

HAWKINS INC
Form 10-K
June 04, 2010
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended March 28, 2010

Commission File No. 0-7647

HAWKINS, INC.

(Exact Name of Registrant as specified in its Charter)

MINNESOTA

(State of Incorporation)

41-0771293

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

3100 East Hennepin Avenue, Minneapolis, Minnesota

(Address of Principal Executive Offices)

55413

(Zip Code)

(612) 331-6910

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: COMMON STOCK, PAR VALUE \$.05 PER SHARE

Name of exchange on which registered: NASDAQ Global Market

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 Act. Yes No

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined 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 voting stock held by non-affiliates of the Registrant on September 30, 2009 (the last business day of the Registrant's most recently completed second fiscal quarter) was approximately \$198.7 million based upon the closing sale price for the Registrant's common stock on that date as reported by The NASDAQ Stock Market, excluding all shares held by officers and directors of the Registrant and by the Trustees of the Registrant's Employee Stock Ownership Plan and Trust.

As of May 31, 2010, the Registrant had 10,282,458 shares of common stock outstanding.

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DOCUMENTS INCORPORATED BY REFERENCE

Portions of our Proxy Statement for the annual meeting of shareholders to be held July 28, 2010, are incorporated by reference in Part III.

FORWARD-LOOKING STATEMENTS

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

As used in this Annual Report on Form 10-K, except where otherwise stated or indicated by the context, Hawkins, we, us, the Company, our, the Registrant means Hawkins, Inc. References to fiscal 2011 means our fiscal year ending April 3, 2011, fiscal 2010 means our fiscal year ended March 28, 2010, fiscal 2009 means our fiscal year ended March 29, 2009, and fiscal 2008 means our fiscal year ended March 30, 2008.

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PART I

ITEM 1. BUSINESS

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

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

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

The Industrial Group:

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

The group's sales are concentrated primarily in Wisconsin, Minnesota, Iowa, and North and South Dakota, while the group's food-grade products are sold nationally. The Industrial Group relies on a specially trained sales staff that works directly with customers on their specific needs.

The group conducts its business primarily through distribution centers and terminal operations. In fiscal 2009, we invested in two new facilities, which has expanded the group's ability to service its customers. Our facility in Centralia, Illinois, which primarily serves our food-grade products business, became operational in July 2009. We also opened a facility in Minneapolis, Minnesota, to handle bulk chemicals sold to pharmaceutical manufacturers. The total capital expenditures on these two facilities were approximately \$10.0 million, with approximately \$2.5 million occurring in fiscal 2010. In May 2007, we purchased the assets of Trumark, Inc., a producer of antimicrobial products for the food industry. Trumark's business is part of our Industrial Group and its operations were integrated with our operations at the Centralia facility during fiscal 2010.

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

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

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The group operates out of warehouses in 15 cities supplying products and services to customers in Minnesota, Wisconsin, Iowa, North Dakota, South Dakota, Nebraska, Illinois, Indiana, Michigan, Montana, Missouri, Kansas, and Wyoming. We opened two of these warehouses in fiscal 2008, one in fiscal 2010 and expect to continue to invest in existing and new branches to expand the group's geographic coverage. Our Water Treatment Group has historically experienced higher sales during April to September, primarily due to a seasonal increase in chemicals used by municipal water treatment facilities.

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

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

Intellectual Property. We hold no patents, licenses or trademarks that we consider material to our operations.

Customer Concentration. No single customer represents more than 10% of our total sales, but the loss of our five largest customers could have a material adverse effect on our results of operations. Total aggregate sales to our five largest customers were \$22.4 million in fiscal 2008, \$46.0 million in fiscal 2009 and \$47.1 million in fiscal 2010. No single customer represents 10% or more of any of our segments' sales.

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

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

Employees. We had 268 employees as of March 28, 2010, including 47 covered by a collective bargaining agreement.

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

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

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ITEM 1A. RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We may not be able to renew our leases of land where three of our terminals reside.

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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We own our principal location, which consists of approximately 11 acres of land in Minneapolis, Minnesota, with six buildings containing a total of 177,000 square feet of office and warehouse space primarily used by our Industrial Group. Our principal office is located in one of these buildings, at 3100 East Hennepin Avenue. As of March 28, 2010, we had installed sprinkler systems in substantially all of our warehouse facilities for fire protection. We carry customary levels of insurance covering the replacement of damaged property.

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

Group	Location	Primary Use	Approx. Square Feet
Industrial	St. Paul, MN (1)	Office and Warehouse	32,000
	Minneapolis, MN (2)	Office and Warehouse	20,000
Water Treatment	Fargo, ND	Office and Warehouse	20,600
	Fond du Lac, WI	Office and Warehouse	24,700
	Washburn, ND	Office and Warehouse	14,000
	Billings, MT	Office and Warehouse	9,300
	Sioux Falls, SD	Office and Warehouse	27,300
	Rapid City, SD	Office and Warehouse	9,500
	Joliet, IL (3)	Office and Warehouse	6,400
	Superior, WI	Office and Warehouse	17,200
	Slater, IA	Office and Warehouse	12,900
	Lincoln, NE (4)	Office and Warehouse	16,600
	Eldridge, IA	Office and Warehouse	6,000
	Columbia, MO (5)	Office and Warehouse	9,000
	Garnett, KS	Office and Warehouse	18,000
Industrial and Water Treatment	Ft. Smith, AR (4)	Office and Warehouse	17,500
	St. Paul, MN (6)	Office and Warehouse	59,000
	Centralia, IL (7)	Office and Warehouse	77,000

(1) Our terminal operations, located at two sites on opposite sides of the Mississippi River, are made up of three buildings, ten outside storage tanks with a total capacity of approximately 8.7 million gallons for the storage of liquid bulk chemicals, including caustic soda, as well as numerous smaller tanks for storing and mixing chemicals. The land is leased from the Port Authority of the City of St. Paul, Minnesota, for a basic rent plus an amount based on the annual tonnage unloaded at each site. The applicable leases run until December 2013, at which time we have an option to renew the leases for an additional five-year period on the same terms and conditions subject to renegotiation of rent.

(2) This facility is leased from a third party to serve our bulk pharmaceutical customers.

(3) This facility is leased from a third party on a month to month basis. Starting in June 2010, we will be leasing a different facility comprised of 18,000 square feet of office and warehouse space.

(4) This facility is leased from a third party.

(5) This facility is leased from a third party through September 2010. Starting in June 2010, we will be leasing a different facility comprised of 14,600 square feet of office and warehouse space.

(6) Our Red Rock facility, which consists of a 59,000 square-foot building located on approximately 10 acres of land, has outside storage capacity for liquid bulk chemicals, including 1.5 million gallons for the storage of liquid caustic soda, as well as numerous smaller tanks for storing and mixing chemicals. The land is leased from the Port Authority of the City of St. Paul, Minnesota, through July 2029 for a basic rent plus an amount based on annual tonnage unloaded at the site. The basic rent and annual tonnage rent were renegotiated August 1, 2009 and are to be renegotiated every five years.

(7) This facility includes 10 acres of land located in Centralia, Illinois owned by the company. The facility became operational in July 2009 and primarily serves our food-grade products business.

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ITEM 3. LEGAL PROCEEDINGS

We are a party from time to time in various legal proceedings arising in the ordinary course of our business. None of the pending proceedings are expected to have a material effect on us.

ITEM 4. [REMOVED AND RESERVED]

PART II

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

Quarterly Stock Data	High	Low
Fiscal 2010		
4 th Quarter	\$ 23.78	\$ 19.81
3 rd Quarter	24.03	20.76
2 nd Quarter	25.89	18.51
1 st Quarter	22.58	15.00
Fiscal 2009		
4 th Quarter	\$ 16.17	\$ 12.90
3 rd Quarter	18.10	13.04
2 nd Quarter	18.21	14.50
1 st Quarter	16.00	14.50
Cash Dividends	Declared	Paid
Fiscal 2011		
1 st Quarter		\$ 0.28
Fiscal 2010		
4 th Quarter	\$ 0.28	
3 rd Quarter		\$ 0.38
2 nd Quarter	\$ 0.38	
1 st Quarter		\$ 0.26
Fiscal 2009		
4 th Quarter	\$ 0.26	
3 rd Quarter		\$ 0.26
2 nd Quarter	\$ 0.26	
1 st Quarter		\$ 0.24

Our common shares are traded on The NASDAQ Global Market under the symbol HWKN. The price information represents closing sale prices as reported by The NASDAQ Global Market. As of March 28, 2010, there were approximately 774 registered common shareholders, which include nominees or broker dealers holding stock on behalf of an estimated 1,976 beneficial owners.

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

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The following graph compares the cumulative total shareholder return on our common shares with the cumulative total returns of the NASDAQ Industrial Index, the NASDAQ Composite Index and the Russell 2000 Index for our last five completed fiscal years. The graph assumes the investment of \$100 in our stock, the NASDAQ Industrial Index, the NASDAQ Composite Index and the Russell 2000 Index on April 3, 2005, and reinvestment of all dividends. We have added the Russell 2000 Index because during fiscal 2010, Hawkins, Inc. was added to the Russell 2000 Index based on disclosures by Russell Investments.

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ITEM 6. SELECTED FINANCIAL DATA

(In thousands, except per share data)	Fiscal Years				
	2010	2009	2008	2007	2006
Sales from continuing operations	\$ 257,099	\$ 284,356	\$ 186,664	\$ 151,766	\$ 133,139
Gross profit from continuing operations	64,445	62,420	38,528	34,709	30,060
Income from continuing operations	23,738	23,424	8,488	7,724	7,412
Basic earnings per common share from continuing operations	2.32	2.29	0.83	0.76	0.73
Diluted earnings per common share from continuing operations	2.31	2.29	0.83	0.76	0.73
Cash dividends declared per common share	0.66	0.52	0.48	0.44	0.40
Cash dividends paid per common share	0.64	0.50	0.46	0.42	0.38
Total assets	\$ 160,293	\$ 136,290	\$ 108,943	\$ 101,269	\$ 94,057

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

The following is a discussion and analysis of our financial condition and results of operations for our fiscal years ended March 28, 2010, March 29, 2009, and March 30, 2008. This discussion should be read in conjunction with the Financial Statements and Notes to Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Overview

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

We have continued to invest in growing our business. In fiscal 2008, we acquired the assets of Trumark, Inc., a producer of antimicrobial products for the food industry, for approximately \$6.5 million. These operations have been consolidated into our Industrial Group. In fiscal 2009, we invested in two new facilities to expand our ability to service our customers and facilitate growth within our Industrial Group. Our facility in Centralia, Illinois began operations in July 2009 and primarily serves our food-grade products business. We closed our Linden, New Jersey food-grade production facility in September 2009 and transferred these operations to our Centralia facility. Also in fiscal 2009, we built a facility in Minneapolis, Minnesota to handle bulk chemicals sold to pharmaceutical manufacturers. The total capital expenditures on these two facilities were approximately \$10.0 million of which approximately \$7.5 million occurred during fiscal 2009 and approximately \$2.5 million occurred in the first six months of fiscal 2010. We opened two new branch offices for our Water Treatment Group in late fiscal 2008, one new branch in the first quarter of fiscal 2010 and one new branch in the first quarter of fiscal 2011 and expect to continue to invest in existing and new branches to expand our Water Treatment Group's geographic coverage. The cost of these branch expansions is not expected to be material. In addition, we have selectively added route sales personnel to certain existing Water Treatment Group branch offices to spur growth within our existing geographic coverage area.

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

Our financial performance in fiscal 2010 was highlighted by:

Sales from continuing operations of \$257.1 million, a 9.6% decrease from fiscal 2009;

Gross profit from continuing operations of \$64.4 million or 25.1% of sales, a \$2.0 million increase in gross profit dollars from fiscal 2009;

Net cash provided by operating activities of \$38.8 million; and

Cash and cash equivalents and investments available-for-sale of \$53.7 million as of the end of fiscal 2010.

We seek to maintain relatively constant gross profit dollars on each of our products as the cost of our raw materials increase or decrease. Since we expect that we will continue to experience fluctuations in our raw material costs and resulting prices in the future, we believe that gross profit dollars is the best measure of our profitability from the sale of our products. If we maintain relatively stable profit dollars on each of our products, our reported gross profit percentage will decrease when the cost of the product increases and will increase when the cost of the product decreases. We use the last in, first out (LIFO) method of valuing inventory, which causes the most recent product costs to be recognized in our income statement. The valuation of LIFO inventory for interim periods is based on our estimates of fiscal year-end inventory levels and costs. The LIFO inventory valuation method and the resulting cost of sales are consistent with our business practices of pricing to current commodity chemical raw material prices. Our use of LIFO partially offsets the impact of the rapidly changing prices. Our LIFO reserve decreased significantly in fiscal 2010 due to declining costs. This decrease in the reserve increased our reported gross profit in fiscal 2010. In the prior year, our LIFO reserve increased significantly due to rising costs, which decreased our reported gross profit in that year.

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

Results of Operations

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

Fiscal