

NATIONAL BEVERAGE CORP

Form 10-Q

December 10, 2009

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q  
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended October 31, 2009  
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, Ft. Lauderdale, FL 33324  
(Address of principal executive offices including zip code)  
(954) 581-0922  
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  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 (§232.405 of this chapter) 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 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  
(Do not check if a smaller reporting company) 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 number of shares of registrant's common stock outstanding as of December 4, 2009 was 46,049,564.

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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****National Beverage Corp. and Subsidiaries****Condensed Consolidated Balance Sheets**

(In thousands, except share amounts)

(Unaudited)

|  | October 31,<br>2009 | May 2,<br>2009 |
|--|---------------------|----------------|
| <b>Assets</b>  |                     |                |
| Current assets:  |                     |                |
| Cash and equivalents   | \$ 105,202          | \$ 84,140      |
| Trade receivables net of allowances of \$459 (\$445 at May 2, 2009)  | 46,521              | 53,735         |
| Inventories  | 34,076              | 39,612         |
| Deferred income taxes net  | 3,198               | 3,262          |
| Prepaid and other assets   | 4,134               | 5,552          |
| <br>   |                     |                |
| Total current assets   | 193,131             | 186,301        |
| Property net   | 54,329              | 56,141         |
| Goodwill   | 13,145              | 13,145         |
| Intangible assets net  | 1,861               | 1,861          |
| Other assets   | 7,750               | 8,234          |
|  | \$ 270,216          | \$ 265,682     |
| <br>   |                     |                |
| <b>Liabilities and Shareholders Equity</b>   |                     |                |
| Current liabilities:   |                     |                |
| Accounts payable   | \$ 31,733           | \$ 48,005      |
| Accrued liabilities  | 22,481              | 20,142         |
| Income taxes payable   | 66                  | 314            |
| <br>   |                     |                |
| Total current liabilities  | 54,280              | 68,461         |
| Deferred income taxes net  | 16,308              | 16,517         |
| Other liabilities  | 10,880              | 10,692         |
| Shareholders equity:   |                     |                |
| Preferred stock, 7% cumulative, \$1 par value - 1,000,000 shares authorized;<br>150,000 shares issued; no shares outstanding | 150                 | 150            |
| Common stock, \$.01 par value - 75,000,000 shares authorized; 50,074,188 shares<br>issued (50,045,718 shares at May 2, 2009) | 501                 | 500            |
| Additional paid-in capital   | 27,455              | 27,153         |
| Retained earnings  | 178,326             | 160,209        |
| Accumulated other comprehensive income   | 316                 |                |
| Treasury stock at cost:  |                     |                |
| Preferred stock - 150,000 shares   | (5,100)             | (5,100)        |
| Common stock - 4,032,784 shares  | (12,900)            | (12,900)       |
| <br>   |                     |                |
| Total shareholders equity  | 188,748             | 170,012        |

\$ 270,216      \$ 265,682

See accompanying Notes to Condensed Consolidated Financial Statements.

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**Table of Contents****National Beverage Corp. and Subsidiaries  
Condensed Consolidated Statements of Income**

(In thousands, except per share amounts)

(Unaudited)

|  | Three Months Ended     |                        | Six Months Ended       |                        |
|--|------------------------|------------------------|------------------------|------------------------|
|  | October<br>31,<br>2009 | November<br>1,<br>2008 | October<br>31,<br>2009 | November<br>1,<br>2008 |
| Net sales                                    | \$ 149,571             | \$ 144,375             | \$ 312,402             | \$ 297,302             |
| Cost of sales                                | 98,774                 | 101,866                | 211,082                | 208,729                |
| Gross profit                                 | 50,797                 | 42,509                 | 101,320                | 88,573                 |
| Selling, general and administrative expenses | 37,520                 | 32,929                 | 72,834                 | 67,075                 |
| Interest expense                             | 27                     | 31                     | 57                     | 55                     |
| Other income (expense) net                   | (325)                  | 565                    | (297)                  | 763                    |
| Income before income taxes                   | 12,925                 | 10,114                 | 28,132                 | 22,206                 |
| Provision for income taxes                   | 4,601                  | 3,631                  | 10,015                 | 7,972                  |
| Net income                                   | \$ 8,324               | \$ 6,483               | \$ 18,117              | \$ 14,234              |
| Net income per share -                       |                        |                        |                        |                        |
| Basic  | \$ .18                 | \$ .14                 | \$ .39                 | \$ .31                 |
| Diluted                                      | \$ .18                 | \$ .14                 | \$ .39                 | \$ .31                 |
| Average common shares outstanding -          |                        |                        |                        |                        |
| Basic  | 46,020                 | 46,002                 | 46,017                 | 45,992                 |
| Diluted                                      | 46,275                 | 46,195                 | 46,268                 | 46,165                 |

See accompanying Notes to Condensed Consolidated Financial Statements.

**Table of Contents****National Beverage Corp. and Subsidiaries  
Condensed Consolidated Statements of Cash Flows**

(In thousands)

(Unaudited)

|   | Six Months Ended       |                     |
|---|------------------------|---------------------|
|   | October<br>31,<br>2009 | November 1,<br>2008 |
| <b>Operating Activities:</b>  |                        |                     |
| Net income  | \$ 18,117              | \$ 14,234           |
| Adjustments to reconcile net income to net cash provided by operating activities: |                        |                     |
| Depreciation and amortization   | 6,377                  | 6,065               |
| Deferred income tax (benefit) provision   | (320)                  | 149                 |
| Loss on disposal of property, net   | 193                    | 74                  |
| Impairment loss on long-lived assets  | 500                    |                     |
| Stock-based compensation  | 171                    | 172                 |
| Changes in assets and liabilities:  |                        |                     |
| Trade receivables   | 7,214                  | 1,571               |
| Inventories   | 5,536                  | (3,590)             |
| Prepaid and other assets  | 1,656                  | 1,554               |
| Accounts payable  | (16,272)               | (7,356)             |
| Accrued and other liabilities   | 2,057                  | (750)               |
| Net cash provided by operating activities   | 25,229                 | 12,123              |
| <b>Investing Activities:</b>  |                        |                     |
| Marketable securities purchased   |                        | (73,250)            |
| Marketable securities sold  |                        | 76,250              |
| Additions to property, plant and equipment  | (4,309)                | (2,753)             |
| Proceeds from sale of property, plant and equipment                               | 10                     | 55                  |
| Net cash (used in) provided by investing activities                               | (4,299)                | 302                 |
| <b>Financing Activities:</b>  |                        |                     |
| Proceeds from stock options exercised   | 67                     | 212                 |
| Stock-based tax benefits  | 65                     | 46                  |
| Net cash provided by financing activities   | 132                    | 258                 |
| <b>Net Increase in Cash and Equivalents</b>                                       | <b>21,062</b>          | <b>12,683</b>       |
| <b>Cash and Equivalents Beginning of Year</b>                                     | <b>84,140</b>          | <b>51,497</b>       |

|                             |                      |            |           |
|-----------------------------|----------------------|------------|-----------|
| <b>Cash and Equivalents</b> | <b>End of Period</b> | \$ 105,202 | \$ 64,180 |
|-----------------------------|----------------------|------------|-----------|

**Other Cash Flow Information:**

|                   |  |        |       |
|-------------------|--|--------|-------|
| Interest paid     |  | \$ 61  | \$ 51 |
| Income taxes paid |  | 10,497 | 6,170 |

See accompanying Notes to Condensed Consolidated Financial Statements.



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**National Beverage Corp. and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

**1. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

National Beverage Corp. develops, manufactures, markets and distributes a complete portfolio of multi-flavored soft drinks, juice drinks, water and specialty beverages throughout the United States. 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. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ( GAAP ) and rules and regulations of the Securities and Exchange Commission for interim financial information. The financial statements do not include all information and notes required by GAAP for complete financial statements. In our opinion, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Results for the interim periods presented are not necessarily indicative of results which might be expected for the entire fiscal year. These interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended May 2, 2009. In preparing these interim financial statements, we have reviewed and considered for disclosure all significant events occurring through December 10, 2009, the date of financial statement issuance.

**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 Condensed Consolidated Balance Sheets. The estimated fair value of derivative financial instruments is calculated based on market rates to settle the instrument. Such valuation does not entail significant amount of judgment and the inputs that are significant to the fair value measurement are Level 2 in the fair value hierarchy. We do not use derivative financial instruments for trading or speculative purposes. See Note 6.

**2. INVENTORIES**

Inventories are stated at the lower of first-in, first-out cost or market. Inventories at October 31, 2009 are comprised of finished goods of \$19,469,000 and raw materials of \$14,607,000. Inventories at May 2, 2009 are comprised of finished goods of \$22,168,000 and raw materials of \$17,444,000.

**Table of Contents****3. PROPERTY**

Property consists of the following:

|                               | (In thousands)         |                |
|-------------------------------|------------------------|----------------|
|                               | October<br>31,<br>2009 | May 2,<br>2009 |
| Land                          | \$ 9,779               | \$ 9,779       |
| Buildings and improvements    | 43,851                 | 44,224         |
| Machinery and equipment       | 126,770                | 123,911        |
| Total                         | 180,400                | 177,914        |
| Less accumulated depreciation | (126,071)              | (121,773)      |
| Property net                  | \$ 54,329              | \$ 56,141      |

Depreciation expense was \$2,930,000 and \$5,418,000 for the three-month and six-month periods ended October 31, 2009, respectively, and \$2,534,000 and \$4,985,000 for the three-month and six-month periods ended November 1, 2008, respectively.

Included in Selling, general and administrative expenses for the second quarter ended October 31, 2009 is a \$500,000 impairment loss related to an owned warehouse.

**4. DEBT**

At October 31, 2009, a subsidiary of the Company maintained unsecured revolving credit facilities with banks aggregating \$75 million (the Credit Facilities). The Credit Facilities expire through December 2013 and currently bear interest at rates ranging from .3% to .6% above LIBOR or, at our election, .5% below the banks reference rates. At October 31, 2009, \$2.8 million of the Credit Facilities was used for standby letters of credit and \$72.2 million was available for borrowings.

The Credit Facilities require the subsidiary to maintain certain financial ratios and contain other restrictions, none of which are expected to have a material impact on our operations or financial position. Significant financial ratios and restrictions include: fixed charge coverage; net worth ratio; and limitations on incurrence of debt. At October 31, 2009, we were in compliance with all loan covenants and approximately \$25 million of retained earnings were restricted from distribution.

**5. STOCK-BASED COMPENSATION**

During the six months ended October 31, 2009, options to purchase 3,000 shares were granted (weighted average exercise price of \$6.05), options to purchase 28,470 shares were exercised (weighted average exercise price of \$2.36), and options to purchase 1,201 shares were cancelled (weighted average exercise price of \$6.21). At October 31, 2009, options to purchase 568,612 shares (weighted average exercise price of \$3.94) were outstanding and stock-based awards to purchase 3,242,243 shares of common stock were available for grant.

**Table of Contents****6. DERIVATIVE FINANCIAL INSTRUMENTS**

In June 2009, we entered into an aluminum swap contract to partially mitigate our exposure to changes in the cost of aluminum cans through April 2010. The financial instrument was 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 Other Comprehensive Income ( OCI ) and reclassified into earnings, through cost of sales, in the period in which the hedged transaction affects earnings. Any gains or losses related to hedge ineffectiveness are recognized in the current period cost of sales. As of October 31, 2009, the notional amount of our outstanding aluminum swap contract was \$3.8 million and the fair value of the derivative asset was \$491,000, which was included in Prepaid and Other Assets. The following summarizes the gains (losses) recognized in the Condensed Consolidated Statements of Income and OCI relative to the cash flow hedge for the second quarter and six months ended October 31, 2009.

|   | In thousands   |            |
|---|----------------|------------|
|   | Second Quarter | Six Months |
| Recognized in OCI-                      |                |            |
| Gain (loss) before income taxes         | \$ (1)         | \$ 597     |
| Less income tax provision               |                | 213        |
| Net                                     | \$ (1)         | \$ 384     |
| Reclassified from OCI to cost of sales- |                |            |
| Gain before income taxes                | \$ 145         | \$ 106     |
| Less income tax provision               | 52             | 38         |
| Net                                     | \$ 93          | \$ 68      |
| Net change to OCI                       | \$ (94)        | \$ 316     |

The ineffective portion of the change in fair value of our cash flow hedge was immaterial. Assuming no change in the commodity prices as measured on October 31, 2009, \$316,000 of unrealized net gain will be reclassified from OCI and recognized in earnings over the next seven months. See Notes 1 and 7.

**7. COMPREHENSIVE INCOME**

Comprehensive income for the second quarter and six months ended October 31, 2009 and November 1, 2008 is comprised of net income and changes in the fair value of our cash flow hedge (see Note 6 above) as follows:

|                             | In thousands   |          |                  |           |
|-----------------------------|----------------|----------|------------------|-----------|
|                             | Second Quarter |          | Six Months Ended |           |
|                             | 2009           | 2008     | 2009             | 2008      |
| Net income                  | \$ 8,324       | \$ 6,483 | \$ 18,117        | \$ 14,234 |
| Cash flow hedge, net of tax | (94)           |          | 316              |           |
| Comprehensive income        | \$ 8,230       | \$ 6,483 | \$ 18,433        | \$ 14,234 |

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**8. NEW ACCOUNTING STANDARDS**

In September 2006, the Financial Accounting Standards Board ( FASB ) issued new guidance on fair value measurements. The guidance defines fair value, provides a framework for measuring fair value and expands disclosures about fair value measurements. The guidance was effective at the beginning of our 2009 fiscal year for all financial assets and liabilities and for nonfinancial assets and liabilities measured at fair value on a recurring basis. For all other nonfinancial assets and liabilities, the guidance was effective at the beginning of our 2010 fiscal year. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In December 2007, the FASB issued new guidance to improve, simplify, and converge internationally the accounting for business combinations and the reporting of noncontrolling interests in consolidated financial statements. The guidance was effective as of the beginning of our 2010 fiscal year and its adoption did not have a material impact on our consolidated financial statements.

In May 2009, the FASB issued new guidance on subsequent events that establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. We adopted the guidance effective August 1, 2009.

In June 2009, the FASB issued the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (the Codification ) which authorized the Codification as the sole source for authoritative U.S. GAAP. Any accounting literature that is not in the Codification will be considered non-authoritative. We began utilizing the Codification as our sole source of authoritative U.S. GAAP effective for our second quarter ended October 31, 2009.

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**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**OVERVIEW**

National Beverage Corp. develops, manufactures, markets and distributes a complete portfolio of quality beverage products throughout the United States. Incorporated in Delaware in 1985, National Beverage Corp. is a holding company for various operating subsidiaries. In this report, the terms we, us, our, Company and National Beverage mean National Beverage Corp. and its subsidiaries.

We consider ourselves to be a leader in the development and sale of flavored beverage products in the United States, offering the widest selection of flavored soft drinks, juices, sparkling waters, energy drinks and nutritionally-enhanced waters. Our flavor development spans over 100 years originating with our flagship brands, Shasta® and Faygo®, each of which has over 50 flavor varieties. We also maintain a diverse line of flavored beverage products geared to the health-conscious consumer, including Everfresh®, Home Juice®, and Mr. Pure® 100% juice and juice-based products; LaCroix®, Crystal Bay® and ClearFruit® flavored, sparkling, and spring water products; and ÀSanté® nutritionally-enhanced waters. In addition, we distribute Rip It® energy drinks, Ohana® fruit-flavored drinks, St. Nick® holiday soft drinks as well as powder and effervescent tablet beverage enhancers sold under the NutraFizz® brand name. Substantially all of our brands are produced in twelve manufacturing facilities that are strategically located in major metropolitan markets throughout the continental United States. To a lesser extent, we develop and produce soft drinks for certain retailers and beverage companies ( allied brands ).

Our strategy emphasizes the growth of our products by offering a branded beverage portfolio of proprietary flavors; by supporting the franchise value of regional brands and expanding those brands with distinctive packaging and broader demographic emphasis; by developing and acquiring innovative products tailored toward healthy lifestyles; and by appealing to the quality-price expectations of the family consumer. We believe that the regional share dynamics of our brands perpetuate consumer loyalty within local regional markets, resulting in more retailer sponsored promotional activities.

Over the last several years, we have focused on increasing penetration of our brands in the convenience channel through Company-owned and 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 in recent years. These include development of products specifically targeted to this market, such as ClearFruit, Crystal Bay, Rip It and ÀSanté. Additionally, we have created proprietary and specialized packaging with distinctive graphics for these products. We intend to continue our focus on enhancing growth in the convenience channel through both specialized packaging and innovative product development.

Beverage industry sales are seasonal with the highest volume typically realized during the summer months.

Additionally, our operating results are subject to numerous factors, including fluctuations in the costs of raw materials, changes in consumer preference for beverage products and competitive pricing in the marketplace.

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**RESULTS OF OPERATIONS**

**Three Months Ended October 31, 2009 (second quarter of fiscal 2010) compared to  
Three Months Ended November 1, 2008 (second quarter of fiscal 2009)**

Net sales for the second quarter of fiscal 2010 increased 3.6% to \$149.6 million compared to \$144.4 million for the second quarter of fiscal 2009. The net sales improvement reflects a 3.1% increase in unit pricing due primarily to product mix and a 1.8% increase in branded case volume. The sales improvement was partially offset by lower allied-branded case volume.

Gross profit approximated 34.0% of net sales for the second quarter of fiscal 2010 compared to 29.4% of net sales for the second quarter of fiscal 2009. The gross profit improvement was due primarily to higher sales volume and lower raw material costs. Cost of goods sold per unit decreased 3.5%.

Selling, general and administrative expenses were \$37.5 million or 25.1% of net sales for the second quarter of fiscal 2010 compared to \$32.9 million or 22.8% of net sales for the second quarter of fiscal 2009. The increase in expenses is due to higher marketing and administrative expenses.

Other income includes interest income of \$55,000 (fiscal 2010) and \$247,000 (fiscal 2009). Also, included in other income for the second quarter of fiscal 2010 is a loss of \$96,000 from the disposal of property, plant and equipment and \$250,000 from the write-off of other assets.

The Company's effective rate for income taxes, based upon estimated annual income tax rates, approximated 35.6% of income before taxes for the second quarter of fiscal 2010 and 35.9% for the comparable period in fiscal 2009. The difference between the effective rate and the federal statutory rate of 35% was primarily due to the effects of state income taxes, nondeductible expenses and nontaxable interest income.

Net income was \$8.3 million for the second quarter of fiscal 2010 compared to \$6.5 million for the second quarter of fiscal 2009.

**Six Months Ended October 31, 2009 (first six months of fiscal 2010) compared to  
Six Months Ended November 1, 2008 (first six months of fiscal 2009)**

Net sales for the first six months of fiscal 2010 increased 5.1% to \$312.4 million compared to \$297.3 million for the first six months of fiscal 2009. The net sales increase reflects case volume growth of 1.5% for the Company's energy drinks, juices and waters and 9.3% for branded carbonated soft drinks. This improvement was partially offset by lower allied-branded volume.

Gross profit approximated 32.4% of net sales for the first six months of fiscal 2010 compared to 29.8% of net sales for the first six months of fiscal 2009. The gross profit improvement was due primarily to higher sales volume and lower raw material costs. Cost of goods sold per unit decreased 3.1%.

Selling, general and administrative expenses were \$72.8 million or 23.3% of net sales for the first six months of fiscal 2010 compared to \$67.1 million or 22.6% of net sales for the

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comparable period in fiscal 2009. The increase in expenses is due to higher marketing and administrative expenses. Other income (expense) includes interest income of \$154,000 (fiscal 2010) and \$449,000 (fiscal 2009). Also, included in other income (expense) for the first six months of fiscal 2010 is a loss of \$193,000 from the disposal of property, plant and equipment and \$250,000 from the write-off of other assets.

The Company's effective rate for income taxes, based upon estimated annual income tax rates, approximated 35.6% of income before taxes for the first six months of fiscal 2010 and 35.9% for the comparable period in fiscal 2009. The difference between the effective rate and the federal statutory rate of 35% was primarily due to the effects of state income taxes, nondeductible expenses and nontaxable interest income.

Net income was \$18.1 million for the first six months of fiscal 2010 compared to \$14.2 million for the first six months of fiscal 2009.

**LIQUIDITY AND FINANCIAL CONDITION**

**Liquidity and Capital Resources**

Our principal source of funds is cash generated from operations, which may be supplemented by borrowings under existing credit facilities. We maintain unsecured revolving credit facilities aggregating \$75 million, of which \$2.8 million was used for standby letters of credit at October 31, 2009. There was no debt outstanding under the credit facilities. We believe that our capital resources, including cash and equivalents aggregating \$105.2 million as of October 31, 2009, are sufficient to fund our capital requirements for the foreseeable future.

**Cash Flows**

During the first six months of fiscal 2010, \$25.2 million was provided by operating activities while \$4.3 million was used in investing activities. Cash provided by operating activities increased \$13.1 million due primarily to an improvement in earnings and working capital requirements. Cash used in investing activities increased \$4.6 million due primarily to changes in net marketable securities and additions to property, plant and equipment.

**Financial Position**

During the first six months of fiscal 2010, working capital increased \$21.0 million to \$138.9 million due primarily to cash provided by operating activities. Trade receivables, inventory and accounts payable decreased due to lower volume related to seasonality. Prepaid and other assets decreased due to a decline in income tax refund receivables. The current ratio was 3.6 to 1 at October 31, 2009 and 2.7 to 1 at May 2, 2009.

**NEW ACCOUNTING STANDARDS**

See Note 8 of Notes to Condensed Consolidated Financial Statements for information about recently issued accounting standards.

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**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There are no material changes to the disclosures made on this matter in the Company's Annual Report on Form 10-K for the fiscal year ended May 2, 2009.

**ITEM 4. 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 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 (2) accumulated and communicated to our management, including our Chief Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**FORWARD-LOOKING STATEMENTS**

Certain statements in this Quarterly Report on Form 10-Q (this Form 10-Q) constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the 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; our ability to increase prices; continued retailer support for our products; changes in consumer preferences; success of implementing business strategies; changes in business strategy or development plans; government regulations; regional weather conditions; and other factors referenced in this Form 10-Q. For a further list and description of various risks, relevant factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see the Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations sections contained in our Annual Report on Form 10-K for the fiscal year ended May 2, 2009 and other filings with the Securities and Exchange Commission. 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.



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**PART II OTHER INFORMATION**

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

At the Company's Annual Meeting of Shareholders held October 2, 2009, Mr. Samuel C. Hathorn, Jr. and Mr. Joseph G. Caporella were re-elected to the Board of Directors for a three-year term. Of the 44,705,802 shares voted, 44,198,543 shares were voted for the election of Mr. Samuel C. Hathorn, Jr. (507,259 shares were withheld) and 41,308,925 shares were voted for the election of Mr. Joseph G. Caporella (3,396,877 shares were withheld).

**ITEM 6. EXHIBITS**

| Exhibit No. | Description  |
|-------------|--|
| 31.1        | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002     |
| 31.2        | Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1        | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002     |
| 32.2        | Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

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**SIGNATURE**

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

Date: December 10, 2009

National Beverage Corp.  
(Registrant)

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

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