ 9,818	\$ 6,601	\$ 8,874
State — current	<u>2,531</u>	<u>1,634</u>	<u>2,331</u>
Total current	12,349	8,235	11,205
Federal — deferred	(69)	5,739	2,420
State — deferred	<u>(299)</u>	<u>1,413</u>	<u>626</u>
Total deferred	<u>(368)</u>	<u>7,152</u>	<u>3,046</u>
Total provision	<u>\$11,981</u>	<u>\$15,387</u>	<u>\$14,251</u>

## HAWKINS, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Reconciliations of the provisions for income taxes, based on income from continuing operations, to the applicable federal statutory income tax rate of 35% are listed below.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Statutory federal income tax	35.0%	35.0%	35.0%
State income taxes, net of federal deduction	4.7	5.0	5.1
ESOP dividend deduction on allocated shares	(1.2)	(1.0)	(0.8)
Domestic production deduction	(1.3)	(0.6)	(1.0)
Other — net	<u>(0.1)</u>	<u>0.9</u>	<u>(0.5)</u>
Total	<u>37.1%</u>	<u>39.3%</u>	<u>37.8%</u>

The tax effects of items comprising our net deferred tax asset (liability) as of April 3, 2011 and March 28, 2010 are as follows:

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Deferred tax assets:		
Trade receivables	\$ 162	\$ 120
Amortization of intangibles	73	—
Accruals	919	720
Other	<u>586</u>	<u>172</u>
Total deferred tax assets	<u>\$ 1,740</u>	<u>\$ 1,012</u>
Deferred tax liabilities:		
Inventories	\$ (3,190)	\$ (3,696)
Prepaid	(283)	(355)
Excess of tax over book depreciation	(8,762)	(7,743)
Amortization of intangibles	<u>—</u>	<u>(136)</u>
Total deferred tax liabilities	<u>\$(12,235)</u>	<u>\$(11,930)</u>
Net deferred tax liabilities	<u>\$(10,495)</u>	<u>\$(10,918)</u>

As of April 3, 2011, the Company has determined that it is more likely than not that the deferred tax assets at April 3, 2011 will be realized either through future taxable income or reversals of taxable temporary differences. As of April 3, 2011 and March 28, 2010, there were no unrecognized tax benefits. Accordingly, a tabular reconciliation from beginning to ending periods is not provided.

We are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The tax years beginning with 2007 remain open to examination by the Internal Revenue Service, and with few exceptions, state and local income tax jurisdictions.

**Note 11 — Discontinued Operations**

In February 2009, we agreed to sell our inventory and entered into a marketing agreement regarding the business of our Pharmaceutical segment, which provided pharmaceutical chemicals to retail pharmacies and small-scale pharmaceutical manufacturers. On May 22, 2009 the majority of the inventory was sold for cash of approximately \$1.6 million which approximated its carrying value. The remaining inventory, with a carrying value of approximately \$0.1 million, was sold during fiscal 2010. The agreement provides for annual payments based on a percentage of gross profit on future sales up to a maximum of approximately \$3.7 million. We have no significant remaining obligations to fulfill under the agreement. We initially recorded a receivable of approximately \$1.7 million, equal to the carrying value of the assets that were related to this business. The first year payment under the agreement of approximately \$0.8 million was received in the second quarter of fiscal 2011, leaving a \$0.9 million receivable remaining as of the end of fiscal 2011, which is expected to be collected in the second quarter of fiscal 2012. Amounts received in excess of the remaining receivable, during fiscal 2012 and subsequent years, will be recorded as a gain on sale of discontinued operations in those periods. The results of the Pharmaceutical segment have been reported as discontinued operations for all periods presented.

## HAWKINS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**Note 12 — Segment Information**

We have two reportable segments: Industrial and Water Treatment. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Product costs and expenses for each segment are based on actual costs incurred along with cost allocation of shared and centralized functions. We evaluate performance based on profit or loss from operations before income taxes not including nonrecurring gains and losses. Reportable segments are defined by product and type of customer. Segments are responsible for the sales, marketing and development of their products and services. The segments do not have separate accounting, administration, customer service or purchasing functions. There are no intersegment sales and no operating segments have been aggregated. Given our nature, it is not practical to disclose revenues from external customers for each product or each group of similar products. No single customer's revenues amount to 10% or more of our revenue. No single customer represents 10% or more of either of our segments' sales. Sales are primarily within the United States and all assets are located within the United States.

<u>Reportable Segments</u>	<u>Industrial</u>	<u>Water Treatment</u> (In thousands)	<u>Total</u>
Fiscal Year Ended April 3, 2011:			
Sales	\$208,724	\$ 88,917	\$297,641
Gross profit	36,938	24,964	61,902
Operating income	<u>17,110</u>	<u>14,852</u>	<u>31,962</u>
Identifiable assets*	<u>\$121,250</u>	<u>\$ 21,139</u>	<u>\$142,389</u>
Fiscal Year Ended March 28, 2010:			
Sales	\$174,901	\$ 82,198	\$257,099
Gross profit	37,288	27,157	64,445
Operating income	<u>20,937</u>	<u>17,903</u>	<u>38,840</u>
Identifiable assets*	<u>\$ 79,602</u>	<u>\$ 19,152</u>	<u>\$ 98,754</u>
Fiscal Year Ended March 29, 2009:			
Sales	\$201,596	\$ 82,760	\$284,356
Gross profit	41,466	20,954	62,420
Operating income	<u>25,520</u>	<u>11,817</u>	<u>37,337</u>
Identifiable assets*	<u>\$ 78,083</u>	<u>\$ 20,896</u>	<u>\$ 98,979</u>

\* Unallocated assets consisting primarily of cash and cash equivalents, investments and prepaid expenses were \$41.7 million at April 3, 2011, \$60.5 million at March 28, 2010 and \$33.4 million at March 29, 2009. Additionally, assets associated with the discontinued operations of the Pharmaceutical segment were \$0.9 million at April 3, 2011, \$1.0 million at March 28, 2010 and \$3.9 million at March 29, 2009.

## HAWKINS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

## Note 13 — Selected Quarterly Financial Data (Unaudited)

	Fiscal 2011			
	First	Second	Third	Fourth
	(In thousands, except per share data)			
Sales	\$74,665	\$70,398	\$70,620	\$81,957
Gross profit	18,447	17,742	13,726	11,986
Operating income	11,786	10,928	6,833	2,414
Income from continuing operations	7,337	6,832	4,254	1,891
Net income	<u>\$ 7,337</u>	<u>\$ 6,832</u>	<u>\$ 4,254</u>	<u>\$ 1,891</u>
Basic net income per share	<u>\$ 0.72</u>	<u>\$ 0.67</u>	<u>\$ 0.41</u>	<u>\$ 0.18</u>
Diluted net income per share	<u>\$ 0.71</u>	<u>\$ 0.66</u>	<u>\$ 0.41</u>	<u>\$ 0.18</u>

	Fiscal 2010			
	First	Second	Third	Fourth
Sales	\$73,586	\$64,976	\$60,627	\$57,910
Gross profit	15,856	17,416	15,855	15,318
Operating income	9,501	10,848	9,408	9,083
Income from continuing operations	5,944	6,665	5,595	5,534
Income from discontinued operations, net of tax	109	—	—	—
Net income	<u>\$ 6,053</u>	<u>\$ 6,665</u>	<u>\$ 5,595</u>	<u>\$ 5,534</u>
Basic net income per share	<u>\$ 0.59</u>	<u>\$ 0.65</u>	<u>\$ 0.55</u>	<u>\$ 0.54</u>
Diluted net income per share	<u>\$ 0.59</u>	<u>\$ 0.65</u>	<u>\$ 0.54</u>	<u>\$ 0.54</u>

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

Not applicable.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Evaluation of disclosure controls and procedures**

As of the end of the period covered by this Annual Report on Form 10-K, we conducted an evaluation, under supervision and with the participation of management, including the chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Based upon that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective. Disclosure controls and procedures are defined by Rules 13a-15(e) and 15d-15(e) of the Exchange Act as controls and other procedures that are designed to ensure that information required to be disclosed by us in reports filed with the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or person performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (1) pertain to maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

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

Our management assessed the effectiveness of our internal control over financial reporting as of April 3, 2011, based on the criteria described in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission. Based on this assessment, management believes that our internal control over financial reporting was effective as of April 3, 2011.

Our independent registered public accounting firm has issued an attestation report on our internal control over financial reporting for April 3, 2011. That attestation report is set forth immediately following this management report.

/s/ Patrick H. Hawkins

\_\_\_\_\_  
Patrick H. Hawkins  
Chief Executive Officer and President  
June 9, 2011

/s/ Kathleen P. Pepski

\_\_\_\_\_  
Kathleen P. Pepski  
Vice President, Chief Financial Officer, and Treasurer  
June 9, 2011

**Attestation Report of Registered Public Accounting Firm**

The attestation report required under this Item 9A is contained in Item 8 of this Annual Report on 10-K under the caption “Report of Independent Registered Public Accounting Firm.”

**Changes in Internal Control Procedures**

Except as set forth below, there was no change in our internal control over financial reporting during the fourth quarter of fiscal 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

In connection with the Vertex acquisition management has elected to exclude Vertex from management’s assessment of the effectiveness of our internal control over financial reporting for the year ended April 3, 2011 as permitted by the Securities and Exchange Commission. As of April 3, 2011, total net tangible assets attributable to Vertex represented approximately \$20 million or 12% of our total assets. Total revenue attributable to Vertex represented approximately \$9 million of net revenue, or 3% of net revenue for the fiscal year ended April 3, 2011.

**ITEM 9B. OTHER INFORMATION**

Not Applicable

**PART III**

Certain information required by Part III is incorporated by reference from Hawkins’ definitive Proxy Statement for the Annual Meeting of Shareholders to be held on August 2, 2011 (the “2011 Proxy Statement”). Except for those portions specifically incorporated in this Form 10-K by reference to Hawkins’ Proxy Statement, no other portions of the 2011 Proxy Statement are deemed to be filed as part of this Form 10-K.

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE**

Our executive officers, their ages and offices held, as of May 31, 2011 are set forth below:

<u>Name</u>	<u>Age</u>	<u>Office</u>
Patrick H. Hawkins	40	Chief Executive Officer and President
Kathleen P. Pepski	56	Vice President, Chief Financial Officer, and Treasurer
Mark A. Beyer	49	Vice President — Operations
Richard G. Erstad	47	Vice President, General Counsel and Secretary
Theresa R. Moran	48	Vice President — Quality and Support
Keenan A. Paulson	61	Vice President — Water Treatment Group
John R. Sevenich	53	Vice President — Industrial Group

*Patrick H. Hawkins* was appointed to serve as our Chief Executive Officer and President in March 2011. He had previously been promoted to the position of President in March 2010 as part of the Board’s succession planning efforts. He joined the Company in 1992 and served as the Business Director — Food and Pharmaceuticals, a position he held from 2009 to 2010. Previously he served as Business Manager — Food and Co-Extrusion Products from 2007 to 2009 and Sales Representative — Food Ingredients from 2002 to 2007. He previously served the Company in various other capacities, including Plant Manager, Quality Director and Technical Director.

*Kathleen P. Pepski* has been the Company’s Vice President, Chief Financial Officer and Treasurer since February 2008 and was Secretary from February 2008 to November 2008. She was the Executive Vice President and Chief Financial Officer of PNA Holdings, LLC and Katun Corporation, a supplier of business equipment parts, from 2003 to 2007, the Vice President of Finance of Hoffman Enclosures, a manufacturer of systems enclosures and a subsidiary of Pentair, Inc., from 2002 to 2003, Senior Vice President and Chief Financial Officer of BMC Industries, Inc., a manufacturer of lenses and aperture masks, from 2000 to 2001, and Vice President and Controller at Valspar Corporation, a paint and coatings manufacturer, from 1994 to 2000.



*Mark A. Beyer* has been the Company's Vice President of Operations since September 2009. Mr. Beyer previously held operations leadership positions with Boston Scientific Corporation, a medical device manufacturer, and General Mills, Inc., a diversified food company. He was self-employed as a consultant from January 2005 to September 2009.

*Richard G. Erstad* has been the Company's Vice President, General Counsel and Secretary since November 2008. He was General Counsel and Secretary of BUCA, Inc., a restaurant company, from 2005 to 2008. Mr. Erstad had previously been an attorney with the corporate group of Faegre & Benson LLP, a law firm, from 1996 to 2005, where his practice focused on securities law and mergers and acquisitions. He is a member of the Minnesota Bar.

*Theresa R. Moran* has been the Company's Vice President — Quality and Support since February 2010. Since joining the Company in 1981, Ms. Moran has served the Company in a variety of positions, including Administration Operations Manager from 1999 to 2007 and most recently as Director — Process Improvement, a position she held from 2007 until the time of her promotion.

*Keenan A. Paulson* has been the Company's Vice President — Water Treatment Group since May 2000. Prior to attaining this position, Ms. Paulson held various positions during her 37-year career with the Company, most recently as its Water Treatment General Manager.

*John R. Sevenich* has been the Company's Vice President — Industrial Group since May 2000. He was the Business Unit Manager of Manufacturing from 1998 to 2000 and was a Sales Representative with the Company from 1989 to 1998.

“Election of Directors,” “Corporate Governance,” and “Section 16(a) Beneficial Ownership Reporting Compliance” of the 2010 Proxy Statement are incorporated herein by reference.

We have adopted a Code of Business Conduct and Ethics that applies to all of our directors and employees, including our principal executive officer, principal financial officer, controller and other persons performing similar functions. We have posted the Code of Business Conduct and Ethics on our website located at <http://www.hawkinsinc.com>. Hawkins' Code of Business Conduct and Ethics is also available in print to any shareholder who requests it in writing from our Corporate Secretary. We intend to post on our website any amendment to, or waiver from, a provision of our Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, controller and other persons performing similar functions within four business days following the date of such amendment or waiver. We are not including the information contained on our website as part of, or incorporating it by reference into, this report.

#### **ITEM 11. EXECUTIVE COMPENSATION**

“Compensation of Executive Officers and Directors” of the 2011 Proxy Statement is incorporated herein by this reference.

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

“Security Ownership of Management and Beneficial Ownership” and “Equity Compensation Plan Information” of the 2011 Proxy Statement are incorporated herein by this reference.

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

“Election of Directors” and “Related Party Transactions” of the 2011 Proxy Statement are incorporated herein by this reference.

**ITEM 14. *PRINCIPAL ACCOUNTANT FEES AND SERVICES***

“Independent Registered Public Accounting Firm’s Fees” of the 2011 Proxy Statement is incorporated herein by this reference.

**PART IV**

**ITEM 15. *EXHIBITS AND FINANCIAL STATEMENT SCHEDULES***

(a)(1) **FINANCIAL STATEMENTS OF THE COMPANY**

The following financial statements of Hawkins, Inc. are filed as part of this Annual Report on Form 10-K: Reports of Independent Registered Public Accounting Firms.

Consolidated Balance Sheets at April 3, 2011 and March 28, 2010.

Consolidated Statements of Income for the fiscal years ended April 3, 2011, March 28, 2010, and March 29, 2009.

Consolidated Statements of Shareholders’ Equity for the fiscal years ended April 3, 2011, March 28, 2010, and March 29, 2009.

Consolidated Statements of Cash Flows for the fiscal years ended April 3, 2011, March 28, 2010, and March 29, 2009.

Notes to Consolidated Financial Statements.

(a)(2) **FINANCIAL STATEMENT SCHEDULES OF THE COMPANY**

The additional financial data listed below is included as a schedule to this Annual Report on Form 10-K and should be read in conjunction with the financial statements presented in Part II, Item 8. Schedules not included with this additional financial data have been omitted because they are not required or the required information is included in the financial statements or the notes.

The following financial statement schedule for the fiscal years 2011, 2010 and 2009.

Schedule II — Valuation and Qualifying Accounts.

(a)(3) **EXHIBITS**

The exhibits of this Annual Report on Form 10-K included herein are set forth on the attached Exhibit Index.

**SIGNATURES**

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

HAWKINS, INC.

Date: June 9, 2011

By /s/ Patrick H. Hawkins

\_\_\_\_\_  
Patrick H. Hawkins,  
Chief Executive Officer and President

**POWER OF ATTORNEY**

Each of the undersigned directors of the Company, does hereby make, constitute and appoint Patrick H. Hawkins and Kathleen P. Pepski, and either of them, the undersigned's true and lawful attorney-in-fact and agent, acting alone, with full power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as such director of the Company, in any and all capacities, to any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact, and either of them, full power and authority to do and perform each and every act necessary or incidental to the performance and execution of the powers herein expressly granted.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has also been signed below by the following persons on behalf of the Company and in the capacities indicated on the date set forth beside their signature.

/s/ Patrick H. Hawkins

\_\_\_\_\_  
Patrick H. Hawkins, Chief Executive Officer and  
President (Principal Executive Officer) and Director

Date: June 9, 2011

/s/ Kathleen P. Pepski

\_\_\_\_\_  
Kathleen P. Pepski, Vice President, Chief Financial  
Officer, and Treasurer (Principal Financial Officer and  
Principal Accounting Officer)

Date: June 9, 2011

/s/ John S. McKeon

\_\_\_\_\_  
John S. McKeon, Director, Chairman of the Board

Date: June 9, 2011

/s/ Duane M. Jergenson

\_\_\_\_\_  
Duane M. Jergenson, Director

Date: June 9, 2011

/s/ Daryl I. Skaar

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Daryl I. Skaar, Director

Date: June 9, 2011

/s/ James A. Faulconbridge

\_\_\_\_\_  
James A. Faulconbridge, Director

Date: June 9, 2011

/s/ James T. Thompson

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James T. Thompson, Director

Date: June 9, 2011

/s/ Jeffrey L. Wright

\_\_\_\_\_  
Jeffrey L. Wright, Director

Date: June 9, 2011

SCHEDULE II

HAWKINS, INC.

VALUATION AND QUALIFYING ACCOUNTS  
FOR THE FISCAL YEARS ENDED APRIL 3, 2011, MARCH 28, 2010, AND MARCH 29, 2009

<u>Description</u>	<u>Balance at Beginning of Year</u>	<u>Additions</u>		<u>Deductions Write-Offs</u>	<u>Balance at End of Year</u>
		<u>Charged to Costs and Expenses</u>	<u>Charged to Other Accounts</u>		
(In thousands)					
Reserve deducted from asset to which it applies:					
Year Ended April 3, 2011:					
Allowance for doubtful accounts	\$300	\$120	\$—	\$ 14	\$406
Year Ended March 28, 2010:					
Allowance for doubtful accounts	\$350	\$(29)	\$—	\$ 21	\$300
Year Ended March 29, 2009:					
Allowance for doubtful accounts	\$225	\$230	\$—	\$105	\$350

**Exhibit Index**

Unless otherwise indicated, all documents incorporated into this Annual Report on Form 10-K by reference to a document filed with the SEC are located under file number 0-7647.

<u>Exhibit</u>	<u>Description</u>	<u>Method of Filing</u>
2.1	Asset Purchase Agreement, dated as of January 10, 2011, among Vertex Chemical Corporation, Novel Wash Co., Inc., R.H.A. Corporation, Twin Acquisition Corp. and Hawkins, Inc.(1)	Incorporated by Reference
3.1	Amended and Second Restated Articles of Incorporation as amended through February 27, 2001.(2)	Incorporated by Reference
3.2	Amended and Restated By-Laws.(3)	Incorporated by Reference
10.1*	Retention Bonus Agreement with John R. Hawkins	Incorporated by Reference
10.2*	Description of Consulting Arrangement with John S. McKeon.(4)	Incorporated by Reference
10.3*	Hawkins, Inc. 2004 Omnibus Stock Plan.(5)	Incorporated by Reference
10.4*	Form of Restricted Stock Agreement under the Company's 2004 Omnibus Stock Plan.(6)	Incorporated by Reference
10.5*	Form of Restricted Stock Agreement (Directors) under the Company's 2004 Omnibus Stock Plan.(7)	Incorporated by Reference
10.6*	Form of Non-Statutory Stock Option Agreement under the Company's 2004 Omnibus Stock Plan.(8)	Incorporated by Reference
10.7*	Form of Performance-Based Restricted Stock Unit Award Notice and Restricted Stock Agreement under the Company's 2004 Omnibus Stock Plan.(9)	Incorporated by Reference
10.8*	Hawkins, Inc. 2010 Omnibus Incentive Plan.(10)	Incorporated by Reference
10.9*	Form of Performance-Based Unit Award Notice and Restricted Stock Agreement under the Company's 2010 Omnibus Incentive Plan.(11)	Incorporated by Reference
10.10*	Form of Restricted Stock Agreement under the Company's 2010 Omnibus Incentive Plan.(12)	Incorporated by Reference
23.1	Consent of Independent Registered Public Accounting Firm.	Filed Electronically
23.2	Consent of Independent Registered Public Accounting Firm.	Filed Electronically
31.1	Certification by Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act.	Filed Electronically
31.2	Certification by Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act.	Filed Electronically
32.1	Section 1350 Certification by Chief Executive Officer.	Filed Electronically
32.2	Section 1350 Certification by Chief Financial Officer.	Filed Electronically

\* Management contract or compensation plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K.

- (1) Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated January 10, 2011 and filed January 11, 2011
- (2) Incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended September 30, 2001.
- (3) Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated October 28, 2009 and filed November 3, 2009.
- (4) Incorporated by reference to Item 1.01 of the Company's Current Report on Form 8-K dated August 5, 2009 and filed August 11, 2009.
- (5) Incorporated by reference to Appendix B to the Company's Proxy Statement for the 2004 Annual Meeting of Shareholders filed July 23, 2004.

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- (6) Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004 and filed November 9, 2004.
- (7) Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008.
- (8) Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008.
- (9) Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008.
- (10) Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8 filed June 6, 2011 (file no. 333-174735).
- (11) Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010.
- (12) Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors

Hawkins, Inc.:

We consent to the incorporation by reference in the registration statements No. 333-87582 on Form S-8 relating to the Hawkins, Inc. Employee Stock Purchase Plan, as Amended and Restated, No 333-172761 on Form S-8 relating to the Hawkins, Inc. Employee Stock Purchase Plan, 333-123080 on Form S-8 relating to the Hawkins, Inc. 2004 Omnibus Stock Plan, and 333-174735 on Form S-8 relating to the Hawkins, Inc. 2010 Omnibus Incentive Plan of our reports dated June 9, 2011, with respect to the balance sheets of Hawkins, Inc. as of April 3, 2011 and March 28, 2010, the related statements of income, shareholders' equity, and cash flows for each of the years in the two-year period ended April 3, 2011, the related financial statement schedule, and the effectiveness of internal control over financial reporting as of April 3, 2011, which report appears in the April 3, 2011 annual report on Form 10-K of Hawkins, Inc.

Our report dated June 9, 2011 on the effectiveness of internal control over financial reporting as of April 3, 2011, contains an explanatory paragraph stating that the Company acquired Vertex Chemical Corporation ("Vertex") during fiscal year 2011 and that management excluded Vertex from its assessment of the effectiveness of the Company's internal control over financial reporting as of April 3, 2011. Our audit of internal control over financial reporting for the Company also excluded an evaluation of the internal control over financial reporting of Vertex.

/s/ KPMG LLP

Minneapolis, Minnesota

June 9, 2011

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statements No. 333-87582, 333-123080, 333-172761 and 333-174735 on Form S-8 of our reports dated June 5, 2009, relating to the financial statements and financial statement schedule of Hawkins, Inc., appearing in this Annual Report on Form 10-K of Hawkins, Inc. for the year ended April 3, 2011.

/s/ Deloitte & Touche LLP

Minneapolis, Minnesota

June 9, 2011



**CERTIFICATION PURSUANT TO  
SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

**CERTIFICATIONS**

I, Patrick H. Hawkins, certify that:

1. I have reviewed this annual report on Form 10-K of Hawkins, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 9, 2011

/s/ Patrick H. Hawkins

Patrick H. Hawkins  
Chief Executive Officer and President

**CERTIFICATION PURSUANT TO  
SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

**CERTIFICATIONS**

I, Kathleen P. Pepsi, certify that:

1. I have reviewed this annual report on Form 10-K of Hawkins, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 9, 2011

/s/ Kathleen P. Pepsi

Kathleen P. Pepsi

Vice President, Chief Financial Officer, and Treasurer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Hawkins, Inc. (the Company) on Form 10-K for the period ended April 3, 2011, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Patrick H. Hawkins, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Patrick H. Hawkins

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Patrick H. Hawkins  
Chief Executive Officer and President  
June 9, 2011

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Hawkins, Inc. (the Company) on Form 10-K for the period ended April 3, 2011, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Kathleen P. Pepski, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kathleen P. Pepski

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Kathleen P. Pepski  
Vice President, Chief Financial Officer, and Treasurer  
June 9, 2011