

NATIONAL BEVERAGE CORP

Form 10-K

July 12, 2012

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 28, 2012

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-14170

NATIONAL BEVERAGE CORP.

(Exact name of Registrant as specified in its charter)

Delaware  
(State of incorporation)

59-2605822  
(I.R.S. Employer Identification  
No.)

8100 SW Tenth Street, Suite 4000, Fort Lauderdale, Florida 33324  
(Address of principal executive offices including zip code)

Registrant's telephone number, including area code: (954) 581-0922

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

|   |   |
|---|---|
| Title of each class                     | Name of each exchange on which registered |
| Common Stock, par value \$.01 per share | The NASDAQ Stock Market LLC               |

Securities registered pursuant to Section 12(g) of the Act: 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 Exchange 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 12 months 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. Yes ( ) No ( )

Edgar Filing: NATIONAL BEVERAGE CORP - Form 10-K

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.: Large accelerated filer ( ) Accelerated filer ( ) Non-accelerated filer ( ) 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 the common stock held by non-affiliates of Registrant computed by reference to the closing sale price on October 28, 2011 was approximately \$194.1 million.

The number of shares of Registrant's common stock outstanding as of July 3, 2012 was 46,291,975.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2012 Annual Meeting of Shareholders are incorporated by reference in Part III of this report.

---

## TABLE OF CONTENTS

|   | PAGE |
|---|------|
| PART I  |      |
| ITEM 1. Business  | 2    |
| ITEM 1A. Risk Factors   | 8    |
| ITEM 1B. Unresolved Staff Comments  | 9    |
| ITEM 2. Properties  | 9    |
| ITEM 3. Legal Proceedings   | 9    |
| ITEM 4. Mine Safety Disclosures   | 9    |
| PART II   |      |
| ITEM 5. Market for Registrant's Common Equity, Related Stockholder<br>Matters and Issuer Purchases of Equity Securities | 10   |
| ITEM 6. Selected Financial Data   | 12   |
| ITEM 7. Management's Discussion and Analysis of Financial Condition<br>and Results of Operations                        | 13   |
| ITEM 7A. Quantitative and Qualitative Disclosure About Market Risk  | 18   |
| ITEM 8. Financial Statements and Supplementary Data   | 19   |
| ITEM 9. Changes in and Disagreements with Accountants on Accounting<br>and Financial Disclosure                         | 37   |
| ITEM 9A. Controls and Procedures  | 37   |
| ITEM 9B. Other Information  | 37   |
| PART III  |      |
| ITEM 10. Directors, Executive Officers and Corporate Governance   | 38   |
| ITEM 11. Executive Compensation   | 38   |
| ITEM 12. Security Ownership of Certain Beneficial Owners and Management<br>and Related Stockholder Matters              | 39   |
| ITEM 13. Certain Relationships and Related Transactions, and Director<br>Independence                                   | 39   |
| ITEM 14. Principal Accounting Fees and Services   | 39   |
| PART IV   |      |
| ITEM 15. Exhibits, Financial Statement Schedules  | 39   |
| SIGNATURES  | 42   |

## PART I

### ITEM 1. BUSINESS

#### GENERAL

National Beverage Corp. is an acknowledged leader in the development, manufacturing, marketing and sale of a diverse portfolio of flavored beverage products. Our primary focus is the United States, but our products are also distributed in Canada, Mexico, the Caribbean, Latin America, the Pacific Rim, Asia, Europe and the Middle East. A holding company for various operating subsidiaries, National Beverage Corp. was incorporated in Delaware in 1985 and began trading as a public company on the NASDAQ Stock Market in 1991. In this report, the terms “we,” “us,” “our,” “Company” and “National Beverage” mean National Beverage Corp. and its subsidiaries unless indicated otherwise.

Our brands include soft drinks, energy drinks and shots, juices, teas, still and sparkling waters and nutritionally enhanced beverages, and span both carbonated and non-carbonated offerings. In addition, we produce soft drinks for certain retailers (“Allied Brands”) who also promote certain of our brands (“Strategic Alliances”). We employ a philosophy that demands vertical integration wherever possible and our vertically integrated manufacturing model unites the procurement of raw materials, production of concentrates and manufacturing of finished products in our twelve manufacturing facilities. To service a diverse customer base that includes numerous national retailers as well as hundreds of smaller “up and down the street” accounts, we have developed a hybrid distribution system which promotes and utilizes customers’ warehouse distribution facilities and our own direct-store delivery fleet plus the direct-store delivery systems of independent distributors and wholesalers.

We believe that the combination of our business strategies and philosophies is key to giving us a greater competitive advantage and differentiating us from our competitors. These include the following:

**Fantasy of Flavors** - Throughout our product lines, we emphasize distinctly flavored beverages. Although cola drinks account for approximately 50% of the soft drink industry’s domestic grocery channel volume, colas account for less than 20% of our total volume. In the higher margin convenience store channel, flavors now represent 56% of soft drink sales and are growing significantly faster than colas. Our flavor development spans more than 100 years and originated with our flagship brands, Shasta and Faygo, each of which offer over 50 flavor varieties.

**Regional Share Dynamics** – This is our term for the philosophy we employ for the development and support of our brands that have significant regional presence. Because we tailor our marketing and promotion programs by locale, we believe many of our brands enjoy a regional identification that fosters long-term consumer loyalty and make them less vulnerable to competitive substitution. In addition, “home-town” products often generate more aggressive retailer sponsored promotional activities and receive media exposure through community activities rather than costly national advertising.

**Quality-Value Ethic** - We believe that consumers demand value as the purchase default option in volatile economic times, and we are intent on producing and developing products of the highest quality that appeal to the value expectations of the family consumer. We believe we can leverage our cost-effective manufacturing and distribution systems, and our efficient regionally focused marketing programs, to profitably deliver products to the consumer at a lower price-point than our national competitors.

Creative Agility - In a beverage industry that is dominated by the “cola giants”, we pride ourselves on our ability to respond faster and more creatively to consumer trends than many of our competitors which are burdened by distribution complexity and legacy costs. We strive to build long-term brand value by developing creative marketing programs, propriety flavors and distinctive packaging. During the past year we have introduced 54 new flavors or package sizes, and have won various package design awards. During recent years, we have focused on developing innovative beverages tailored toward healthy lifestyles and introducing products and package sizes designed to expand distribution in the higher-margin convenience store channel. We believe that the most dynamic validation of our strategy is our competitors’ efforts to replicate our creative business model.

## PRODUCTS

Our brands include the following:

### Soft Drinks:

Shasta®

Faygo®

Ritz®

Big Shot®

St. Nick's®

### Energy & Sports Drinks:

Rip It®

Rip It Shots

Mega Sport®

### Juices:

Everfresh®

Mr. Pure®

Home Juice®

### Waters & Enhanced Waters:

LaCroix®

Clear Fruit®

Crystal Bay®

Àsanté®

Mt. Shasta®

### Other:

Sundance®

Ohana®

Established more than 120 years ago and distributed nationally, Shasta is recognized to be a bottling industry pioneer and innovator. As our largest volume brand, Shasta features multiple flavors, including products targeted to the growing Hispanic and other ethnic markets, and continues to earn consumer loyalty by delivering value, convenience and unique tastes such as California Dreamin', Very Cherry Twist and Fiesta Punch. More than one hundred years old, Faygo products are primarily distributed east of the Mississippi River and include numerous unique flavors including RedPop, Moon Mist® and Rock'n'Rye®. We also produce and market Ritz soft drinks and seltzers, primarily in the southeast U.S., and distribute Big Shot in New Orleans and the surrounding areas.

Rip It, our energy fuel which is available nationally in 17 flavors including five sugar free varieties, is the number one energy drink in the dollar-store channel. Building on the success of Rip It, we recently introduced two-ounce Rip It Shots in five flavors, including a new G-Force Extra Strength Formula. For consumers seeking vitamin-enhanced hydration, we offer Mega Sport in six reinvigorating flavors.

Everfresh and its sister brands, Home Juice and Mr. Pure, 100% fresh juice and juice-added products, are available in over 30 flavors including Blueberry Pomegranate, Kiwi Strawberry and Pineapple Mango. Originating in the Midwest over 50 years ago, these brands feature unique glass packaging targeted primarily for single-serve consumption. As the most agile regional juice company, we have been successfully expanding to new geographic areas through both independent and Company-owned distribution facilities.

With all natural ingredients, LaCroix has been outpacing the growing sparkling water segment that is fast becoming the alternative to traditional carbonated soft drinks. Containing no calories, sodium or caffeine, LaCroix has benefited from the support of major national chains and is the number one selling canned sparkling water in the U.S. as well as the number one domestically produced sparkling water. With new packages being designed for non-traditional distribution channels, we believe LaCroix is uniquely positioned to continue expanding its national footprint. Other products we offer the health-conscious consumer include Clear Fruit, a clean crisp all natural non-carbonated beverage; Crystal Bay, a zero-calorie combination of sparkling water and lively fruit flavors; Àsanté, a 50-calorie vitamin enhanced nutraceutical beverage; and Mt. Shasta, a natural spring water.

Our other non-carbonated products include the Ohana line of fruit drinks, lemonades and teas, and the Sundance line, which features brewed tea combined with great fruit flavors and reduced calories.

We refer to our portfolio of brands other than soft drinks as our "Power+ Brands".

## MANUFACTURING

Our twelve manufacturing facilities are strategically located near major metropolitan markets across the continental United States. The locations of our plants enable us to efficiently manufacture and distribute beverages to substantially all geographic markets in the United States, including 22 of the top 25 metropolitan statistical areas. Each manufacturing facility is generally equipped to produce both canned and bottled beverage products in a variety of package sizes. We utilize numerous package types and sizes, including cans ranging from eight to sixteen ounces and bottles ranging from seven ounces to three liters.

We believe that the innovative and controlled vertical integration of our bottling facilities provides an advantage over certain of our competitors that rely upon independent third party bottlers to manufacture and market their products. Since we control the national production, distribution and marketing of our brands, we believe we can more effectively manage product quality and customer service and respond quickly to changing market conditions.



We produce a substantial portion of the flavor concentrates used in our branded products. By controlling our own formulas throughout our bottling network, we can manufacture our products in accordance with uniform quality standards while tailoring flavors to regional taste preferences. We believe that the combination of a Company-owned bottling network, together with uniform standards for packaging, formulations and customer service, provides us with a strategic advantage in servicing national retailers and mass-merchandisers. We also maintain research and development laboratories at multiple locations. These laboratories continually test products for compliance with our strict quality control standards as well as conduct research for new products and flavors.

## DISTRIBUTION

We utilize a hybrid distribution system to deliver our products through three primary distribution channels: take-home, convenience and food-service.

The take-home distribution channel consists of national and regional grocery stores, warehouse clubs, mass-merchandisers, wholesalers and dollar stores. We distribute our products to this channel through the warehouse distribution system and the direct-store delivery system. Under the warehouse distribution system, products are shipped from our manufacturing facilities to the retailer's centralized distribution centers and then distributed by the retailer to each of its outlet locations with other goods. Products sold through the direct-store delivery system are distributed directly to the customer's retail outlets by our direct-store delivery fleet and by independent distributors.

We distribute our products to the convenience channel through our own direct-store delivery fleet and those of independent distributors. The convenience channel consists of convenience stores, gas stations and other smaller "up-and-down-the-street" accounts. Because of the higher retail prices and margins that typically prevail, we have undertaken several measures to expand convenience channel distribution. These include development of products, packaging and graphics specifically targeted to this market.

Our food-service division distributes products to independent, specialized distributors who sell to hospitals, schools, military bases, airlines, hotels and food-service wholesalers. Also, our Company-owned direct-store delivery fleet distributes products to certain schools and other food service customers.

Our take-home, convenience and food-service operations use vending machines and glass-door coolers as marketing and promotional tools for our brands. We provide vending machines and coolers on a placement or purchase basis to our customers. We believe vending and cooler equipment increases beverage sales, enhances brand awareness and develops brand loyalty.

In addition to foreign based customers, we distribute our brands outside of the United States through exporters and foreign locations of U.S. based companies.

## SALES AND MARKETING

We sell and market our products through an internal sales force as well as select broker networks. Our sales force is organized to serve a specific market, focusing on one or more geographic territories, distribution channels or product lines. We believe this focus allows our sales group to provide high level, responsive service and support to our customers and markets.



Our sales and marketing programs emphasize maintaining and enhancing consumer brand recognition and loyalty and typically utilize a combination of regional advertising, special event marketing, endorsements and sponsorships, along with consumer coupon distribution. We retain advertising agencies to assist with media advertising programs for our brands. Additionally, we offer numerous promotional programs to retail customers, including cooperative advertising support, in-store advertising materials and other incentives. These elements allow us to tailor marketing and advertising programs to meet local and regional economic conditions and demographics. Additionally, we sponsor special holiday promotions which feature St. Nick's soft drink and special holiday flavors and packaging.

#### RAW MATERIALS

Our centralized procurement group maintains relationships with numerous suppliers of raw materials and packaging goods. By consolidating the purchasing function for our manufacturing facilities, we believe we are able to procure more competitive arrangements with our suppliers, thereby allowing us to compete as a low-cost producer of beverages.

The products we produce and sell are made from various materials including sweeteners, juice concentrates, carbon dioxide, water, glass and plastic bottles, aluminum cans and ends, paper, cartons and closures. Most of our low-calorie soft drink products use sucralose, aspartame, stevia or Acesulfame-K. We manufacture a substantial portion of our flavor concentrates and purchase remaining raw materials from multiple suppliers.

Substantially all of the materials and ingredients we purchase are presently available from several suppliers, although strikes, weather conditions, utility shortages, governmental control or regulations, national emergencies, price or supply fluctuations or other events outside our control could adversely affect the supply of specific materials. A significant portion of our raw material purchases, including aluminum cans, plastic bottles, high fructose corn syrup, corrugated packaging and juice concentrates, are derived from commodities. Therefore, pricing and availability tend to fluctuate based upon worldwide market conditions. Our ability to recover increased costs through higher pricing may be limited by the competitive environment in which we operate. In certain cases, we may elect to enter into multi-year agreements for the supply of these materials with one or more suppliers, the terms of which may include variable or fixed pricing, minimum purchase quantities and/or the requirement to purchase all supplies for specified locations. Additionally, we use derivative financial instruments to partially mitigate our exposure to changes in certain raw material costs.

#### SEASONALITY

The majority of our sales are seasonal with the highest volume typically realized during the summer months. We have sufficient production capacity to meet seasonal increases without maintaining significant quantities of inventory in anticipation of periods of peak demand. Additionally, our sales are affected by weather conditions.

## COMPETITION

The beverage industry is highly competitive and our competitive position varies in each of our market areas. Our products compete with many varieties of liquid refreshment, including soft drinks, water products, juices, fruit drinks, powdered drinks, coffees, teas, energy drinks, sports drinks, dairy-based drinks, functional beverages and various other nonalcoholic beverages. We compete with bottlers and distributors of national, regional and private label products. Several competitors, including the two that dominate the soft drink industry, PepsiCo, Inc. and The Coca-Cola Company, have greater financial resources than we have and aggressive promotion of their products can adversely affect sales of our brands. Principal methods of competition in the beverage industry are price and promotional activity, advertising and marketing programs, point-of-sale merchandising, retail space management, customer service, product differentiation, packaging innovations and distribution methods. We believe our Company differentiates itself through a diversified product portfolio, strong regional brand recognition, innovative flavor variety, attractive packaging, efficient distribution methods, specialized advertising and, for some product lines, value pricing.

## TRADEMARKS

We own numerous trademarks for our brands that are significant to our business. We intend to continue to maintain all registrations of our significant trademarks and use the trademarks in the operation of our businesses.

## GOVERNMENTAL REGULATION

The production, distribution and sale of our products in the United States are subject to the Federal Food, Drug and Cosmetic Act; the Dietary Supplement Health and Education Act of 1994; the Occupational Safety and Health Act; the Lanham Act; various environmental statutes; and various other federal, state and local statutes regulating the production, transportation, sale, safety, advertising, labeling and ingredients of such products. Our management believes that we are in compliance, in all material respects, with such existing legislation.

Certain states and localities prohibit the sale of certain beverages unless a deposit or tax is charged for containers. These requirements vary by each jurisdiction. Similar legislation has been proposed in certain other states and localities, as well as by Congress. We are unable to predict whether such legislation will be enacted or what impact its enactment would have on our business, financial condition or results of operations.

All of our facilities in the United States are subject to federal, state and local environmental laws and regulations. Compliance with these provisions has not had any material adverse effect on our financial or competitive position. We believe that our current practices and procedures for the control and disposition of toxic or hazardous substances comply in all material respects with applicable law. Compliance with or violation of any current or future regulations could require material expenditures or have a material adverse effect on our financial results.

## EMPLOYEES

As of April 28, 2012, we employed approximately 1,200 people, of which approximately 300 are covered by collective bargaining agreements. We believe that relations with employees are generally good.

## AVAILABLE INFORMATION

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and amendments to those reports are available free of charge on our website at [www.nationalbeverage.com](http://www.nationalbeverage.com) as soon as reasonably practicable after such reports are electronically filed with the Securities and Exchange Commission. In addition, our Code of Ethics is available on our website. The information on the Company's website is not part of this Annual Report on Form 10-K or any other report that we file with, or furnish to, the Securities and Exchange Commission.

## ITEM 1A. RISK FACTORS

In addition to other information in this Form 10-K, the following risk factors should be considered carefully in evaluating the Company's business. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. Additional risks and uncertainties, including risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also impair our business and results of operations.

**Changes in consumer preferences and taste.** There has been an increasing focus on health and wellness by beverage consumers, which may reduce demand for caloric carbonated soft drinks and increase the consumption of products perceived to deliver health, wellness and/or functionality. If we do not adequately anticipate and react to changing demographics, consumer trends, health concerns and product preferences, our financial results could be adversely affected.

**Competition.** The beverage industry is extremely competitive. Our products compete with a broad range of beverage products, most of which are manufactured and distributed by companies with substantially greater financial, marketing and distribution resources. In order to generate future revenues and profits, we must continue to sell products that appeal to our customers and consumers. Discounting and other actions by our competitors may make it more difficult to sustain revenues and profits.

**Customer relationships.** Our retail customer base has been consolidating over the last several years resulting in fewer customers with increased purchasing power. This increased purchasing power can limit our ability to increase pricing for our products with certain of our customers. Our inability to meet the demands of our larger customers could lead to a loss of business and adversely affect our financial results.

**Raw materials and energy.** The production of our products is dependent on certain raw materials, including aluminum, resin, corn, linerboard and fruit juice. In addition, the production and distribution of our products is dependent on energy sources, including natural gas, fuel and electricity. These items are subject to price volatility caused by numerous factors. Commodity price increases ultimately result in a corresponding increase in the cost of raw materials and energy. We may be limited in our ability to pass these increases on to our customers or may incur a loss in sales volume to the extent price increases are taken. In addition, strikes, weather conditions, governmental controls, national emergencies, natural disasters, supply shortages or other events could affect our continued supply of raw materials and energy. If raw materials or energy costs increase, or the availability is limited, our financial results could be adversely affected.

Governmental regulation. Our business and properties are subject to various federal, state and local laws and regulations, including those governing the production, packaging, quality, labeling and distribution of beverage products. In addition, various governmental agencies have considered imposing taxes on soft drinks and other sugar-sweetened beverages, including those sweetened with high fructose corn syrup. New laws or regulations or changes in existing laws or regulations could negatively affect our financial results through lower sales or higher operating costs.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our principal properties include twelve manufacturing facilities located in ten states, which aggregate approximately two million square feet. We own ten manufacturing facilities in the following states: California (2), Georgia, Kansas, Michigan (2), Ohio, Texas, Utah and Washington. Two manufacturing facilities, located in Maryland and Florida, are leased subject to agreements that expire through 2020. We believe our facilities are generally in good condition and sufficient to meet our present needs.

The production of beverages is capital intensive but is not characterized by rapid technological change. The technological advances that have occurred have generally been of an incremental cost-saving nature, such as the industry's conversion to lighter weight containers or improved blending processes that enhance ingredient yields. We are not aware of any anticipated industry-wide changes in technology that would adversely impact our current physical production capacity or cost of production.

We own and lease trucks, vans and automobiles used in the sale, delivery and distribution of our products. In addition, we lease office and warehouse space, transportation equipment, office equipment, information systems equipment and certain manufacturing equipment.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are a party to various litigation matters arising in the ordinary course of business. We do not expect the ultimate disposition of such matters to have a material adverse effect on our consolidated financial position or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

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

The common stock of National Beverage Corp., par value \$.01 per share, ("Common Stock") is listed on The NASDAQ Global Select Market under the symbol "FIZZ". The following table shows the range of high and low prices per share of the Common Stock for the fiscal quarters indicated:

|                | Fiscal Year Ended |          |                |          |
|----------------|-------------------|----------|----------------|----------|
|                | April 28, 2012    |          | April 30, 2011 |          |
|                | High              | Low      | High           | Low      |
| First Quarter  | \$ 15.52          | \$ 13.41 | \$ 14.41       | \$ 10.77 |
| Second Quarter | \$ 17.76          | \$ 13.77 | \$ 15.23       | \$ 12.32 |
| Third Quarter  | \$ 17.72          | \$ 15.60 | \$ 15.45       | \$ 12.44 |
| Fourth Quarter | \$ 17.03          | \$ 13.30 | \$ 14.69       | \$ 12.30 |

At July 3, 2012, there were approximately 6,000 holders of our Common Stock, the majority of which hold their shares in the names of various dealers and/or clearing agencies.

The Company paid special cash dividends of \$106.3 million (\$2.30 per share) on February 14, 2011 and \$62.3 million (\$1.35 per share) on January 22, 2010. See Note 4 of Notes to Consolidated Financial Statements for certain restrictions on the payment of dividends.

In April 2012, the Board of Directors authorized an increase in the Company's Stock Buyback Program from 800,000 to 1.6 million shares of Common Stock. As of April 28, 2012, 502,060 shares were purchased under the program and 1,097,940 shares were available for purchase. There were no shares purchased during the last three fiscal years.

## Performance Graph

The following graph shows a comparison of the five-year cumulative returns of an investment of \$100 cash on April 28, 2007, assuming reinvestment of dividends, in (i) our Common Stock, (ii) the NASDAQ Composite Index and (iii) a company-constructed peer group consisting of Coca-Cola Bottling Company Consolidated and Cott Corporation. Based on the cumulative total return below, an investment in our Common Stock on April 28, 2007 provided a compounded annual return of approximately 9.2% as of April 28, 2012.

|                         | 4/28/07   | 5/3/08   | 5/2/09   | 5/1/10    | 4/30/11   | 4/28/12   |
|-------------------------|-----------|----------|----------|-----------|-----------|-----------|
| National Beverage Corp. | \$ 100.00 | \$ 65.86 | \$ 85.65 | \$ 104.98 | \$ 147.50 | \$ 155.55 |
| NASDAQ Composite        | 100.00    | 92.99    | 68.86    | 97.61     | 118.78    | 122.43    |
| Peer Group              | 100.00    | 38.26    | 38.99    | 63.95     | 74.62     | 61.14     |

## ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with the Company's financial statements and the accompanying notes listed in Item 8 of this report.

## NATIONAL BEVERAGE CORP. AND SUBSIDIARIES

(In thousands, except per share and footnote amounts)

|  | Fiscal Year Ended |                   |                |                |                    |
|--|-------------------|-------------------|----------------|----------------|--------------------|
|  | April 28,<br>2012 | April 30,<br>2011 | May 1,<br>2010 | May 2,<br>2009 | May 3,<br>2008 (1) |
| <b>SUMMARY OF OPERATIONS:</b>                |                   |                   |                |                |                    |
| Net sales                                    | \$628,886         | \$600,193         | \$593,465      | \$575,177      | \$566,001          |
| Cost of sales                                | 415,629           | 381,539           | 396,450        | 405,322        | 393,420            |
| Gross profit                                 | 213,257           | 218,654           | 197,015        | 169,855        | 172,581            |
| Selling, general and administrative expenses | 146,169           | 155,885           | 145,159        | 131,918        | 138,447            |
| Interest expense                             | 107               | 99                | 120            | 107            | 109                |
| Other (expense) income - net                 | (85 )             | (20 )             | (351 )         | 967            | 1,053              |
| Income before income taxes                   | 66,896            | 62,650            | 51,385         | 38,797         | 35,078             |
| Provision for income taxes                   | 22,903            | 21,896            | 18,532         | 14,055         | 12,598             |
| Net income                                   | \$43,993          | \$40,754          | \$32,853       | \$24,742       | \$22,480           |
| <b>PER SHARE DATA:</b>                       |                   |                   |                |                |                    |
| Basic net income (2)                         | \$.95             | \$.88             | \$.71          | \$.54          | \$.49              |
| Diluted net income (2)                       | .95               | .88               | .71            | .54            | .49                |
| Closing stock price (2)                      | 14.68             | 13.92             | 11.60          | 10.47          | 8.05               |
| Cash dividends paid (3)                      | -                 | 2.30              | 1.35           | -              | .80                |
| <b>BALANCE SHEET DATA:</b>                   |                   |                   |                |                |                    |
| Cash and equivalents (3)                     | \$35,626          | \$7,372           | \$68,566       | \$84,140       | \$51,497           |
| Working capital (3)                          | 69,818            | 30,930            | 92,898         | 117,840        | 89,396             |
| Property, plant and equipment - net          | 56,729            | 55,337            | 53,401         | 56,141         | 57,639             |
| Total assets (3)                             | 222,988           | 182,810           | 240,359        | 265,682        | 239,122            |
| Deferred income tax liability                | 14,214            | 14,548            | 15,597         | 16,517         | 16,624             |
| Shareholders' equity (3)                     | 121,636           | 80,336            | 141,572        | 170,012        | 144,625            |
| Cash dividends paid (3)                      | -                 | 106,314           | 62,295         | -              | 36,711             |

- (1) Fiscal 2008 consisted of 53 weeks.
- (2) Basic net income per share is computed by dividing earnings applicable to common shares by the weighted average number of shares outstanding. Diluted net income per share includes the dilutive effect of stock options. Net income per share and the closing stock price have been adjusted for the 20% stock dividend distributed on June 22, 2007.
- (3) The Company paid cash dividends of \$106.3 million (\$2.30 per share) on February 14, 2011, \$62.3 million (\$1.35 per share) on January 22, 2010, and \$36.7 million (\$.80 per share) on August 17, 2007.





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

OVERVIEW

National Beverage Corp. is a holding company for various subsidiaries that develop, manufacture, market and sell a diverse portfolio of beverage products. In this report, the terms "we," "us," "our," "Company" and "National Beverage" mean National Beverage Corp. and its subsidiaries unless indicated otherwise.

Our brands include soft drinks, energy drinks and shots, juices, teas, still and sparkling waters and nutritionally enhanced beverages, and span both carbonated and non-carbonated offerings. In addition, we produce soft drinks for certain retailers ("Allied Brands") who also promote certain of our brands ("Strategic Alliances"). We employ a philosophy that demands vertical integration wherever possible and our vertically integrated manufacturing model unites the procurement of raw materials, production of concentrates and manufacturing of finished products in our twelve manufacturing facilities. To service a diverse customer base that includes numerous national retailers as well as hundreds of smaller "up and down the street" accounts, we have developed a hybrid distribution system which promotes and utilizes customers' warehouse distribution facilities and our own direct-store delivery fleet plus the direct-store delivery systems of independent distributors.

We consider ourselves to be a leader in the development and sale of flavored beverage products. Our soft drink flavor development spans over 100 years originating with our flagship brands, Shasta® and Faygo®, and includes our Ritz® and Big Shot® brands. For the health-conscious consumer, we offer a diverse line of flavored beverage products, including Everfresh®, Home Juice® and Mr. Pure® 100% juice and juice-based products; LaCroix®, Crystal Bay® and Clear Fruit® flavored, sparkling and spring water products; and Àsanté® nutritionally-enhanced beverage. In addition, we produce and market Rip It® energy drinks and shots, Ohana® fruit-flavored non-carbonated drinks, Sundance® teas and lemonades and St. Nick's® holiday soft drinks. We refer to our portfolio of brands other than soft drinks as our "Power+ Brands".

Our strategy emphasizes the growth of our products by (i) offering a beverage portfolio of proprietary flavors with distinctive packaging and broad demographic appeal, (ii) supporting the franchise value of regional brands, (iii) appealing to the "quality-value" expectations of the family consumer and (iv) responding to demographic trends by developing innovative products tailored toward healthy lifestyles or designed to expand distribution in higher-margin channels.

The majority of our sales are seasonal with the highest volume typically realized during the summer months. As a result, our operating results from one fiscal quarter to the next may not be comparable. Additionally, our operating results are affected by numerous factors, including fluctuations in the costs of raw materials, changes in consumer preference for beverage products, competitive pricing in the marketplace and weather conditions.

## RESULTS OF OPERATIONS

### Net Sales

Net sales for the fiscal year ended April 28, 2012 (“Fiscal 2012”) increased 4.8% to \$628.9 million as compared to \$600.2 million for the fiscal year ended April 30, 2011 (“Fiscal 2011”). The sales improvement is due to case volume growth of 9.9% for our Power+ Brands and 1.4% for carbonated soft drinks. In addition, our unit pricing increased 1.3% due to price increases implemented to offset higher raw material costs.

Net sales for Fiscal 2011 increased 1.1% to \$600.2 million as compared to \$593.5 million for the fiscal year ended May 1, 2010 (“Fiscal 2010”). The sales improvement is due to case volume growth of 13.2% for our Power+ Brands, and a 1.2% increase in unit pricing resulting from favorable product mix changes. This sales improvement was partially offset by a 2.1% volume decline for branded carbonated soft drinks due to weak demand in certain regional markets.

### Gross Profit

Gross profit approximated 33.9% of net sales for Fiscal 2012, which represents a 2.5% margin decline compared to Fiscal 2011. During Fiscal 2011 we benefited from sales of certain high margin products to overseas locations. These sales were impacted during Fiscal 2012 and, accordingly, gross margins returned to more normalized levels. The gross margin decline is also due to higher raw material costs and other changes in product mix. Cost of sales increased 5.3% on a per case basis.

Gross profit approximated 36.4% of net sales for Fiscal 2011, which represents a 3.2% margin improvement over Fiscal 2010. This gross margin improvement is primarily due to favorable changes in brand and package mix. Cost of sales decreased 3.7% on a per case basis.

Shipping and handling costs are included in selling, general and administrative expenses, the classification of which is consistent with many beverage companies. However, our gross margin may not be comparable to companies that include shipping and handling costs in cost of sales. See Note 1 of Notes to Consolidated Financial Statements.

### Selling, General and Administrative Expenses

Selling, general and administrative expenses were \$146.2 million or 23.2% of net sales for Fiscal 2012 compared to \$155.9 million or 26.0% of net sales for Fiscal 2011. The decline in expenses is due to a decrease in marketing and administrative expenses.

Selling, general and administrative expenses were \$155.9 million or 26.0% of net sales for Fiscal 2011 compared to \$145.2 million or 24.5% of net sales for Fiscal 2010. The increase in expenses was primarily due to additional investment in expanded distribution, including expanded marketing and selling programs. Marketing costs reflect increased cooperative advertising programs with customers and increased brand support expenditures.

### Interest Expense and Other Expense - Net

Interest expense is comprised of interest on borrowings and fees related to maintaining lines of credit. Other expense is net of interest income of \$69,000 for Fiscal 2012, \$140,000 for Fiscal 2011 and \$229,000 for Fiscal 2010. The decline in interest income for Fiscal 2012 is due to lower average invested balances and investment yields. The decline in interest income for Fiscal 2011 is due to lower investment yields.

#### Income Taxes

Our effective tax rate was approximately 34.2% for Fiscal 2012, 34.9% for Fiscal 2011 and 36.1% for Fiscal 2010. The difference between the effective rate and the federal statutory rate of 35% was primarily due to the effects of state income taxes and the manufacturing deduction. See Note 8 of Notes to Consolidated Financial Statements.

#### LIQUIDITY AND FINANCIAL CONDITION

##### Liquidity and Capital Resources

Our principal source of funds is cash generated from operations, which may be supplemented by borrowings available under our credit facilities. The Company maintains \$75 million unsecured revolving credit facilities of which \$2.4 million was utilized for standby letters of credit at April 28, 2012. We believe that existing capital resources will be sufficient to meet our capital requirements for the foreseeable future. See Note 4 of Notes to Consolidated Financial Statements.

We continually evaluate capital projects to expand our production capacity, enhance packaging capabilities or improve efficiencies at our manufacturing facilities. Expenditures for property, plant and equipment amounted to \$9.9 million for Fiscal 2012; there were no material capital expenditure commitments at April 28, 2012.

The Company paid special cash dividends of \$106.3 million (\$2.30 per share) on February 14, 2011 and \$62.3 million (\$1.35 per share) on January 22, 2010.

Pursuant to a management agreement, we incurred a fee to Corporate Management Advisors, Inc. ("CMA") of approximately \$6.3 million for Fiscal 2012, \$6.0 million for Fiscal 2011 and \$5.9 million for Fiscal 2010. At April 28, 2012, management fees payable to CMA were \$3.0 million. See Note 5 of Notes to Consolidated Financial Statements.

##### Cash Flows

During Fiscal 2011 and Fiscal 2010, cash flow was significantly impacted by the payment of two special cash dividends aggregating \$168.6 million.

During Fiscal 2012, \$37.7 million was provided by operating activities, which was offset by \$9.9 million used in investing activities. Cash provided by operating activities decreased \$17.6 million primarily due to increases in trade receivables and inventories as well as a decline in accrued liabilities. Cash used in investing activities decreased \$1.5 million due to lower capital expenditures.

During Fiscal 2011, \$55.3 million was provided by operating activities, offset by \$11.3 million used in investing activities and a special cash dividend payment of \$106.3 million. Cash provided by operating activities increased \$9 million primarily due to higher earnings. Cash used in investing activities increased \$3.0 million due to expanded capital investments.

##### Financial Position

During Fiscal 2012, our working capital increased \$38.9 million to \$69.8 million due to cash provided by operating activities. Trade receivables increased \$5.7 million, which represents an increase in days sales outstanding from approximately 33.4 days to 33.9 days, and inventories increased \$7.5 million, which represents a reduction in annual inventory turns from 11.7 to 11 times. These increases are primarily due to the commencement of a new Strategic Alliance agreement in the latter part of Fiscal 2012. The increase in inventory is also due to higher raw material costs and quantity increases related to anticipated sales growth. Prepaid and other assets decreased \$4.0 million due to a decline in the fair value of derivative assets. See Note 6 of Notes to Consolidated Financial Statements. At April 28, 2012, the current ratio was 1.9 to 1, as compared to 1.4 to 1 at April 30, 2011.



During Fiscal 2011, our working capital decreased \$62.0 million to \$30.9 million due to the special cash dividend paid in February 2011. Inventory decreased \$1.3 million due to reduced inventory quantities. Prepaid and other assets increased \$4.2 million primarily due to an increase in the fair value of derivative assets. At April 30, 2011, the current ratio was 1.4 to 1, as compared to 2.3 to 1 at May 1, 2010.

## CONTRACTUAL OBLIGATIONS

Contractual obligations at April 28, 2012 are payable as follows:

|                      | Total            | (In thousands)      |                 |                 |                      |
|----------------------|------------------|---------------------|-----------------|-----------------|----------------------|
|                      |                  | Less Than<br>1 Year | 1 to 3<br>Years | 3 to 5<br>Years | More Than<br>5 Years |
| Operating leases     | \$16,461         | \$4,261             | \$5,151         | \$3,673         | \$3,376              |
| Purchase commitments | 102,785          | 57,830              | 44,955          | -               | -                    |
| <b>Total</b>         | <b>\$119,246</b> | <b>\$62,091</b>     | <b>\$50,106</b> | <b>\$3,673</b>  | <b>\$3,376</b>       |

As of April 28, 2012, we guaranteed the residual value of certain leased equipment in the amount of \$7.1 million. If the proceeds from the sale of such equipment are less than the balance required by the lease when the lease terminates July 31, 2012, the Company shall be required to pay the difference up to such guaranteed amount. The Company expects to have no loss on such guarantee.

We contribute to certain pension plans under collective bargaining agreements and to a discretionary profit sharing plan. Total contributions were \$2.5 million for Fiscal 2012, \$2.5 million for Fiscal 2011 and \$2.3 million for Fiscal 2010. See Note 10 of Notes to Consolidated Financial Statements.

We maintain self-insured and deductible programs for certain liability, medical and workers' compensation exposures. Other long-term liabilities include known claims and estimated incurred but not reported claims not otherwise covered by insurance, based on actuarial assumptions and historical claims experience. Since the timing and amount of claim payments vary significantly, we are not able to reasonably estimate future payments for the specific periods indicated in the table above. In connection with our self-insurance programs, we have standby letters of credit aggregating \$2.4 million which expire in fiscal 2013. We expect to renew these standby letters of credit.

## OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition.

## CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. We believe that the critical accounting policies described in the following paragraphs comprise the most significant estimates and assumptions used in the preparation of our consolidated financial statements. For these policies, we caution that future events rarely develop exactly as estimated and the best estimates routinely require adjustment.



#### Credit Risk

We sell products to a variety of customers and extend credit based on an evaluation of each customer's financial condition, generally without requiring collateral. Exposure to credit losses varies by customer principally due to the financial condition of each customer. We monitor our exposure to credit losses and maintain allowances for anticipated losses based on specific customer circumstances, credit conditions and historical write-offs.

#### Impairment of Long-Lived Assets

All long-lived assets, excluding goodwill and intangible assets not subject to amortization, are evaluated for impairment on the basis of undiscounted cash flows whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impaired asset is written down to its estimated fair market value based on the best information available. Estimated fair market value is generally measured by discounting future cash flows. Goodwill and intangible assets not subject to amortization are evaluated for impairment annually or sooner if we believe such assets may be impaired. An impairment loss is recognized if the carrying amount or, for goodwill, the carrying amount of its reporting unit, is greater than its fair value.

#### Income Taxes

Our effective income tax rate is based on estimates of taxes which will ultimately be payable. Deferred taxes are recorded to give recognition to temporary differences between the tax bases of assets or liabilities and their reported amounts in the financial statements. Valuation allowances are established to reduce the carrying amounts of deferred tax assets when it is deemed, more likely than not, that the benefit of deferred tax assets will not be realized.

#### Insurance Programs

We maintain self-insured and deductible programs for certain liability, medical and workers' compensation exposures. Accordingly, we accrue for known claims and estimated incurred but not reported claims not otherwise covered by insurance based on actuarial assumptions and historical claims experience.

#### Sales Incentives

We offer various sales incentive arrangements to our customers that require customer performance or achievement of certain sales volume targets. In those circumstances when the incentive is paid in advance, we amortize the amount paid over the period of benefit or contractual sales volume. When the incentive is paid in arrears, we accrue the expected amount to be paid over the period of benefit or expected sales volume. The recognition of these incentives involves the use of judgment related to performance and sales volume estimates that are made based on historical experience and other factors. Sales incentives are accounted for as a reduction of sales and actual amounts ultimately realized may vary from accrued amounts.

## FORWARD-LOOKING STATEMENTS

National Beverage and its representatives may make written or oral statements relating to future events or results relative to our financial, operational and business performance, achievements, objectives and strategies. These statements are "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995 and include statements contained in this report and other filings with the Securities and Exchange Commission and in reports to our stockholders. Certain statements including, without limitation, statements containing the words "believes," "anticipates," "intends," "plans," "expects," and "estimates" constitute "forward-looking statements" and involve known and unknown risk, uncertainties and other factors that may cause the actual results, performance or achievements of our Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the following: general economic and business conditions, pricing of competitive products, success in acquiring other beverage businesses, success of new product and flavor introductions, fluctuations in the costs of raw materials and packaging supplies, ability to pass along cost increases to our customers, labor strikes or work stoppages or other interruptions in the employment of labor, continued retailer support for our products, changes in consumer preferences and our success in creating products geared toward consumers' tastes, success in implementing business strategies, changes in business strategy or development plans, government regulations, taxes or fees imposed on the sale of our products, unseasonably cold or wet weather conditions and other factors referenced in this report, filings with the Securities and Exchange Commission and other reports to our stockholders. We disclaim an obligation to update any such factors or to publicly announce the results of any revisions to any forward-looking statements contained herein to reflect future events or developments.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Commodities

We purchase various raw materials, including aluminum cans, plastic bottles, high fructose corn syrup, corrugated packaging and juice concentrates, the prices of which fluctuate based on commodity market conditions. Our ability to recover increased costs through higher pricing may be limited by the competitive environment in which we operate. At times, we manage our exposure to this risk through the use of supplier pricing agreements that enable us to establish the purchase prices for certain commodities. Additionally, we use derivative financial instruments to partially mitigate our exposure to changes in certain raw material costs.

### Interest Rates

We had no debt-related interest rate exposure during Fiscal 2012. Our investment portfolio is comprised of highly liquid securities consisting primarily of short-term money market investments, the yields of which fluctuate based largely on short-term Treasury rates.



## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

## NATIONAL BEVERAGE CORP. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

|  | April 28,<br>2012 | April 30,<br>2011 |
|--|-------------------|-------------------|
| Assets   |                   |                   |
| Current assets:  |                   |                   |
| Cash and equivalents   | \$35,626          | \$7,372           |
| Trade receivables - net of allowances of \$399 (2012) and \$452 (2011)   | 61,591            | 55,912            |
| Inventories  | 40,862            | 33,353            |
| Deferred income taxes - net  | 3,550             | 1,493             |
| Prepaid and other assets   | 4,425             | 8,403             |
| Total current assets   | 146,054           | 106,533           |
| Property, plant and equipment - net  | 56,729            | 55,337            |
| Goodwill   | 13,145            | 13,145            |
| Intangible assets  | 1,615             | 1,615             |
| Other assets   | 5,445             | 6,180             |
|  | \$222,988         | \$182,810         |
| Liabilities and Shareholders' Equity   |                   |                   |
| Current liabilities:   |                   |                   |
| Accounts payable   | \$54,875          | \$49,257          |
| Accrued liabilities  | 21,279            | 26,214            |
| Income taxes payable   | 82                | 132               |
| Total current liabilities  | 76,236            | 75,603            |
| Deferred income taxes - net  | 14,214            | 14,548            |
| Other liabilities  | 10,902            | 12,323            |
| Shareholders' equity:  |                   |                   |
| Preferred stock, 7% cumulative, \$1 par value, aggregate liquidation preference of \$15,000 - 1,000,000 shares authorized; 150,000 shares issued | 150               | 150               |
| Common stock, \$.01 par value - 75,000,000 shares authorized; 50,321,559 shares (2012) and 50,262,139 shares (2011) issued                       | 503               | 503               |
| Additional paid-in capital   | 30,425            | 29,725            |
| Retained earnings  | 109,200           | 65,207            |
| Accumulated other comprehensive (loss) income  | (642)             | 2,751             |
| Treasury stock - at cost:  |                   |                   |
| Preferred stock - 150,000 shares   | (5,100)           | (5,100)           |
| Common stock - 4,032,784 shares  | (12,900)          | (12,900)          |
| Total shareholders' equity   | 121,636           | 80,336            |
|  | \$222,988         | \$182,810         |

See accompanying Notes to Consolidated Financial Statements.



NATIONAL BEVERAGE CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
(In thousands, except per share amounts)

|  | Fiscal Year Ended |                   |                |
|--|-------------------|-------------------|----------------|
|  | April 28,<br>2012 | April 30,<br>2011 | May 1,<br>2010 |
| Net sales                                    | \$628,886         | \$600,193         | \$593,465      |
| Cost of sales                                | 415,629           | 381,539           | 396,450        |
| Gross profit                                 | 213,257           | 218,654           | 197,015        |
| Selling, general and administrative expenses | 146,169           | 155,885           | 145,159        |
| Interest expense                             | 107               | 99                | 120            |
| Other expense - net                          | 85                | 20                | 351            |
| Income before income taxes                   | 66,896            | 62,650            | 51,385         |
| Provision for income taxes                   | 22,903            | 21,896            | 18,532         |
| Net income                                   | \$43,993          | \$40,754          | \$32,853       |
| Net income per share:                        |                   |                   |                |
| Basic  | \$.95             | \$.88             | \$.71          |
| Diluted                                      | \$.95             | \$.88             | \$.71          |
| Weighted average common shares outstanding:  |                   |                   |                |
| Basic  | 46,267            | 46,188            | 46,065         |
| Diluted                                      | 46,448            | 46,373            | 46,294         |

See accompanying Notes to Consolidated Financial Statements.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
(In thousands)

|  | Fiscal Year Ended |                   |                   |
|--|-------------------|-------------------|-------------------|
|  | April 28,<br>2012 | April 30,<br>2011 | May 1,<br>2010    |
| <b>Number of Common Shares Issued</b>                |                   |                   |                   |
| Beginning of year                                    | 50,262            | 50,189            | 50,045            |
| Stock options exercised                              | 60                | 73                | 144               |
| End of year  | 50,322            | 50,262            | 50,189            |
| <b>Preferred Stock</b>                               |                   |                   |                   |
| Beginning and end of year                            | \$ 150            | \$ 150            | \$ 150            |
| <b>Common Stock</b>                                  |                   |                   |                   |
| Beginning of year                                    | 503               | 502               | 500               |
| Stock options exercised                              | -                 | 1                 | 2                 |
| End of year  | 503               | 503               | 502               |
| <b>Additional Paid-In Capital</b>                    |                   |                   |                   |
| Beginning of year                                    | 29,725            | 28,150            | 27,153            |
| Stock options exercised                              | 115               | 208               | 264               |
| Stock-based compensation                             | 290               | 446               | 349               |
| Stock-based tax benefits                             | 295               | 921               | 384               |
| End of year  | 30,425            | 29,725            | 28,150            |
| <b>Retained Earnings</b>                             |                   |                   |                   |
| Beginning of year                                    | 65,207            | 130,767           | 160,209           |
| Net income   | 43,993            | 40,754            | 32,853            |
| Cash dividends                                       | -                 | (106,314 )        | (62,295 )         |
| End of year  | 109,200           | 65,207            | 130,767           |
| <b>Accumulated Other Comprehensive (Loss) Income</b> |                   |                   |                   |
| Beginning of year                                    | 2,751             | 3                 | -                 |
| Cash flow hedges                                     | (3,063 )          | 2,748             | 3                 |
| Other  | (330 )            | -                 | -                 |
| End of year  | (642 )            | 2,751             | 3                 |
| <b>Treasury Stock - Preferred</b>                    |                   |                   |                   |
| Beginning and end of year                            | (5,100 )          | (5,100 )          | (5,100 )          |
| <b>Treasury Stock - Common</b>                       |                   |                   |                   |
| Beginning and end of year                            | (12,900 )         | (12,900 )         | (12,900 )         |
| <b>Total Shareholders' Equity</b>                    | <b>\$ 121,636</b> | <b>\$ 80,336</b>  | <b>\$ 141,572</b> |
| <b>Comprehensive Income</b>                          |                   |                   |                   |
| Net income   | \$ 43,993         | \$ 40,754         | \$ 32,853         |
| Cash flow hedges                                     | (3,063 )          | 2,748             | 3                 |
| Other  | (330 )            | -                 | -                 |
| <b>Comprehensive income</b>                          | <b>\$ 40,600</b>  | <b>\$ 43,502</b>  | <b>\$ 32,856</b>  |

See accompanying Notes to Consolidated Financial Statements.



NATIONAL BEVERAGE CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands)

|   | Fiscal Year Ended |                   |                |
|---|-------------------|-------------------|----------------|
|   | April 28,<br>2012 | April 30,<br>2011 | May 1,<br>2010 |
| <b>Operating Activities:</b>  |                   |                   |                |
| Net income  | \$43,993          | \$40,754          | \$32,853       |
| Adjustments to reconcile net income to net cash provided by operating activities: |                   |                   |                |
| Depreciation and amortization   | 10,651            | 11,356            | 12,350         |
| Deferred income tax benefit   | (477 )            | (694 )            | (1,026 )       |
| Loss on disposal of property, net   | 7                 | 82                | 791            |
| Stock-based compensation  | 290               | 446               | 349            |
| Changes in assets and liabilities:  |                   |                   |                |
| Trade receivables   | (5,679 )          | (2,078 )          | (99 )          |
| Inventories   | (7,509 )          | 1,319             | 4,940          |
| Prepaid and other assets  | (2,239 )          | (1,215 )          | 8              |
| Accounts payable  | 5,618             | 829               | 423            |
| Accrued and other liabilities   | (6,959 )          | 4,503             | 3,796          |
| Net cash provided by operating activities   | 37,696            | 55,302            | 54,385         |
| <b>Investing Activities:</b>  |                   |                   |                |
| Additions to property, plant and equipment  | (9,905 )          | (11,389 )         | (8,349 )       |
| Proceeds from sale of property, plant and equipment                               | 53                | 77                | 35             |
| Net cash used in investing activities   | (9,852 )          | (11,312 )         | (8,314 )       |
| <b>Financing Activities:</b>  |                   |                   |                |
| Common stock cash dividend  | -                 | (106,314 )        | (62,295 )      |
| Proceeds from stock options exercised   | 115               | 209               | 266            |
| Stock-based tax benefits  | 295               | 921               | 384            |
| Net cash provided by (used in) financing activities                               | 410               | (105,184 )        | (61,645 )      |
| Net Increase (Decrease) in Cash and Equivalents                                   | 28,254            | (61,194 )         | (15,574 )      |
| Cash and Equivalents - Beginning of Year  | 7,372             | 68,566            | 84,140         |
| Cash and Equivalents - End of Year  | \$35,626          | \$7,372           | \$68,566       |
| <b>Other Cash Flow Information:</b>   |                   |                   |                |
| Interest paid   | \$95              | \$101             | \$124          |
| Income taxes paid   | 23,127            | 20,816            | 18,541         |

See accompanying Notes to Consolidated Financial Statements.



## NATIONAL BEVERAGE CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

National Beverage Corp. develops, manufactures, markets and sells a diverse portfolio of multi-flavored soft drinks, juice drinks, water and specialty beverages primarily in North America. Incorporated in Delaware in 1985, National Beverage Corp. is a holding company for various operating subsidiaries. When used in this report, the terms “we,” “us,” “our,” “Company” and “National Beverage” mean National Beverage Corp. and its subsidiaries.

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Presentation

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The consolidated financial statements include the accounts of National Beverage Corp. and all subsidiaries. All significant intercompany transactions and accounts have been eliminated. Our fiscal year ends the Saturday closest to April 30 and, as a result, an additional week is added every five or six years. Fiscal 2012, Fiscal 2011 and Fiscal 2010 consisted of 52 weeks.

##### Cash and Equivalents

Cash and equivalents are comprised of cash and highly liquid securities (consisting primarily of short-term money-market investments) with an original maturity of three months or less.

##### Derivative Financial Instruments

We use derivative financial instruments to partially mitigate our exposure to changes in raw material costs. All derivative financial instruments are recorded at fair value in our Consolidated Balance Sheets. We do not use derivative financial instruments for trading or speculative purposes. Credit risk related to derivative financial instruments is managed by requiring high credit standards for counterparties and frequent cash settlements. See Note 6.

##### Fair Value

The fair values of our cash and cash equivalents, trade receivables and accounts payable approximate their carrying amounts due to their short-term nature. The estimated fair values of our derivative financial instruments are calculated based on market rates to settle the instruments. These values represent the estimated amounts we would receive upon sale, taking into consideration current market prices and credit worthiness. See Note 6.

##### Impairment of Long-Lived Assets

All long-lived assets, excluding goodwill and intangible assets not subject to amortization, are evaluated for impairment on the basis of undiscounted cash flows whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impaired asset is written down to its estimated fair market value based on the best information available. Estimated fair market value is generally measured by discounting future cash flows. Goodwill and intangible assets not subject to amortization are evaluated for impairment annually or sooner if we believe such assets may be impaired. An impairment loss is recognized if the carrying amount or, for goodwill, the carrying amount of its reporting unit, is greater than its fair value.



#### Income Taxes

Our effective income tax rate is based on estimates of taxes which will ultimately be payable. Deferred taxes are recorded to give recognition to temporary differences between the tax bases of assets or liabilities and their reported amounts in the financial statements. Valuation allowances are established to reduce the carrying amounts of deferred tax assets when it is deemed, more likely than not, that the benefit of deferred tax assets will not be realized.

#### Insurance Programs

We maintain self-insured and deductible programs for certain liability, medical and workers' compensation exposures. Accordingly, we accrue for known claims and estimated incurred but not reported claims not otherwise covered by insurance, based on actuarial assumptions and historical claims experience.

#### Intangible Assets

Intangible assets as of April 28, 2012 and April 30, 2011 consisted of non-amortizable trademarks.

#### Inventories

Inventories are stated at the lower of first-in, first-out cost or market. Inventories at April 28, 2012 were comprised of finished goods of \$24.4 million and raw materials of \$16.5 million. Inventories at April 30, 2011 were comprised of finished goods of \$20.2 million and raw materials of \$13.1 million. (See Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Position.)

#### Marketing Costs

We are involved in a variety of marketing programs, including cooperative advertising programs with customers, to advertise and promote our products to consumers. Marketing costs are expensed when incurred, except for prepaid advertising and production costs which are expensed when the advertising takes place. Marketing costs, which are included in selling, general and administrative expenses, totaled \$45.8 million in Fiscal 2012, \$52.9 million in Fiscal 2011 and \$44.7 million in Fiscal 2010.

#### Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share is calculated in a similar manner, but includes the dilutive effect of stock options, which amounted to 181,000 shares in Fiscal 2012, 185,000 shares in Fiscal 2011 and 229,000 shares in Fiscal 2010. Options to purchase 291,000 shares in Fiscal 2011 and 18,000 shares in Fiscal 2010 were not included in the calculation of diluted net income per share because these options were anti-dilutive.

#### Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Additions, replacements and betterments are capitalized, while maintenance and repairs that do not extend the useful life of an asset are expensed as incurred. Depreciation is recorded using the straight-line method over estimated useful lives of 7 to 30 years for buildings and improvements, and 3 to 15 years for machinery and equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the improvement. When assets are retired or otherwise disposed, the cost and accumulated depreciation are removed from the respective accounts and any related gain or loss is recognized.

#### Revenue Recognition

Revenue from product sales is recognized when title and risk of loss pass to the customer, which generally occurs upon delivery. Our policy is not to allow the return of products once they have been accepted by the customer. However, on occasion, we have accepted returns or issued credit to customers, primarily for damaged goods. The amounts have been immaterial and, accordingly, we do not provide a specific valuation allowance for sales returns.



### Sales Incentives

We offer various sales incentive arrangements to our customers that require customer performance or achievement of certain sales volume targets. In those circumstances when the incentive is paid in advance, we amortize the amount paid over the period of benefit or contractual sales volume. When the incentive is paid in arrears, we accrue the expected amount to be paid over the period of benefit or expected sales volume. The recognition of these incentives involves the use of judgment related to performance and sales volume estimates that are made based on historical experience and other factors. Sales incentives are accounted for as a reduction of sales and actual amounts ultimately realized may vary from accrued amounts.

### Segment Reporting

We operate as a single operating segment for purposes of presenting financial information and evaluating performance. As such, the accompanying consolidated financial statements present financial information in a format that is consistent with the internal financial information used by management. We do not accumulate revenues by product classification and, therefore, it is impractical to present such information.

### Shipping and Handling Costs

Shipping and handling costs are reported in selling, general and administrative expenses in the accompanying statements of income. Such costs aggregated \$45.6 million in Fiscal 2012, \$45.1 million in Fiscal 2011 and \$43.0 million in Fiscal 2010. Although our classification is consistent with many beverage companies, our gross margin may not be comparable to companies that include shipping and handling costs in cost of sales.

### Stock-Based Compensation

Compensation expense for stock-based compensation awards is recognized over the vesting period based on the grant-date fair value estimated using the Black-Scholes model. See Note 9.

### Trade Receivables

We record trade receivables at net realizable value, which includes an appropriate allowance for doubtful accounts. We extend credit based on an evaluation of each customer's financial condition, generally without requiring collateral. Exposure to credit losses varies by customer principally due to the financial condition of each customer. We monitor our exposure to credit losses and maintain allowances for anticipated losses based on specific customer circumstances, credit conditions and historical write-offs. Activity in the allowance for doubtful accounts was as follows:

|                              | (In thousands) |                |                |
|------------------------------|----------------|----------------|----------------|
|                              | Fiscal<br>2012 | Fiscal<br>2011 | Fiscal<br>2010 |
| Balance at beginning of year | \$ 452         | \$ 509         | \$ 445         |
| Net charge to expense        | 4              | 67             | 340            |
| Net charge-off               | (57 )          | (124 )         | (276 )         |
| Balance at end of year       | \$ 399         | \$ 452         | \$ 509         |

As of April 28, 2012 and April 30, 2011, we did not have any customer that comprised more than 10% of trade receivables. No one customer accounted for more than 10% of net sales during any of the last three fiscal years.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and anticipated future actions, actual results may vary from reported amounts.

## 2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of April 28, 2012 and April 30, 2011 consisted of the following:

|                                     | (In thousands) |            |
|-------------------------------------|----------------|------------|
|                                     | 2012           | 2011       |
| Land                                | \$ 9,779       | \$ 9,779   |
| Buildings and improvements          | 48,363         | 47,374     |
| Machinery and equipment             | 136,019        | 132,709    |
| Total                               | 194,161        | 189,862    |
| Less accumulated depreciation       | (137,432 )     | (134,525 ) |
| Property, plant and equipment – net | \$ 56,729      | \$ 55,337  |

Depreciation expense was \$8.5 million for Fiscal 2012, \$9.3 million for Fiscal 2011 and \$10.3 million for Fiscal 2010.

## 3. ACCRUED LIABILITIES

Accrued liabilities as of April 28, 2012 and April 30, 2011 consisted of the following:

|                      | (In thousands) |           |
|----------------------|----------------|-----------|
|                      | 2012           | 2011      |
| Accrued compensation | \$ 9,252       | \$ 9,862  |
| Accrued promotions   | 5,450          | 7,130     |
| Accrued insurance    | 1,621          | 2,078     |
| Other                | 4,956          | 7,144     |
| Total                | \$ 21,279      | \$ 26,214 |

## 4. DEBT

At April 28, 2012, a subsidiary of the Company maintained unsecured revolving credit facilities with banks aggregating \$75 million (the "Credit Facilities"). The Credit Facilities expire through July 8, 2013 and, currently, any borrowings would bear interest at .3% to .9% above LIBOR or, at our election, .5% below the banks' reference rate. At April 28, 2012, \$2.4 million of the Credit Facilities was used for standby letters of credit and \$72.6 million was available for borrowings.

The Credit Facilities require the subsidiary to maintain certain financial ratios, principally debt to net worth and debt to EBITDA (as defined in the loan agreements), and contain other restrictions, none of which are expected to have a material effect on our operations or financial position. At April 28, 2012, we were in compliance with all loan covenants and approximately \$1.2 million of retained earnings was restricted from distribution.

## 5. CAPITAL STOCK AND TRANSACTIONS WITH RELATED PARTIES

The Company paid special cash dividends of \$106.3 million (\$2.30 per share) on February 14, 2011 and \$62.3 million (\$1.35 per share) on January 22, 2010.

In April 2012, the Board of Directors authorized an increase in the Company's Stock Buyback Program from 800,000 to 1.6 million shares of common stock. As of April 28, 2012, 502,060 shares were purchased under the program and 1,097,940 shares were available for purchase. There were no shares purchased during the last three fiscal years.

The Company is a party to a management agreement with Corporate Management Advisors, Inc. ("CMA"), a corporation owned by our Chairman and Chief Executive Officer. This agreement was originated in 1991 for the efficient use of management of two public companies at the time. In 1994, one of those public entities, through a merger, no longer was managed in this manner. Under the terms of the agreement, CMA provides, subject to the direction and supervision of the Board of Directors of the Company, (i) senior corporate functions (including supervision of the Company's financial, legal, executive recruitment, internal audit and management information systems departments) as well as the services of a Chief Executive Officer and Chief Financial Officer, and (ii) services in connection with acquisitions, dispositions and financings by the Company, including identifying and profiling acquisition candidates, negotiating and structuring potential transactions and arranging financing for any such transaction. CMA, through its personnel, also provides, to the extent possible, the stimulus and creativity to develop an innovative and dynamic persona for the Company, its products and corporate image. In order to fulfill its obligations under the management agreement, CMA employs numerous individuals, whom, acting as a unit, provide management, administrative and creative functions for the Company. The management agreement provides that the Company will pay CMA an annual base fee equal to one percent of the consolidated net sales of the Company, and further provides that the Compensation and Stock Option Committee and the Board of Directors may from time to time award additional incentive compensation to CMA. While our sales from inception of this agreement have increased 63% and enterprise value has increased 896%, no incentive compensation has been paid. We incurred management fees to CMA of \$6.3 million for Fiscal 2012, \$6.0 million for Fiscal 2011 and \$5.9 million for Fiscal 2010. Included in accounts payable were amounts due CMA of \$3.0 million at April 28, 2012.

## 6. DERIVATIVE FINANCIAL INSTRUMENTS

We have entered into various aluminum swap contracts to partially mitigate our exposure to changes in the cost of aluminum cans through April 2013. The financial instruments were designated and accounted for as a cash flow hedge. Accordingly, gains or losses attributable to the effective portion of the cash flow hedge are reported in Accumulated Other Comprehensive Income ("AOCI") and reclassified into earnings through cost of sales in the period in which the hedged transaction affects earnings. The ineffective portion of the change in fair value of our cash flow hedge was immaterial. The following summarizes the gains (losses) recognized in the Consolidated Statements of Income and AOCI relative to the cash flow hedge for Fiscal 2012 and Fiscal 2011:

|  | (In thousands) |                |                |
|--|----------------|----------------|----------------|
|  | Fiscal<br>2012 | Fiscal<br>2011 | Fiscal<br>2010 |
| Recognized in AOCI-                      |                |                |                |
| (Loss) gain before income taxes          | \$ (4,484 )    | \$ 3,650       | \$ 603         |
| Less income tax (benefit) provision      | (1,642 )       | 1,299          | 214            |
| Net                                      | (2,842 )       | 2,351          | 389            |
| Reclassified from AOCI to cost of sales- |                |                |                |
| Gain (loss) before income taxes          | 290            | (617 )         | 599            |
| Less income tax provision (benefit)      | 69             | (220 )         | 213            |
| Net                                      | 221            | (397 )         | 386            |
| Net change to AOCI                       | \$ (3,063 )    | \$ 2,748       | \$ 3           |

As of April 28, 2012, the notional amount of our outstanding aluminum swap contracts was \$21.7 million and, assuming no change in the commodity prices, \$503,000 of unrealized net loss (before tax) will be reclassified from AOCI and recognized in earnings over the next twelve months. See Note 1.

As of April 28, 2012, the fair value of the derivative liability was \$503,000, which was included in Accrued liabilities. As of April 30, 2011, the fair value of the derivative asset was \$4.3 million, which was included in Prepaid and other assets. Such valuation does not entail a significant amount of judgment and the inputs that are significant to the fair value measurement are Level 2 in the fair value hierarchy as they are observable market based inputs or unobservable inputs that are corroborated by market data.

## 7. OTHER EXPENSE

Other expense (income) consisted of the following:

|                                   | (In thousands) |                |                |
|-----------------------------------|----------------|----------------|----------------|
|                                   | Fiscal<br>2012 | Fiscal<br>2011 | Fiscal<br>2010 |
| Interest income                   | \$ (69 )       | \$ (140 )      | \$ (229 )      |
| Loss on disposal of property, net | 7              | 82             | 291            |
| Other                             | 147            | 78             | 289            |
| Total                             | \$ 85          | \$ 20          | \$ 351         |

## 8. INCOME TAXES

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

|          | (In thousands) |                |                |
|----------|----------------|----------------|----------------|
|          | Fiscal<br>2012 | Fiscal<br>2011 | Fiscal<br>2010 |
| Current  | \$ 23,380      | \$ 22,590      | \$ 19,558      |
| Deferred | (477 )         | (694 )         | (1,026 )       |
| Total    | \$ 22,903      | \$ 21,896      | \$ 18,532      |

Deferred taxes are recorded to give recognition to temporary differences between the tax bases of assets or liabilities and their reported amounts in the financial statements. Valuation allowances are established to reduce the carrying amounts of deferred tax assets when it is deemed, more likely than not, that the benefit of deferred tax assets will not be realized. Deferred tax assets and liabilities as of April 28, 2012 and April 30, 2011 consisted of the following:

|   | (In thousands) |           |
|---|----------------|-----------|
|   | 2012           | 2011      |
| Deferred tax assets:                      |                |           |
| Accrued expenses and other                | \$ 5,173       | \$ 4,893  |
| Inventory and amortizable assets          | 450            | 497       |
| Total deferred tax assets                 | 5,623          | 5,390     |
| Deferred tax liabilities:                 |                |           |
| Property                                  | 16,186         | 16,889    |
| Intangibles and other                     | 101            | 1,556     |
| Total deferred tax liabilities            | 16,287         | 18,445    |
| Net deferred tax liabilities              | \$ 10,664      | \$ 13,055 |
| Current deferred tax assets – net         | \$ 3,550       | \$ 1,493  |
| Noncurrent deferred tax liabilities – net | \$ 14,214      | \$ 14,548 |

The reconciliation of the statutory federal income tax rate to our effective tax rate is as follows:

|  | Fiscal |   | Fiscal |   | Fiscal |   |
|--|--------|---|--------|---|--------|---|
|  | 2012   |   | 2011   |   | 2010   |   |
| Statutory federal income tax rate          | 35.0   | % | 35.0   | % | 35.0   | % |
| State income taxes, net of federal benefit | 2.7    |   | 2.4    |   | 2.8    |   |
| Manufacturing deduction benefit            | (3.1   | ) | (3.0   | ) | (2.0   | ) |
| Other differences                          | (.4    | ) | .5     |   | .3     |   |
| Effective income tax rate                  | 34.2   | % | 34.9   | % | 36.1   | % |

As of April 28, 2012, the gross amount of unrecognized tax benefits was \$4.5 million, of which \$89,000 was recognized as tax benefit in Fiscal 2012. If we were to prevail on all uncertain tax positions, the net effect would be to reduce our tax expense by approximately \$3.6 million. A reconciliation of the changes in the gross amount of unrecognized tax benefits, which amounts are included in “Other liabilities” in the accompanying consolidated balance sheets, is as follows:

|  | (In thousands) |          |          |   |
|--|----------------|----------|----------|---|
|  | Fiscal         | Fiscal   | Fiscal   |   |
|  | 2012           | 2011     | 2010     |   |
| Beginning balance                                | \$ 4,687       | \$ 3,997 | \$ 3,662 |   |
| Increases due to current period tax positions    | 408            | 857      | 391      |   |
| Decreases due to lapse of statute of limitations | (547           | )        | (167     | ) |
| Ending balance                                   | \$ 4,548       | \$ 4,687 | \$ 3,997 |   |

We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense. As of April 28, 2012, unrecognized tax benefits included accrued interest of \$540,000, of which approximately \$20,000 was recognized as a tax benefit in Fiscal 2012.





We file annual income tax returns in the United States and in various state and local jurisdictions. A number of years may elapse before an uncertain tax position, for which we have unrecognized tax benefits, is resolved. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, we believe that our unrecognized tax benefits reflect the most probable outcome. We adjust these unrecognized tax benefits, as well as the related interest, in light of changing facts and circumstances. The resolution of any particular uncertain tax position could require the use of cash and an adjustment to our provision for income taxes in the period of resolution. Federal income tax returns for fiscal years subsequent to 2007 are subject to examination. Generally, the income tax returns for the various state jurisdictions are subject to examination for fiscal years ending after fiscal 2007.

## 9. STOCK-BASED COMPENSATION

Our stock-based compensation program is a broad-based program designed to attract and retain employees while also aligning employees' interests with the interests of the stockholders.

The 1991 Omnibus Incentive Plan (the "Omnibus Plan") provides for compensatory awards consisting of (i) stock options or stock awards for up to 4,800,000 shares of common stock, (ii) stock appreciation rights, dividend equivalents, other stock-based awards in amounts up to 4,800,000 shares of common stock and (iii) performance awards consisting of any combination of the above. The Omnibus Plan is designed to provide an incentive to officers and certain other key employees and consultants by making available to them an opportunity to acquire a proprietary interest or to increase such interest in National Beverage. The number of shares or options which may be issued under stock-based awards to an individual is limited to 1,680,000 during any year. Awards may be granted for no cash consideration or such minimal cash consideration as may be required by law. Options generally have an exercise price equal to the fair market value of our common stock on the date of grant, vest over a five-year period and expire after ten years.

The Special Stock Option Plan provides for the issuance of stock options to purchase up to an aggregate of 1,800,000 shares of common stock. Options may be granted for such consideration as determined by the Board of Directors. The vesting schedule and exercise price of these options are tied to the recipient's ownership level of common stock and the terms generally allow for the reduction in exercise price upon each vesting period. Also, the Board of Directors authorized the issuance of options to purchase up to 50,000 shares of common stock to be issued at the direction of the Chairman.

The Key Employee Equity Partnership Program ("KEEP Program") provides for the granting of stock options to purchase up to 240,000 shares of common stock to key employees, consultants, directors and officers. Participants who purchase shares of stock in the open market receive grants of stock options equal to 50% of the number of shares purchased, up to a maximum of 6,000 shares in any two-year period. Options under the KEEP Program are forfeited in the event of the sale of shares used to acquire such options. Options are granted at an initial exercise price of 60% of the purchase price paid for the shares acquired and the exercise price reduces to the stock par value at the end of the six-year vesting period.

We account for stock options under the fair value method of accounting using a Black-Scholes valuation model to estimate the stock option fair value at date of grant. The fair value of stock options is amortized to expense over the vesting period. Stock options granted were 3,000 KEEP shares in Fiscal 2012, 301,500 shares in Fiscal 2011 and 3,000 KEEP shares in Fiscal 2010. The weighted average Black-Scholes fair value assumptions for stock options granted are as follows: weighted average expected life of 8 years for Fiscal 2012, 7.5 years for Fiscal 2011 and 8 years for Fiscal 2010; weighted average expected volatility of 42.9% for Fiscal 2012, 48.6% for Fiscal 2011 and 52.2% for Fiscal 2010; weighted average risk free interest rates of 2.5% for Fiscal 2012, 2.8% for Fiscal 2011 and 3.4% for Fiscal 2010; and expected dividend yield of 5.3% for Fiscal 2012, 4.3% for Fiscal 2011 and 4% for Fiscal 2010. The expected life of stock options was estimated based on historical experience. The expected volatility was estimated based on historical stock prices for a period consistent with the expected life of stock options. The risk free interest rate was based on the U.S. Treasury constant maturity interest rate whose term is consistent with the expected life of stock options. Forfeitures were estimated based on historical experience.

The following is a summary of stock option activity for Fiscal 2012:

|  | Number of Shares | Price (a) |
|--|------------------|-----------|
| Options outstanding, beginning of year | 601,620          | \$ 7.51   |
| Granted                                | 3,000            | 6.14      |
| Exercised                              | (59,420 )        | 1.94      |
| Cancelled                              | (32,580 )        | 9.14      |
| Options outstanding, end of year       | 512,620          | 7.24      |
| Options exercisable, end of year       | 252,677          | 5.27      |

(a) Weighted average exercise price.

Stock-based compensation expense was \$290,000 for Fiscal 2012, \$446,000 for Fiscal 2011 and \$349,000 for Fiscal 2010. The total fair value of shares vested was \$513,000 for Fiscal 2012, \$135,000 for Fiscal 2011 and \$402,000 for Fiscal 2010. The total intrinsic value for stock options exercised was \$758,000 for Fiscal 2012, \$799,000 for Fiscal 2011 and \$1,498,000 for Fiscal 2010. Net cash proceeds from the exercise of stock options were \$115,000 for Fiscal 2012, \$209,000 for Fiscal 2011 and \$266,000 for Fiscal 2010. Stock based income tax benefits aggregated \$295,000 for Fiscal 2012, \$921,000 for Fiscal 2011 and \$384,000 for Fiscal 2010. The weighted average fair value for stock options granted was \$8.16 for Fiscal 2012, \$6.35 for Fiscal 2011 and \$7.43 for Fiscal 2010.

As of April 28, 2012, unrecognized compensation expense related to the unvested portion of our stock options was \$636,000, which is expected to be recognized over a weighted average period of 3.4 years. The weighted average remaining contractual term and the aggregate intrinsic value for options outstanding as of April 28, 2012 was 5.1 years and \$3.8 million, respectively. The weighted average remaining contractual term and the aggregate intrinsic value for options exercisable as of April 28, 2012 was 4.0 years and \$2.4 million, respectively.

We have a stock purchase plan which provides for the purchase of up to 1,536,000 shares of common stock by employees who (i) have been employed for at least two years, (ii) are not part-time employees and (iii) are not owners of five percent or more of National Beverage common stock. As of April 28, 2012, no shares have been issued under the plan.

## 10. PENSION PLANS

The Company contributes to certain pension plans under collective bargaining agreements and to a discretionary profit sharing plan. Total contributions (including contributions to multi-employer plans reflected below) were \$2.5 million for Fiscal 2012, \$2.5 million for Fiscal 2011 and \$2.3 million for Fiscal 2010.

The Company participates in various multi-employer defined benefit pension plans covering certain employees whose employment is covered under collective bargaining agreements. Under the Pension Protection Act (“PPA”), if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. If the Company chooses to stop participating in the multi-employer plan, the Company could be required to pay the plan a withdrawal liability based on the underfunded status of the plan.

Summarized below is certain information regarding the Company’s participation in significant multi-employer pension plans including the financial improvement plan or rehabilitation plan status (“FIP/RP Status”). The most recent PPA zone status available in Fiscal 2012 and Fiscal 2011 is for the plan’s years ending December 31, 2010 and 2009, respectively.

|   | PPA Zone Status |             | FIP/RP Status  | Surcharge Imposed |
|---|-----------------|-------------|----------------|-------------------|
|   | Fiscal 2012     | Fiscal 2011 |                |                   |
| Pension Fund<br>Central States, Southeast and Southwest<br>Areas Pension Plan (EIN no. 36-6044243)<br>(the “CSSS Fund”) | Red             | Red         | Implemented    | Yes               |
| Western Conference of Teamsters Pension<br>Trust Fund (EIN no. 91-6145047)<br>(the “WCT Fund”)                          | Green           | Green       | Not applicable | No                |

For the plan years ended December 31, 2010 and December 31, 2009, respectively, the Company was not listed in the pension trust fund forms 5500 as providing more than 5% of the total contributions for the plans. The collective bargaining agreements covering the above pension trust funds expire on October 18, 2016 for the CSSS Fund and May 14, 2016 for the WCT Fund.

The Company’s contributions for all multi-employer pension plans for the last three fiscal years are as follows:

|                                    | (In thousands) |             |             |
|------------------------------------|----------------|-------------|-------------|
|                                    | Fiscal 2012    | Fiscal 2011 | Fiscal 2010 |
| Pension Fund                       |                |             |             |
| CSSS Fund                          | \$944          | \$897       | \$840       |
| WCT Fund                           | 455            | 612         | 505         |
| Other multi-employer pension funds | 244            | 224         | 194         |
| Total                              | \$1,643        | \$1,733     | \$1,539     |

## 11. COMMITMENTS AND CONTINGENCIES

We lease buildings, machinery and equipment under various non-cancelable operating lease agreements expiring at various dates through 2020. Certain of these leases contain scheduled rent increases and/or renewal options. Contractual rent increases are taken into account when calculating the minimum lease payment and recognized on a straight-line basis over the lease term. Rent expense under operating lease agreements totaled approximately \$9.3 million for Fiscal 2012, \$10.0 million for Fiscal 2011 and \$8.9 million for Fiscal 2010.

Our minimum lease payments under non-cancelable operating leases as of April 28, 2012 were as follows:

|                              | (In thousands) |
|------------------------------|----------------|
| Fiscal 2013                  | \$ 4,261       |
| Fiscal 2014                  | 2,925          |
| Fiscal 2015                  | 2,226          |
| Fiscal 2016                  | 1,987          |
| Fiscal 2017                  | 1,686          |
| Thereafter                   | 3,376          |
| Total minimum lease payments | \$ 16,461      |

As of April 28, 2012, we guaranteed the residual value of certain leased equipment in the amount of \$7.1 million. If the proceeds from the sale of such equipment are less than the balance required by the lease when the lease terminates July 31, 2012, the Company shall be required to pay the difference up to such guaranteed amount. The Company expects to have no loss on such guarantee.

We enter into various agreements with suppliers for the purchase of raw materials, the terms of which may include variable or fixed pricing and minimum purchase quantities. As of April 28, 2012, we had purchase commitments for raw materials of \$57.8 million for Fiscal 2013 and \$45.0 million for Fiscal 2014.

From time to time, we are a party to various litigation matters arising in the ordinary course of business. We do not expect the ultimate disposition of such matters to have a material adverse effect on our consolidated financial position or results of operations.

## 12. QUARTERLY FINANCIAL DATA (UNAUDITED)

|                                | (In thousands, except per share amounts) |                   |                  |                   |
|--------------------------------|--|-------------------|------------------|-------------------|
|                                | First<br>Quarter                         | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter |
| Fiscal 2012                    |  |                   |                  |                   |
| Net sales                      | \$169,080                                | \$157,974         | \$136,401        | \$165,431         |
| Gross profit                   | 61,074                                   | 54,103            | 45,235           | 52,845            |
| Net income                     | 13,435                                   | 11,123            | 7,904            | 11,531            |
| Net income per share – basic   | \$.29                                    | \$.24             | \$.17            | \$.25             |
| Net income per share – diluted | \$.29                                    | \$.24             | \$.17            | \$.25             |

(In thousands, except per share amounts)

|                                | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter |
|--------------------------------|------------------|-------------------|------------------|-------------------|
| Fiscal 2011                    |                  |                   |                  |                   |
| Net sales                      | \$165,030        | \$151,127         | \$131,926        | \$152,110         |
| Gross profit                   | 58,488           | 56,355            | 49,530           | 54,281            |
| Net income                     | 12,053           | 10,207            | 7,407            | 11,087            |
| Net income per share – basic   | \$.26            | \$.22             | \$.16            | \$.24             |
| Net income per share – diluted | \$.26            | \$.22             | \$.16            | \$.24             |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of  
National Beverage Corp.

We have audited the accompanying consolidated balance sheets of National Beverage Corp. as of April 28, 2012 and April 30, 2011 and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended April 28, 2012. We also have audited National Beverage Corp.'s internal control over financial reporting as of April 28, 2012, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). National Beverage Corp.'s management is responsible for these financial statements, 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 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 audits 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 audits of the financial statements included 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 included 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 audits also included 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Beverage Corp. as of April 28, 2012 and April 30, 2011 and the results of its operations and its cash flows for each of the years in the three-year period ended April 28, 2012, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, National Beverage Corp. maintained, in all material respects, effective internal control over financial reporting as of April 28, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ McGladrey LLP  
West Palm Beach, Florida  
July 12, 2012

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our "disclosure controls and procedures" (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based upon that evaluation, the Chief Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective to ensure information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.

Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of April 28, 2012.

Management recognizes that there are inherent limitations in the effectiveness of any internal control over financial reporting, including the possibility of human error and the circumvention or overriding of internal control. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

McGladrey LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this Annual Report on Form 10-K and, as part of their audit, has issued their report, included herein, on the effectiveness of our internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended April 28, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.



## PART III

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

The information required by Item 10 will be included under the captions “Election of Directors”, “Information as to Nominees and Other Directors”, “Information Regarding Meetings and Committees of the Board” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Company’s 2012 Proxy Statement and is incorporated herein by reference.

The following table sets forth certain information with respect to the officers of the Registrant as of April 28, 2012.

| Name                   | Age | Position with Company                              |
|------------------------|-----|--|
| Nick A. Caporella(1)   | 76  | Chairman of the Board and Chief Executive Officer  |
| Joseph G. Caporella(2) | 52  | President  |
| George R. Bracken(3)   | 66  | Senior Vice President – Finance                    |
| Dean A. McCoy(4)       | 55  | Senior Vice President and Chief Accounting Officer |

- 
- (1) Mr. Nick A. Caporella has served as Chairman of the Board, Chief Executive Officer and Director since the Company’s inception in 1985. Also, he serves as Chairman of the Nominating Committee. Since 1992, Mr. Caporella’s services have been provided to the Company by Corporate Management Advisors, Inc., a company which he owns.
- (2) Mr. Joseph G. Caporella has served as President since September 2002 and, prior to that, as Executive Vice President and Secretary since January 1991. Also, he has served as a Director since January 1987. Joseph G. Caporella is the son of Nick A. Caporella.
- (3) Mr. George R. Bracken was named Senior Vice President - Finance in October 2000 and, prior to that date, served as Vice President and Treasurer since October 1996. Since 1992, Mr. Bracken’s services have been provided to the Company by Corporate Management Advisors, Inc.
- (4) Mr. Dean A. McCoy was named Senior Vice President and Chief Accounting Officer in October 2003 and, prior to that date, served as Senior Vice President - Controller since October 2000. Prior to October 2000, he served as Vice President - Controller since July 1993.

All officers serve until their successors are chosen and may be removed at any time by the Board of Directors. Officers are normally appointed each year at the first meeting of the Board of Directors after the annual meeting of shareholders.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 will be included under the captions “Executive Compensation and Other Information” and “Compensation Committee Interlocks and Insider Participation” in the Company’s 2012 Proxy Statement and is incorporated herein by reference.

38

---

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

The information required by Item 12 will be included under the captions “Security Ownership” and “Equity Compensation Plan Information” in the Company’s 2012 Proxy Statement and is incorporated herein by reference.

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

The information required by Item 13 will be included under the captions “Certain Relationships and Related Party Transactions” and “Information Regarding Meetings and Committees of the Board” in the Company’s 2012 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 will be included under the caption “Independent Auditors” in the Company’s 2012 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

|     |   |      |
|-----|---|------|
| (a) | The following documents are filed as part of this report: | Page |
|     | 1. Financial Statements                                   |      |
|     | Consolidated Balance Sheets                               | 19   |
|     | Consolidated Statements of Income                         | 20   |
|     | Consolidated Statements of Shareholders’ Equity           | 21   |
|     | Consolidated Statements of Cash Flows                     | 22   |
|     | Notes to Consolidated Financial Statements                | 23   |
|     | Report of Independent Registered Public Accounting Firm   | 35   |
|     | 2. Financial Statement Schedules                          |      |
|     | Not applicable  |      |
|     | 3. Exhibits   |      |
|     | See Exhibit Index which follows.                          |      |

EXHIBIT INDEX

Exhibit No. Description

- 3.1 Restated Certificate of Incorporation(1)
- 3.2 Amended and Restated By-Laws(1)
- 10.1 Management Agreement between the Company and Corporate Management Advisors, Inc.(2) \*
- 10.2 National Beverage Corp. Investment and Profit Sharing Plan(1) \*
- 10.3 National Beverage Corp. 1991 Omnibus Incentive Plan(2) \*
- 10.4 National Beverage Corp. 1991 Stock Purchase Plan(2) \*
- 10.5 Amendment No. 1 to the National Beverage Corp. Omnibus Incentive Plan(3) \*
- 10.6 National Beverage Corp. Special Stock Option Plan(4) \*
- 10.7 Amendment No. 2 to the National Beverage Corp. Omnibus Incentive Plan(5) \*
- 10.8 National Beverage Corp. Key Employee Equity Partnership Program(5) \*
- 10.9 Second Amended and Restated Credit Agreement, dated June 30, 2008, between NewBevCo, Inc. and lender therein(6)
- 10.10 Amendment to National Beverage Corp. Special Stock Option Plan(7) \*
- 10.11 Amendment to National Beverage Corp. Key Employee Equity Partnership Program(7)\*
- 10.12 Credit Agreement, dated July 8, 2011, between NewBevCo, Inc. and lender therein(8)
- 21 Subsidiaries of Registrant(9)
- 23.1 Consent of Independent Registered Public Accounting Firm(9)
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(9)
- 31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(9)
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(9)
- 32.2 Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(9)

EXHIBIT INDEX

(continued)

Exhibit No. Description

101 The following financial information from National Beverage Corp.'s Annual Report on Form 10-K for the fiscal year ended April 28, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Income; (iii) Consolidated Statements of Shareholders' Equity; (iv) Consolidated Statements of Cash Flows; and (v) the Notes to Consolidated Financial Statements.

- 
- \* Indicates management contract or compensatory plan or arrangement.
- (1) Previously filed with the Securities and Exchange Commission as an exhibit to the Form S-1 Registration Statement (File No. 33-38986) on February 19, 1991 and is incorporated herein by reference.
  - (2) Previously filed with the Securities and Exchange Commission as an exhibit to Amendment No. 1 to Form S-1 Registration Statement (File No. 33-38986) on July 26, 1991 and is incorporated herein by reference.
  - (3) Previously filed with the Securities and Exchange Commission as an exhibit to Annual Report on Form 10-K for the fiscal year ended April 27, 1996 and is incorporated herein by reference.
  - (4) Previously filed with the Securities and Exchange Commission as an exhibit to Registration Statement on Form S-8 (File No. 33-95308) on August 1, 1995 and is incorporated herein by reference.
  - (5) Previously filed with the Securities and Exchange Commission as an exhibit to Annual Report on Form 10-K for the fiscal year ended May 3, 1997 and is incorporated herein by reference.
  - (6) Previously filed with the Securities and Exchange Commission as an exhibit to Quarterly Report on Form 10-Q for the fiscal period ended January 29, 2011 and is incorporated herein by reference.
  - (7) Previously filed with the Securities and Exchange Commission as an exhibit to Quarterly Report on Form 10-Q for the fiscal period ended January 31, 2009 and is incorporated herein by reference.
  - (8) Previously filed with the Securities and Exchange Commission as an exhibit to Annual Report on Form 10-K for the fiscal period ended April 30, 2011 and is incorporated herein by reference.
  - (9) Filed herewith.

SIGNATURES

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

NATIONAL BEVERAGE CORP.

By: /s/ Dean A. McCoy  
Dean A. McCoy  
Senior Vice President and  
Chief Accounting Officer

Date: July 12, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on July 12, 2012.

/s/ Nick A. Caporella  
Nick A. Caporella  
Chairman of the Board and  
Chief Executive Officer

/s/ Cecil D. Conlee  
Cecil D. Conlee  
Director

/s/ Joseph G. Caporella  
Joseph G. Caporella  
President and Director

/s/ Samuel C. Hathorn, Jr  
Samuel C. Hathorn, Jr.  
Director

/s/ George R. Bracken  
George R. Bracken  
Senior Vice President – Finance  
(Principal Financial Officer)

/s/ Joseph P. Klock, Jr.  
Joseph P. Klock, Jr.  
Director

/s/ Dean A. McCoy  
Dean A. McCoy  
Senior Vice President and  
Chief Accounting Officer

/s/ Stanley M. Sheridan  
Stanley M. Sheridan  
Director