

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 30, 2011**

**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:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
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 (X)

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 (X)

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 (X) 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 ()

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. (X)

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 (X) 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 (X)

The aggregate market value of the common stock held by non-affiliates of Registrant computed by reference to the closing sale price on October 29, 2010 was approximately \$160.4 million.

The number of shares of Registrant's common stock outstanding as of July 5, 2011 was 46,229,355.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2011 Annual Meeting of Shareholders are incorporated by reference in Part III of Form 10-K.

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PART I

ITEM 1. BUSINESS

GENERAL

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 a wide 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 offer the health-conscious consumer a diverse line of flavored beverage products, 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 produce and market Rip It® energy drinks, Ohana® fruit-flavored drinks, St. Nick’s® holiday soft drinks, as well as effervescent powder beverage enhancers sold under the NutraFizz® brand name. Substantially all of our brands are produced in twelve manufacturing facilities that are strategically located near major metropolitan markets throughout the continental United States. To a lesser extent, we develop and produce soft drinks for certain retailers and beverage companies.

We utilize various means to maintain and strengthen our position as a cost-effective producer of beverage products. These include centralized purchasing of raw materials, vertical integration of the manufacturing process, close proximity to customer distribution centers, regionally targeted media promotions and the use of multiple distribution systems. We believe the strength of our brands and location of our manufacturing facilities distinguish us as a national supplier of beverages to national and regional retailers, mass merchandisers, wholesalers and discount stores.

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

PRODUCTS

Shasta and Faygo, our traditional soft drink brands that emphasize flavor variety and innovation, have been manufactured and marketed throughout the United States for a combined period of over 200 years. Established more than 120 years ago and distributed nationally, Shasta is the largest of National Beverage’s brands and includes multiple flavors of carbonated soft drinks as well as various water products. Established over 100 years ago, Faygo products are primarily distributed east of the Mississippi River and include a multi-flavored product line. We also produce and market other brands of soft drinks, juices, waters and other beverages, including Ritz®, Big Shot®, Everfresh, Mr. Pure, LaCroix, Crystal Bay, Ohana, Rip It, Mega Sport® and ÀSanté.

Our “fantasy of flavors” strategy emphasizes distinctively flavored soft drinks, energy drinks, juices and other specialty 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. We continue to emphasize expanding our beverage portfolio beyond traditional carbonated soft drinks through new product development inspired by “lifestyle enhancement” trends, innovative package enhancements and the development of products designed to provide functional benefits to the consumer. Such products include our lines of energy drinks and vitamin-enhanced waters. We intend to expand our product offerings through in-house development and acquisitions, to further our strategy within the evolving “functional” category geared toward consumer health and wellness.

MANUFACTURING

Our twelve manufacturing facilities are strategically located near major metropolitan markets across the continental United States, enabling us to efficiently manufacture and distribute beverages to substantially all geographic markets in the United States. 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 ownership 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 servicing the United States, 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 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.

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 institutions.

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.

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. We also seek to maintain points of difference between our brands and those of our competitors by combining high product quality, flavor innovation, unique packaging designs and, for some product lines, value pricing. Additionally, we sponsor special holiday promotions including St. Nick’s soft drinks, which feature special holiday flavors and packaging.

Our “regional share dynamics” strategy emphasizes the acquisition and support of brands that have significant regional presence. We believe our brands enjoy a regional identification that foster long-term consumer loyalty and make them less vulnerable to brand substitution. In addition, “home-town” products often generate more aggressive retailer sponsored promotional activities and receive media exposure through community activities and other local events.

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 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 and high fructose corn syrup, 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

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. Sales volume may be 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 30, 2011, 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 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 action 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, linerboard and corn. 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

None.

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 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. [REMOVED AND RESERVED]

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND 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 30, 2011		May 1, 2010	
	High	Low	High	Low
First Quarter	\$ 14.41	\$ 10.77	\$ 11.64	\$ 9.25
Second Quarter	\$ 15.23	\$ 12.32	\$ 12.00	\$ 9.55
Third Quarter	\$ 15.45	\$ 12.44	\$ 14.50	\$ 10.37
Fourth Quarter	\$ 14.69	\$ 12.30	\$ 11.82	\$ 10.75

At July 5, 2011, there were approximately 4,300 holders of our Common Stock, the majority of which hold their shares in the names of various dealers and/or clearing agencies.

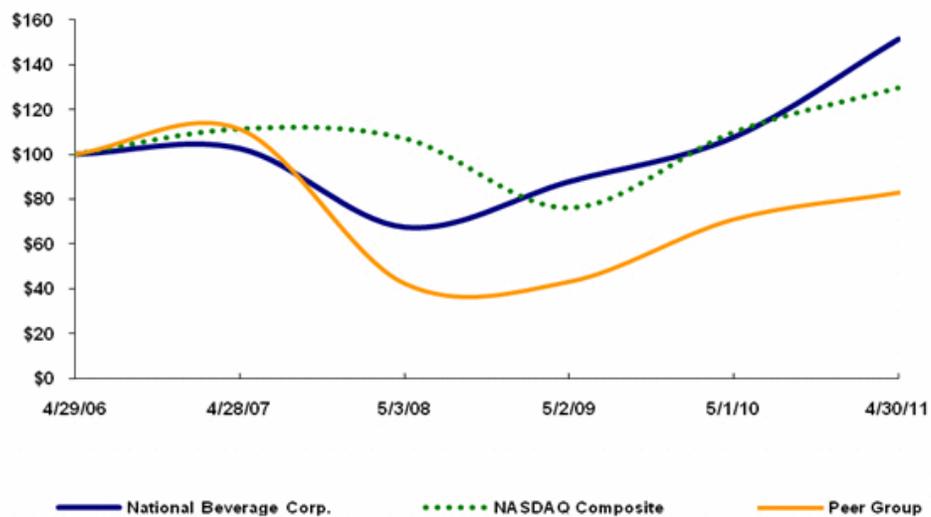
The Company paid special cash dividends of \$106,314,000 (\$2.30 per share) on February 14, 2011 and \$62,295,000 (\$1.35 per share) on January 22, 2010. See Note 4 of Notes to Consolidated Financial Statements for certain restrictions on the payment of dividends.

In January 1998, the Board of Directors authorized the purchase of up to 800,000 shares of National Beverage common stock of which 502,060 shares have been purchased. 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 29, 2006, 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. On October 2, 2010, the North American operations of Coca-Cola Enterprises Inc. were acquired by The Coca-Cola Company; therefore, Coca-Cola Enterprises is no longer included in the company-constructed peer group.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN



	4/29/06	4/28/07	5/3/08	5/2/09	5/1/10	4/30/11
National Beverage Corp.	\$ 100.00	\$ 102.54	\$ 67.53	\$ 87.83	\$ 107.64	\$ 151.24
NASDAQ Composite	100.00	111.24	107.01	75.98	109.83	129.57
Peer Group	100.00	111.04	42.48	43.30	71.01	82.86

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 30, 2011	May 1, 2010	May 2, 2009	May 3, 2008 (1)	April 28, 2007
SUMMARY OF OPERATIONS:					
Net sales	\$ 600,193	\$ 593,465	\$ 575,177	\$ 566,001	\$ 539,030
Cost of sales	381,539	396,450	405,322	393,420	365,793
Gross profit	218,654	197,015	169,855	172,581	173,237
Selling, general and administrative expenses	155,885	145,159	131,918	138,447	137,212
Interest expense	99	120	107	109	106
Other income (expense) - net	(20)	(351)	967	1,053	2,587
Income before income taxes	62,650	51,385	38,797	35,078	38,506
Provision for income taxes	21,896	18,532	14,055	12,598	13,824
Net income	<u>\$ 40,754</u>	<u>\$ 32,853</u>	<u>\$ 24,742</u>	<u>\$ 22,480</u>	<u>\$ 24,682</u>
PER SHARE DATA:					
Basic net income (2)	\$.88	\$.71	\$.54	\$.49	\$.54
Diluted net income (2)	.88	.71	.54	.49	.54
Closing stock price (2)	13.92	11.60	10.47	8.05	13.13
Cash dividends paid (3)	2.30	1.35	-	.80	-
BALANCE SHEET DATA:					
Cash and equivalents (3)	\$ 7,372	\$ 68,566	\$ 84,140	\$ 51,497	\$ 65,579
Working capital (3)	30,930	92,898	117,840	89,396	97,684
Property, plant and equipment - net	55,337	53,401	56,141	57,639	57,369
Total assets (3)	182,810	240,359	265,682	239,122	257,632
Deferred income tax liability	14,548	15,597	16,517	16,624	15,217
Shareholders' equity (3)	80,336	141,572	170,012	144,625	157,361
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 special cash dividends of \$106,314,000 (\$2.30 per share), \$62,295,000 (\$1.35 per share) and \$36,711,000 (\$.80 per share) on February 14, 2011, January 22, 2010 and August 17, 2007, respectively.

ITEM 7. 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 a wide 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 offer the health-conscious consumer a diverse line of flavored beverage products, 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 produce and market Rip It® energy drinks, Ohana® fruit-flavored drinks, St. Nick's® holiday soft drinks, as well as effervescent powder beverage enhancers sold under the NutraFizz® brand name. Substantially all of our brands are produced in twelve manufacturing facilities that are strategically located near 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, supporting the franchise value of regional brands and expanding those brands with distinctive packaging and broad demographic emphasis, developing and acquiring innovative products tailored toward healthy lifestyles and appealing to the "quality-value" expectations of the family consumer. We believe the "regional share dynamics" of our brands results in more retailer sponsored promotional activities which perpetuate consumer loyalty within local markets.

Our focus is to increase 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 in this market, we have undertaken several measures to expand convenience channel distribution. These measures include development of new products and serving sizes specifically targeted for 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.

RESULTS OF OPERATIONS

Net Sales

Net sales for the fiscal year ended April 30, 2011 ("Fiscal 2011") increased 1.1% to \$600,193,000 as compared to \$593,465,000 for the fiscal year ended May 1, 2010 ("Fiscal 2010"). The sales improvement is due to case volume growth of 13.2% for our premium brand portfolio, 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.

Net sales for the fiscal year ended May 1, 2010 increased 3.2% to \$593,465,000 as compared to \$575,177,000 for the fiscal year ended May 2, 2009 ("Fiscal 2009"). The net sales increase reflects case volume growth of 1.2% for our energy drinks, juices and waters and 5.1% for branded carbonated soft drinks. In addition, unit pricing increased .9% largely due to favorable product mix changes. This improvement was partially offset by a decline in allied branded volume.

Gross Profit

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.

Gross profit approximated 33.2% of net sales for Fiscal 2010 and 29.5% of net sales for Fiscal 2009. The gross margin improvement was due to higher sales volume, favorable changes in product mix and lower raw material costs. Cost of sales decreased 4.4% 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 \$155,885,000 or 26.0% of net sales for Fiscal 2011 compared to \$145,159,000 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.

Selling, general and administrative expenses were \$145,159,000 or 24.5% of net sales for Fiscal 2010 compared to \$131,918,000 or 22.9% of net sales for Fiscal 2009. The increase in expenses was primarily due to higher marketing and administrative costs. Marketing costs reflect increased cooperative advertising programs with customers and increased brand support expenditures.

Interest Expense and Other Income-Net

Interest expense is comprised of interest on borrowings and fees related to maintaining lines of credit. Other income includes interest income of \$140,000 for Fiscal 2011, \$229,000 for Fiscal 2010 and \$865,000 for Fiscal 2009. The decline in interest income for Fiscal 2011 and Fiscal 2010 was primarily due to lower investment yields. Other income for Fiscal 2009 includes a gain of \$728,000 related to a legal settlement concerning certain leased property. See Note 7 of Notes to Consolidated Financial Statements.

Income Taxes

Our effective tax rate was approximately 34.9% for Fiscal 2011, 36.1% for Fiscal 2010 and 36.2% for Fiscal 2009. The difference between the effective rate and the federal statutory rate of 35% was primarily due to the effects of the manufacturing deduction and state income taxes. 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 a \$50,000,000 unsecured revolving credit facility of which \$2,639,000 was utilized for standby letters of credit at April 30, 2011. On July 8, 2011, we entered into an additional revolving credit facility which increased our total credit availability to \$75,000,000. 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 \$11,389,000 for Fiscal 2011; there were no material capital expenditure commitments at April 30, 2011.

The Company paid special cash dividends of \$106,314,000 (\$2.30 per share) on February 14, 2011 and \$62,295,000 (\$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 \$6,002,000 for Fiscal 2011, \$5,935,000 for Fiscal 2010 and \$5,752,000 for Fiscal 2009. At April 30, 2011, management fees payable to CMA were \$1,519,000. 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 \$168,609,000.

During Fiscal 2011, \$55,302,000 was provided by operating activities, offset by \$11,312,000 used in investing activities and a special cash dividend payment of \$106,314,000. Cash provided by operating activities increased \$917,000 primarily due to higher earnings and cash used in investing activities increased \$2,998,000 due to expanded capital investments.

During Fiscal 2010, \$54,385,000 was provided by operating activities, which was offset by \$8,314,000 used in investing activities and \$61,645,000 used in financing activities. Cash provided by operating activities increased \$18,556,000 primarily due to higher earnings. Cash used in investing activities increased \$4,823,000 due to changes in net marketable securities transactions and higher capital expenditures. Cash used in financing activities includes a special cash dividend payment of \$62,295,000.

Financial Position

During Fiscal 2011, our working capital decreased \$61,968,000 to \$30,930,000 due to the special cash dividend paid in February 2011. Inventory decreased \$1,319,000 due to reduced inventory quantities. Prepaid and other assets increased \$4,219,000 primarily due to an increase in derivative assets. See Note 6 of Notes to Consolidated Financial Statements. At April 30, 2011, the current ratio was 1.4 to 1, as compared to 2.3 to 1 at May 1, 2010.

During Fiscal 2010, our working capital decreased \$24,942,000 to \$92,898,000 due to the special cash dividend paid in January 2010. Inventory decreased \$4,940,000 due to lower raw material costs and reduced inventory levels. Prepaid and other assets decreased \$1,368,000 primarily due to changes in income tax receivables. At May 1, 2010, the current ratio was 2.3 to 1, as compared to 2.7 to 1 at May 2, 2009.

CONTRACTUAL OBLIGATIONS

Contractual obligations at April 30, 2011 are payable as follows:

	(In thousands)				
	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years
Operating leases	\$ 17,202	\$ 4,842	\$ 4,946	\$ 3,376	\$ 4,038
Purchase commitments	77,571	49,874	27,697	-	-
Total	\$ 94,773	\$ 54,716	\$ 32,643	\$ 3,376	\$ 4,038

We have guaranteed the residual value of certain leased equipment in the amount of \$11,300,000. If the proceeds from sale of such equipment are less than the balance required by the lease when the lease terminates in July 2012, the Company shall be required to pay the difference up to such guaranteed amount.

We contribute to certain pension plans under collective bargaining agreements based on hours worked and to a discretionary profit sharing plan. Contributions were \$2,534,000 for Fiscal 2011, \$2,309,000 for Fiscal 2010 and \$2,304,000 for Fiscal 2009.

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 \$2,639,000, which expire in fiscal 2012. 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 which 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.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodities

We purchase various raw materials, including aluminum cans, plastic bottles, high fructose corn syrup and various 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 2011. 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.

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 Form 10-K. 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	April 30, 2011	May 1, 2010
Assets		
Current assets:		
Cash and equivalents	\$ 7,372	\$ 68,566
Trade receivables - net of allowances of \$452 (2011) and \$509 (2010)	55,912	53,834
Inventories	33,353	34,672
Deferred income taxes - net	1,493	3,367
Prepaid and other assets	8,403	4,184
Total current assets	106,533	164,623
Property, plant and equipment - net	55,337	53,401
Goodwill	13,145	13,145
Intangible assets	1,615	1,615
Other assets	6,180	7,575
	<u>\$ 182,810</u>	<u>\$ 240,359</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 49,257	\$ 48,428
Accrued liabilities	26,214	23,170
Income taxes payable	132	127
Total current liabilities	75,603	71,725
Deferred income taxes - net	14,548	15,597
Other liabilities	12,323	11,465
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; 50,262,139 shares (2011) and 50,188,819 shares (2010) issued	503	502
Additional paid-in capital	29,725	28,150
Retained earnings	65,207	130,767
Accumulated other comprehensive income	2,751	3
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	<u>80,336</u>	<u>141,572</u>
	<u>\$ 182,810</u>	<u>\$ 240,359</u>

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 30, 2011	May 1, 2010	May 2, 2009
Net sales	\$ 600,193	\$ 593,465	\$ 575,177
Cost of sales	<u>381,539</u>	<u>396,450</u>	<u>405,322</u>
Gross profit	218,654	197,015	169,855
Selling, general and administrative expenses	155,885	145,159	131,918
Interest expense	99	120	107
Other income (expense) - net	<u>(20)</u>	<u>(351)</u>	<u>967</u>
Income before income taxes	62,650	51,385	38,797
Provision for income taxes	<u>21,896</u>	<u>18,532</u>	<u>14,055</u>
Net income	<u>\$ 40,754</u>	<u>\$ 32,853</u>	<u>\$ 24,742</u>
Net income per share:			
Basic	<u>\$.88</u>	<u>\$.71</u>	<u>\$.54</u>
Diluted	<u>\$.88</u>	<u>\$.71</u>	<u>\$.54</u>
Weighted average common shares outstanding:			
Basic	<u>46,188</u>	<u>46,065</u>	<u>45,999</u>
Diluted	<u>46,373</u>	<u>46,294</u>	<u>46,191</u>

See accompanying Notes to Consolidated Financial Statements.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)

	Fiscal Year Ended		
	April 30, 2011	May 1, 2010	May 2, 2009
Number of Common Shares Issued			
Beginning of year	50,189	50,045	49,982
Stock options exercised	73	144	63
End of year	<u>50,262</u>	<u>50,189</u>	<u>50,045</u>
Preferred Stock			
Beginning and end of year	\$ 150	\$ 150	\$ 150
Common Stock			
Beginning of year	502	500	500
Stock options exercised	1	2	-
End of year	<u>503</u>	<u>502</u>	<u>500</u>
Additional Paid-In Capital			
Beginning of year	28,150	27,153	26,508
Stock options exercised	208	264	245
Stock-based compensation	446	349	340
Stock-based tax benefits	921	384	60
End of year	<u>29,725</u>	<u>28,150</u>	<u>27,153</u>
Retained Earnings			
Beginning of year	130,767	160,209	135,467
Net income	40,754	32,853	24,742
Cash dividends	(106,314)	(62,295)	-
End of year	<u>65,207</u>	<u>130,767</u>	<u>160,209</u>
Accumulated Other Comprehensive Income			
Beginning of year	3	-	-
Cash flow hedges	2,748	3	-
End of year	<u>2,751</u>	<u>3</u>	<u>-</u>
Treasury Stock - Preferred			
Beginning and end of year	<u>(5,100)</u>	<u>(5,100)</u>	<u>(5,100)</u>
Treasury Stock - Common			
Beginning and end of year	<u>(12,900)</u>	<u>(12,900)</u>	<u>(12,900)</u>
Total Shareholders' Equity	<u>\$ 80,336</u>	<u>\$ 141,572</u>	<u>\$ 170,012</u>
Comprehensive Income			
Net income	\$ 40,754	\$ 32,853	\$ 24,742
Cash flow hedges	2,748	3	-
Comprehensive income	<u>\$ 43,502</u>	<u>\$ 32,856</u>	<u>\$ 24,742</u>

See accompanying Notes to Consolidated Financial Statements.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Fiscal Year Ended		
	April 30, 2011	May 1, 2010	May 2, 2009
Operating Activities:			
Net income	\$ 40,754	\$ 32,853	\$ 24,742
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	11,356	12,350	11,782
Deferred income tax benefit	(694)	(1,026)	(474)
Loss on disposal of property, net	82	791	363
Stock-based compensation	446	349	340
Changes in assets and liabilities:			
Trade receivables	(2,078)	(99)	(4,549)
Inventories	1,319	4,940	(858)
Prepaid and other assets	(1,215)	8	2,774
Accounts payable	829	423	(1,798)
Accrued and other liabilities	4,503	3,796	3,507
Net cash provided by operating activities	<u>55,302</u>	<u>54,385</u>	<u>35,829</u>
Investing Activities:			
Marketable securities purchased	-	-	(109,450)
Marketable securities sold	-	-	112,450
Additions to property, plant and equipment	(11,389)	(8,349)	(6,658)
Proceeds from sale of property, plant and equipment	77	35	167
Net cash used in investing activities	<u>(11,312)</u>	<u>(8,314)</u>	<u>(3,491)</u>
Financing Activities:			
Common stock cash dividend	(106,314)	(62,295)	-
Proceeds from stock options exercised	209	266	245
Stock-based tax benefits	921	384	60
Net cash provided by (used in) financing activities	<u>(105,184)</u>	<u>(61,645)</u>	<u>305</u>
Net (Decrease) Increase in Cash and Equivalents	(61,194)	(15,574)	32,643
Cash and Equivalents - Beginning of Year	68,566	84,140	51,497
Cash and Equivalents - End of Year	<u>\$ 7,372</u>	<u>\$ 68,566</u>	<u>\$ 84,140</u>
Other Cash Flow Information:			
Interest paid	\$ 101	\$ 124	\$ 107
Income taxes paid	20,816	18,541	11,114

See accompanying Notes to Consolidated Financial Statements.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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.

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 2011, Fiscal 2010 and Fiscal 2009 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.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

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 30, 2011 and May 1, 2010 consisted of non-amortizable trademarks.

Inventories

Inventories are stated at the lower of first-in, first-out cost or market. Inventories at April 30, 2011 are comprised of finished goods of \$20,215,000 and raw materials of \$13,138,000. Inventories at May 1, 2010 are comprised of finished goods of \$21,104,000 and raw materials of \$13,568,000.

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 \$52,926,000 in Fiscal 2011, \$44,749,000 in Fiscal 2010 and \$34,860,000 in Fiscal 2009.

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 185,000 shares in Fiscal 2011, 229,000 shares in Fiscal 2010 and 192,000 shares in Fiscal 2009. Options to purchase 291,000 shares in Fiscal 2011, 18,000 shares in Fiscal 2010 and 33,000 shares in Fiscal 2009 were not included in the calculation of diluted net income per share because these options were antidilutive.

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.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

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 which 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 \$45,071,000 in Fiscal 2011, \$43,004,000 in Fiscal 2010 and \$44,096,000 in Fiscal 2009. 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:

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

	(In thousands)		
	Fiscal 2011	Fiscal 2010	Fiscal 2009
Balance at beginning of year	\$ 509	\$ 445	\$ 266
Net charge to expense	67	340	221
Net charge-off	(124)	(276)	(42)
Balance at end of year	<u>\$ 452</u>	<u>\$ 509</u>	<u>\$ 445</u>

As of April 30, 2011 and May 1, 2010, 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 30, 2011 and May 1, 2010 consisted of the following:

	(In thousands)	
	2011	2010
Land	\$ 9,779	\$ 9,779
Buildings and improvements	47,374	44,415
Machinery and equipment	132,709	128,029
Total	189,862	182,223
Less accumulated depreciation	(134,525)	(128,822)
Property, plant and equipment – net	<u>\$ 55,337</u>	<u>\$ 53,401</u>

Depreciation expense was \$9,294,000 for Fiscal 2011, \$10,263,000 for Fiscal 2010 and \$9,456,000 for Fiscal 2009.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

3. ACCRUED LIABILITIES

Accrued liabilities as of April 30, 2011 and May 1, 2010 consisted of the following:

	(In thousands)	
	2011	2010
Accrued compensation	\$ 9,862	\$ 8,192
Accrued promotions	7,130	7,324
Accrued insurance	2,078	2,388
Other	7,144	5,266
Total	<u>\$ 26,214</u>	<u>\$ 23,170</u>

4. DEBT

At April 30, 2011, a subsidiary of the Company maintained a \$50,000,000 unsecured revolving credit facility with a bank (the "Credit Facility"). The Credit Facility expires on April 30, 2013 and, currently, any borrowings would bear interest at .3% above LIBOR or, at our election, .5% below the bank's reference rate. At April 30, 2011, \$2,639,000 of the Credit Facility was used for standby letters of credit and \$47,361,000 was available for borrowings.

The Credit Facility requires the subsidiary to maintain certain financial ratios, principally debt to net worth and debt to EBITDA (as defined in the loan agreement), and contains other restrictions, none of which are expected to have a material effect on our operations or financial position. At April 30, 2011, we were in compliance with all loan covenants and approximately \$1,320,000 of retained earnings was restricted from distribution.

On July 8, 2011, the subsidiary entered into an additional \$25,000,000 unsecured revolving credit facility with a bank which expires on July 8, 2013 and contains similar financial covenants.

5. CAPITAL STOCK AND TRANSACTIONS WITH RELATED PARTIES

The Company paid special cash dividends of \$106,314,000 (\$2.30 per share) on February 14, 2011 and \$62,295,000 (\$1.35 per share) on January 22, 2010.

In January 1998, the Board of Directors authorized the purchase of up to 800,000 shares of National Beverage common stock, of which 502,060 shares have been purchased. There were no shares purchased during the three fiscal years ended April 30, 2011.

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. 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. No incentive compensation has been paid from the inception of the agreement through Fiscal 2011. We incurred management fees to CMA of \$6,002,000 for Fiscal 2011, \$5,935,000 for Fiscal 2010 and \$5,752,000 for Fiscal 2009. Included in accounts payable at April 30, 2011 and May 1, 2010 were amounts due CMA of \$1,519,000 and \$2,823,000, respectively.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

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 2012. 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 2011 and Fiscal 2010:

	(In thousands)	
	Fiscal 2011	Fiscal 2010
Recognized in AOCI-		
Gain before income taxes	\$ 3,650	\$ 603
Less income tax provision	1,299	214
Net	<u>2,351</u>	<u>389</u>
Reclassified from AOCI to cost of sales-		
(Loss) gain before income taxes	(617)	599
Less income tax (benefit) provision	(220)	213
Net	<u>(397)</u>	<u>386</u>
Net change to AOCI	<u>\$ 2,748</u>	<u>\$ 3</u>

As of April 30, 2011, the notional amount of our outstanding aluminum swap contracts was \$15,302,000 and, assuming no change in the commodity prices, \$4,069,000 of unrealized net gain (before tax) will be reclassified from AOCI and recognized in earnings over the next twelve months. See Note 1.

As of April 30, 2011 and May 1, 2010, the fair value of derivative assets was \$4,271,000 and \$4,000, respectively, 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.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

7. OTHER (EXPENSE) INCOME

Other (expense) income consisted of the following:

	(In thousands)		
	Fiscal 2011	Fiscal 2010	Fiscal 2009
Interest income	\$ 140	\$ 229	\$ 865
Gain on legal settlement	-	-	728
Loss on disposal of property, net	(82)	(291)	(363)
Other (expense), net	(78)	(289)	(263)
Total	\$ (20)	\$ (351)	\$ 967

8. INCOME TAXES

The provision for income taxes consisted of the following:

	(In thousands)		
	Fiscal 2011	Fiscal 2010	Fiscal 2009
Current	\$ 22,590	\$ 19,558	\$ 14,529
Deferred	(694)	(1,026)	(474)
Total	\$ 21,896	\$ 18,532	\$ 14,055

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 30, 2011 and May 1, 2010 consisted of the following:

	(In thousands)	
	2011	2010
Deferred tax assets:		
Accrued expenses and other	\$ 4,893	\$ 4,995
Inventory and amortizable assets	497	490
Total deferred tax assets	5,390	5,485
Deferred tax liabilities:		
Property	16,889	17,704
Intangibles and other	1,556	11
Total deferred tax liabilities	18,445	17,715
Net deferred tax liabilities	\$ 13,055	\$ 12,230
Current deferred tax assets – net	\$ 1,493	\$ 3,367
Noncurrent deferred tax liabilities – net	\$ 14,548	\$ 15,597

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

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

	Fiscal 2011	Fiscal 2010	Fiscal 2009
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	2.4	2.8	2.4
Manufacturing deduction benefit	(3.0)	(2.0)	(2.0)
Other differences	.5	.3	.8
Effective income tax rate	<u>34.9%</u>	<u>36.1%</u>	<u>36.2%</u>

As of April 30, 2011, the gross amount of unrecognized tax benefits was \$4,687,000, of which approximately \$448,000 was recognized as tax expense in Fiscal 2011. If we were to prevail on all uncertain tax positions, the net effect would be to reduce our tax expense by approximately \$3,700,000. 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 2011	Fiscal 2010	Fiscal 2009
Beginning balance	\$ 3,997	\$ 3,662	\$ 3,166
Increases due to current period tax positions	857	391	533
Decreases due to lapse of statute of limitations	(167)	(56)	(37)
Ending balance	<u>\$ 4,687</u>	<u>\$ 3,997</u>	<u>\$ 3,662</u>

We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense. As of April 30, 2011, unrecognized tax benefits included accrued interest of \$560,000, of which approximately \$59,000 was recognized as tax expense in Fiscal 2011.

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 audited and finally 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 2006 are subject to examination. Generally, the income tax returns for the various state jurisdictions are subject to examination for fiscal years ending after fiscal 2006.

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.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

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 the officers (including those who are also directors) 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 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. The Board of Directors also 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 automatically forfeited in the event of the sale of shares originally acquired by the participant. 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 our employee stock options under the fair value method of accounting using a Black-Scholes valuation model to measure stock option expense at the date of grant. Generally, stock option grants have an exercise price equal to the fair market value of our common stock on the date of grant and have a 10-year term. The fair value of stock options is amortized to expense over the vesting period.

Stock options granted in Fiscal 2011 and Fiscal 2010 were 301,500 shares and 3,000 shares, respectively. There were no stock options or other stock-based awards granted in Fiscal 2009. The weighted average Black-Scholes fair value assumptions for stock options granted are as follows: weighted average expected life of 7.5 years for Fiscal 2011 and 8.0 years for Fiscal 2010; weighted average expected volatility of 48.6% for Fiscal 2011 and 52.2% for Fiscal 2010; weighted average risk free interest rates of 2.8% for Fiscal 2011 and 3.4% for Fiscal 2010; and expected dividend yield of 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.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

The following is a summary of stock option activity for Fiscal 2011:

	Number of Shares	Price ^(a)
Options outstanding, beginning of year	414,120	\$ 3.96
Granted	301,500	11.34
Exercised	(73,320)	2.86
Cancelled	(40,680)	7.30
Options outstanding, end of year	<u>601,620</u>	7.51
Options exercisable, end of year	<u>230,517</u>	3.88

^(a) Weighted average exercise price.

Stock-based compensation expense was \$446,000 for Fiscal 2011, \$349,000 for Fiscal 2010 and \$340,000 for Fiscal 2009. The total fair value of shares vested was \$135,000 for Fiscal 2011, \$402,000 for Fiscal 2010 and \$304,000 for Fiscal 2009. The total intrinsic value for stock options exercised was \$799,000 for Fiscal 2011, \$1,498,000 for Fiscal 2010 and \$217,000 for Fiscal 2009. Net cash proceeds from the exercise of stock options were \$209,000 for Fiscal 2011, \$266,000 for Fiscal 2010 and \$245,000 for Fiscal 2009. Stock based income tax benefits aggregated \$921,000 for Fiscal 2011, \$384,000 for Fiscal 2010 and \$60,000 for Fiscal 2009. The weighted average fair value for stock options granted was \$6.35 for Fiscal 2011 and \$7.43 for Fiscal 2010.

As of April 30, 2011, unrecognized compensation expense related to the unvested portion of our stock options was \$1,834,000, which is expected to be recognized over a weighted average period of 4.7 years. The weighted average remaining contractual term and the aggregate intrinsic value for options outstanding as of April 30, 2011 was 4.9 years and \$3,854,000, respectively. The weighted average remaining contractual term and the aggregate intrinsic value for options exercisable as of April 30, 2011 was 3.6 years and \$2,314,000, 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 30, 2011, no shares have been issued under the plan.

10. 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 \$9,952,000 for Fiscal 2011, \$8,920,000 for Fiscal 2010 and \$7,679,000 for Fiscal 2009.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

Our minimum lease payments under non-cancelable operating leases as of April 30, 2011 were as follows:

	(In thousands)
Fiscal 2012	\$ 4,842
Fiscal 2013	2,911
Fiscal 2014	2,035
Fiscal 2015	1,807
Fiscal 2016	1,569
Thereafter	4,038
Total minimum lease payments	<u>\$ 17,202</u>

We have guaranteed the residual value of certain leased equipment in the amount of \$11,300,000. If the proceeds from sale of such equipment are less than the balance required by the lease when the lease terminates in July 2012, the Company shall be required to pay the difference up to such guaranteed amount.

The Company contributes to certain pension plans under collective bargaining agreements based on hours worked and to a discretionary profit sharing plan. Contributions were \$2,534,000 for Fiscal 2011, \$2,309,000 for Fiscal 2010 and \$2,304,000 for Fiscal 2009.

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 30, 2011, we had purchase commitments for raw materials of \$49,874,000 for Fiscal 2012 and \$27,697,000 for Fiscal 2013.

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.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

11. QUARTERLY FINANCIAL DATA (UNAUDITED)

	(In thousands, except per share amounts)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<u>Fiscal 2011</u>				
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
<u>Fiscal 2010</u>				
Net sales	\$ 162,831	\$ 149,571	\$ 131,462	\$ 149,601
Gross profit	50,523	50,797	42,740	52,955
Net income	9,793	8,324	5,525	9,211
Net income per share – basic	\$.21	\$.18	\$.12	\$.20
Net income per share – diluted	\$.21	\$.18	\$.12	\$.20

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 30, 2011 and May 1, 2010 and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended April 30, 2011. We also have audited National Beverage Corp.'s internal control over financial reporting as of April 30, 2011, 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 30, 2011 and May 1, 2010 and the results of its operations and its cash flows for each of the years in the three-year period ended April 30, 2011, 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 30, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ McGladrey & Pullen, LLP
Fort Lauderdale, Florida
July 14, 2011

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 is effective as of April 30, 2011.

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 & Pullen, 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 Controls over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended April 30, 2011 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 2011 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 30, 2011.

<u>Name</u>	<u>Age</u>	<u>Position with Company</u>
Nick A. Caporella ⁽¹⁾	75	Chairman of the Board and Chief Executive Officer
Joseph G. Caporella ⁽²⁾	51	President
Edward F. Knecht ⁽³⁾	76	Executive Vice President - Procurement
George R. Bracken ⁽⁴⁾	66	Senior Vice President – Finance
Dean A. McCoy ⁽⁵⁾	54	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. Edward F. Knecht was named Executive Vice President – Procurement in August 2005 and, prior to that date, served as President of Shasta Sweetener Corp., a wholly-owned subsidiary of the Company, since May 1998. Mr. Knecht retired on May 11, 2011.

⁽⁴⁾ 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.

⁽⁵⁾ 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 2011 Proxy Statement and is incorporated herein by reference.

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 2011 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 2011 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 will be included under the caption “Independent Auditors” in the Company’s 2011 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:	Page
1. Financial Statements	
Consolidated Balance Sheets	18
Consolidated Statements of Income	19
Consolidated Statements of Shareholders’ Equity	20
Consolidated Statements of Cash Flows	21
Notes to Consolidated Financial Statements	22
Report of Independent Registered Public Accounting Firm	34
2. Financial Statement Schedules	
Not applicable	
3. Exhibits	
See Exhibit Index which follows.	

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.

Date: July 14, 2011

By: /s/ Dean A. McCoy

Dean A. McCoy
Senior Vice President and
Chief Accounting Officer

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 14, 2011.

/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

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
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⁾
21.1	Subsidiaries of Registrant ⁽⁸⁾
23.1	Consent of Independent Registered Public Accounting Firm ⁽⁸⁾
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ⁽⁸⁾
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ⁽⁸⁾

EXHIBIT INDEX
(continued)

Exhibit No. Description

- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002⁽⁸⁾
- 32.2 Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002⁽⁸⁾

* 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) Filed herewith.

CREDIT AGREEMENT

Between

NEWBEVCO, INC.

And

BRANCH BANKING AND TRUST COMPANY

DATED AS OF July 8, 2011

\$25,000,000 Revolving Credit

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CREDIT AGREEMENT

This Credit Agreement is made and entered into as of this 8th day of July, 2011, by and between **NewBevCo, Inc.**, a Delaware corporation (the "Borrower") and **Branch Banking and Trust Company** (the "Bank").

RECITALS

- A. Borrower has requested that Bank establish a \$25,000,000 revolving line of credit in favor of the Borrower; and
- B. Subject to the terms and conditions of this Agreement, the Bank is willing to establish the requested revolving line of credit in favor of the Borrower.

NOW, THEREFORE, in consideration of the premises and the mutual agreements, covenants, and conditions herein, the Borrower and the Bank agree as follows:

SECTION 1. DEFINITIONS.

1.1 Defined Terms. Except as otherwise expressly provided in this Agreement, the capitalized terms used in the foregoing preamble and background sections and the following capitalized terms shall have the respective meanings ascribed to them for all purposes of this Agreement:

"Advance" means a borrowing requested by Borrower and made by Bank under Section 2.1(a) of this Agreement, including without limitation any readvance, refunding or conversion of such borrowing pursuant to Section 2.1(c) hereof, and shall include, as applicable, a LIBOR-based Advance and/or Prime-based Advance.

"Affiliate" means with respect to any Person, any other Person (i) which, directly or indirectly, through one or more intermediaries controls, or is controlled by, or is under common control with, such Person or another Affiliate of such Person, (ii) which beneficially owns or holds 10% or more of the shares of any class of the voting stock of such Person, or (iii) 10% or more of the shares of any class of voting stock of which is beneficially owned or held of record by such Person or any of its Subsidiaries. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting stock, by contract, or otherwise. The term "Affiliate," when used herein without reference to any Person, shall mean an Affiliate of the Borrower.

"Agreement" means this Credit Agreement, as the same may be amended, restated, supplemented, or replaced from time to time in accordance with the provisions hereof.

"Applicable Facility Fee Percentage" shall mean, as of any date of determination thereof, the applicable percentage used to calculate the facility fee due and payable under section 2.06 of this Agreement determined by reference to the appropriate columns in the pricing grid attached to this Agreement as Schedule 10.7, such Applicable Facility Fee Percentage to be adjusted solely as specified in Section 10.7 hereof

"Applicable Interest Rate" shall mean the Prime-based Rate or the LIBOR-based Rate as selected by Borrower from time to time pursuant to the terms of this Agreement.

“Applicable Letter of Credit Percentage” shall mean, as of any date of determination thereof, the applicable percentage used to calculate fees due and payable hereunder with respect to Letters of Credit determined by reference to the appropriate columns in the pricing grid attached to this Agreement as Schedule 10.7, such Applicable Letter of Credit Percentage to be adjusted as provided in Section 10.7 hereof.

“Applicable Margin” shall mean, as of any date of determination thereof, the applicable interest rate margin for the LIBOR-based Rate and the Prime-based Rate determined by reference to the appropriate columns in the pricing grid attached to this Agreement as Schedule 10.7, such Applicable Margin to be adjusted as provided in Section 10.7 hereof.

“Attributable Indebtedness” shall mean, as of the date of any determination thereof, with respect to any Capital Lease under which any Person is a lessee, the sum of the present value of the amount of each remaining payment of rent under the terms of such Capital Lease (including any period for which the term of any such Capital Lease has been or may be, at the option of the lessor, extended), as such amount would be reflected on the liability side of a balance sheet in accordance with GAAP.

“Bank” has the meaning specified in the first sentence hereof.

“Borrower” has the meaning specified in the first sentence hereof.

“Business Day” means any day on which commercial banks are open for domestic and international business in Fort Lauderdale and New York.

“Capital Lease” means any Lease or other agreement for the use of property which is required to be capitalized on a balance sheet of the lessee or other user of property in accordance with GAAP.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute, together with the rules and regulations thereunder.

“Comerica Loan Agreement” means that certain Second Amended and Restated Credit Agreement dated as of June 30, 2008 between Borrower and Comerica Bank, as amended, and as may be further amended, restated, supplemented or replaced from time to time.

“Committed Amount” has the meaning specified in Section 2.1(a) hereof.

“Consolidated Depreciation Expense” means, for any fiscal period, without duplication, the consolidated expense of the Borrower and its Restricted Subsidiaries during such fiscal period for depreciation and amortization, determined in accordance with GAAP.

“Consolidated EBITDA” means for any period, Consolidated Net Income for such period, plus, without duplication and only to the extent reflected as a charge or reduction in the statement of such Consolidated Net Income for such period, the sum of (a) Consolidated Income Tax Expense, (b) Consolidated Interest Expense, and (c) Consolidated Depreciation Expense, in each case determined in accordance with GAAP.

“Consolidated Funded Debt” means at any date, the aggregate amount of all Funded Debt of the Borrower and the Restricted Subsidiaries at such date, all as determined in accordance with GAAP.

“Consolidated Income Tax Expense” means for any period the aggregate amount of taxes based on the income or profits of Borrower and its Restricted Subsidiaries determined in accordance with GAAP.

“Consolidated Interest Expense” shall mean for any period the total interest expense (including that attributable to Capital Leases) of Borrower and its Restricted Subsidiaries, determined in accordance with GAAP.

“Consolidated Net Income” means for any period, the consolidated net income (or loss) of the Borrower and its Restricted Subsidiaries, determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Borrower or any of its Subsidiaries, (b) the income (or deficit) of any Person (other than a Restricted Subsidiary) in which the Borrower or any of its Restricted Subsidiaries has an ownership interest, except to the extent that any such income is actually received by the Borrower or such Restricted Subsidiary in the form of dividends or similar distributions, and (c) the undistributed earnings of any Subsidiary of the Borrower to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any agreement (other than under any Loan Document) or legal requirement applicable to such Subsidiary.

“Consolidated Net Worth” means at any date, the total common shareholders’ equity of Borrower and its Restricted Subsidiaries, as reflected on the most recent regularly prepared quarterly or annual balance sheet of Borrower and such Restricted Subsidiaries, which balance sheet shall be prepared in accordance with GAAP, minus all Investments of Borrower and its Restricted Subsidiaries that are not Permitted Investments.

“Default” means an event which with the giving of notice or passage of time, or both, would constitute an Event of Default.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time and any successor statute, together with the rules and regulations thereunder.

“ERISA Affiliate” means any Person which is under “common control” with the Borrower or any Subsidiary (within the meaning of Section 414 (b) or (c) of the Code or Section 4001 (a) (14) of ERISA).

“ERISA Termination Event” means (a) a “reportable events (within the meaning of Section 4043(b) of ERISA) with respect to a Pension Plan (other than a “reportable event” as to which the PBGC has by regulation waived the 30 day notice requirement under Section 4043 (a) of ERISA); provided, however, that a failure to meet the minimum funding standards of Section 412 of the Code shall be an ERISA Termination Event regardless of the issuance of any waiver under Section 412(d) of the Code; (b) the withdrawal of the Borrower, any Subsidiary, or any ERISA Affiliate from a Pension Plan during a plan year in which it was a “substantial employer” (within the meaning of Section 4001 (a) (2) of ERISA) (c) the complete or partial withdrawal of the Borrower, any Subsidiary, or any ERISA Affiliate from a Multiemployer Plan under Section 4201 or 4204 of ERISA; (d) the receipt by the Borrower, any Subsidiary, or any ERISA Affiliate of notice from a Multiemployer Plan that is in reorganization or insolvent under Section 4241 or 4245 of ERISA or that it intends to terminate or has terminated under Section 4041A of ERISA; (e) the providing of a notice of intent to terminate a Pension Plan pursuant to Section 4041(a) (2) of ERISA or the treatment of a Pension Plan amendment as a termination under Section 4041(e) of ERISA; (f) the institution of proceedings by the PBGC to terminate a Pension Plan or the appointment of a trustee to administer any Pension Plan under Section 4042 of ERISA; (g) the receipt by the Borrower, any Subsidiary, or any ERISA Affiliate of a notice from any Multiemployer Plan that any action described in clause (f) has been taken with respect to that Multiemployer Plan; or (h) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan.

“Event of Default” means any of the events specified in Section 8 hereof.

“Exchange Act” means the Securities and Exchange Act of 1934, as amended from time to time.

“Federal Funds Effective Rate” means, for any day, a fluctuating interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by Bank from three Federal funds brokers of recognized standing selected by it, all as conclusively determined by the Bank, such sum to be rounded upward, if necessary, to the nearest whole multiple of 1/16th of 1%.

“Funded Debt” of any Person means (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services as of such date (other than operating leases and trade liabilities incurred in the ordinary course of business) or which is evidenced by a note, bond, debenture or similar instrument, (b) the principal component of all obligations of such person under Capital Leases, (c) all reimbursement obligations (actual, contingent or otherwise) of such Person in respect of letters of credit, acceptances or similar obligations issued or created for the account of such Person, (d) all liabilities secured by any liens on any property owned by such Person as of such date even though such Person has not assumed or otherwise become liable for the payment thereof, in each case determined in accordance with GAAP; provided, however, that so long as such Person is not personally liable for such liabilities, the amount of such liability shall be deemed to be the lesser of the fair market value at such date of the property subject to the lien securing such liability and the amount of the liability secured, and (e) all Guarantee Obligations in respect of any liability which constitutes Funded Debt.

“GAAP” shall mean generally accepted accounting principles in the United States of America, as in effect on the date hereof, consistently applied.

“Guaranty” and “Guaranties” have the meaning specified in Section 3.2 hereof.

“Guarantee Obligation” shall mean as to any Person (the “guaranteeing person”) any obligation of the guaranteeing person in respect of any obligation of another Person (including, without limitation, any bank under any letter of credit), the creation of which was induced by a reimbursement agreement, counter indemnity or similar obligation issued by the guaranteeing person, in either case guaranteeing or in effect guaranteeing any Debt, leases, dividends or other obligations (the “primary obligations”) of any other third Person (the “primary obligor”) in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor; (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person’s maximum reasonably anticipated liability in respect thereof as determined by the Credit Parties in good faith.

“Interest Period” means, the period, as may be elected by the Borrower applicable to any LIBOR-based Advance, commencing on the date such Advance is first made (or the date on which such Advance is refunded in accordance with Section 2.1(c)) and ending on the date that is immediately prior to the numerically corresponding day of each month thereafter; provided that:

(a) any LIBOR-Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such LIBOR-Interest Period shall end on the next preceding Business Day; and

(b) any LIBOR-Interest Period which begins on a day for which there is no numerically corresponding day in the subsequent month shall end on the last Business Day of each subsequent month.

“Investment” means any loan, advance, or extension of credit, without duplication (except for accounts and notes receivable for merchandise sold or services furnished in the ordinary course of business, and amounts paid in advance on account of the purchase price of merchandise to be delivered to the payor within one year of the date of the advance), or purchase of stock, notes, bonds, or other securities, evidences of indebtedness, or property not used in the business activities of the Borrower or a Restricted Subsidiary, or capital contribution to any Person, whether in cash or other property.

“IRS” means the Internal Revenue Service or any successor thereof.

“Lease” means any lease of property, whether real, personal, or mixed, with a remaining term of at least one year (including any period for which such lease is renewable at the option of the lessor) other than leases between the Borrower and its Restricted Subsidiaries and leases between Restricted Subsidiaries.

“Letter of Credit” shall have the meaning set forth in Section 2.1(f) of this Agreement.

“Letter of Credit Documents” shall have the meaning set forth in Section 2.1(f) of this Agreement.

“Letter of Credit Reserve” shall mean as of any date of determination thereof, an amount equal to the undrawn amount of all Letters of Credit plus the unreimbursed amount of any draws under Letters of Credit honored by Bank.

“LIBOR-based Advance” means an Advance which bears interest at the LIBOR-based Rate.

“LIBOR-based Rate” means, with respect to any Interest Period, the per annum interest rate which is equal to the sum of the Applicable Margin plus the quotient of:

- (A) the average rate quoted on Reuters Screen LIBOR01 Page (or such replacement page) on the determination date for deposits in U. S. Dollars offered in the London interbank market for one month determined as of 11:00 am London time two (2) Business Days prior to the commencement of the applicable Interest Period; provided that if the above method for determining one-month LIBOR shall not be available, the rate quoted in *The Wall Street Journal*, or a rate determined by a substitute method of determination agreed on by Borrower and Bank; provided further that if such agreement is not reached within a reasonable period of time (in Bank's sole judgment), a rate reasonably determined by Bank in its sole discretion as a rate being paid, as of the determination date, by first class banking organizations (as determined by Bank) in the London interbank market for U.S. Dollar deposits, divided by

- (B) an amount equal to one minus the maximum aggregate rate at which reserves (including, without limitation, any marginal supplemental or emergency reserves) are required to be maintained under Regulation D by member banks of the Federal Reserve System with respect to dollar funding in the London interbank market. Without limiting the effect of the foregoing, such maximum aggregate rate shall reflect any other reserves required to be maintained by such member banks by reason of any applicable regulatory change against (i) any category of liability which includes deposits by reference to which the LIBOR-based Rate is to be determined or (ii) any category of extensions of credit or other assets related to LIBOR,

all as conclusively determined (absent manifest error) by the Bank.

“LIBOR Lending Office” means the Bank’s main office or such other branch or branches of Bank, domestic or foreign, as it may hereafter designate as a LIBOR Lending Office by notice to Borrower.

“Lien” means any interest in property securing an obligation owed to, or a claim by, any Person other than the owner of the property, whether such interest shall be based on the common law, civil law, statute, civil code, or contract, whether or not such interest shall be recorded or perfected, and whether or not such interest shall be contingent upon the occurrence of some future event or events or the existence of some future circumstance or circumstances, and including the lien, privilege, security interest, or other encumbrance arising from a mortgage, deed of trust, hypothecation, transfer, assignment, pledge, adverse claim or charge, conditional sale, or trust receipt, or from a lease, consignment, or bailment for security purposes. The term “Lien” also includes reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases, and other title exceptions and encumbrances affecting property. For the purposes of this Agreement, a Person shall be deemed to be the owner of any property that such Person shall have acquired or shall hold subject to a conditional sale agreement or other arrangement (including a leasing arrangement) pursuant to which title to the property shall have been retained by or vested in some other Person for security purposes.

“Loan Documents” means this Agreement, the Revolving Credit Note, the Letter of Credit Documents, the Guaranties, the Documentary Stamp Tax and Intangible Tax Indemnification Agreement and each of the Security Documents delivered to Bank at any time after the date hereof.

“Moody's” means Moody's Investors Service, Inc.

“Multiemployer Plan” means any Plan that is a “multiemployer plan” (within the meaning of Section 4001(a)(3) of ERISA).

“Parent” means National Beverage Corp., a Delaware corporation.

“PBGC” means the Pension Benefit Guaranty Corporation or any successor thereof.

“Pension Plan” means any Plan that is an “employee pension benefit plan” (within the meaning of Section 3 (2) of ERISA).

“Permitted Acquisition” shall mean any acquisition (including by way of merger or consolidation) by Borrower or any Restricted Subsidiary of all or substantially all of the assets of another Person, a division or line of business of another Person, or the capital stock or other equity interests of another Person, which is conducted in accordance with the following requirements:

(a) Both immediately before and after such acquisition, no Default or Event of Default shall have occurred and be continuing; and

(b) The board of directors (or other Person(s) exercising similar functions) of the seller of the assets or issuer of the capital stock or other equity interests being acquired shall not have disapproved such transaction or recommended that such transaction be disapproved.

“Permitted Investment” means any of the following Investments:

(a) Marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency thereof and maturing within one year from the date of acquisition thereof;

(b) Commercial paper of any corporation incorporated in the United States of America having (i) a rating of “A-1” or better by S&P or “P-1” or better by Moody’s and (ii) combined capital, surplus, and undivided profits of not less than \$100,000,000.00;

(c) Certificates of deposit, repurchase agreements, bankers acceptances, eurocurrency deposits, and yankee certificates of deposit (i) in an amount not in excess of the maximum amount of insurance provided by the Federal Deposit Insurance Corporation, or (ii) issued by commercial banks or trust companies incorporated under the laws of the United States of America, each being a member of the Federal Deposit Insurance Corporation and having unsecured long-term debt that is rated “A-” or better by S&P or “A3” or better by Moody’s;

(d) Readily marketable debt securities issued by any state or municipality within the United States or any political subdivision, agency, or instrumentality thereof maturing within twelve months or less of the date of acquisition and rated “MIG-1” or better by Moody’s;

(e) Investments in so-called “money market funds” registered under the Investment Company Act of 1940, as amended, and organized under the laws of the United States of America or any jurisdiction thereof, having total net assets of at least \$100,000,000.00 and investing primarily in Investments of the types specified in clauses (a), (b), (c), and/or (d), but in each case without limitation as to maturity (so that it may reasonably be expected that at any time at least 80% of its invested funds will be invested in such Investments);

(f) Trust certificates or other instruments evidencing an ownership interest in debt securities held by a trustee or custodian and meeting the requirements of clause (d) hereof (except as to maturity), so long as the holder thereof has the right, at least as often as every thirty (30) days, to cause the purchase of such trust certificate or other instrument by a bank which meets the requirements of clause (c) hereof;

(g) Investments in (i) any Restricted Subsidiary or (ii) any corporation which, simultaneously therewith, becomes a Restricted Subsidiary and which, in either case, is a Guarantor;

(h) Investments in joint ventures as to which:

(i) no party to such joint venture (other than the entity created by such joint venture) shall be an Affiliate of the Borrower;

(ii) the entity created by such joint venture shall not engage in any line of business other than the lines of business in which the Borrower may engage pursuant to Section 7.9 hereof; and

(iii) the aggregate amount of the Borrower's Investment in such joint venture shall not exceed the greater of \$5,000,000 and 20% of Consolidated Net Worth.

(i) Other Investments held by the Borrower or any Restricted Subsidiary on the date of this Agreement and described on Schedule 1.1.C hereto.

"Permitted Liens" means:

(a) Liens existing on the date of this Agreement which are: (i) described in Schedule 1.1.A hereto; or (ii) individually in each case, on property with a book value of less than \$30,000 and in the aggregate on property with a book value not exceeding \$1,000,000 and which do not secure Funded Debt;

(b) Liens securing taxes, assessments, governmental charges or levies or the claims or carriers, warehousemen, materialmen, mechanics and other like Persons not yet due or the payment of which is not then required by this Agreement; provided, however, that this clause (b) shall not be deemed to permit any Liens which may be imposed pursuant to Section 4068 of ERISA or Section 412(n) of the Code;

(c) Liens incidental to the ordinary course of business or the ownership of properties and assets, including, without limitation, (i) Liens, deposits, or pledges securing the performance of bids, tenders, leases, or trade contracts, (ii) Liens securing statutory obligations (including those arising under workers compensation, unemployment insurance, and other social security legislation), (iii) Liens to secure the performance of surety and appeal bonds, performance bonds, and other similar obligations; provided, however, that (A) any such Lien shall not be created in connection with and shall not secure Funded Debt; (B) any obligation secured by any such Lien shall not be overdue or, if overdue, is being contested in good faith by appropriate actions or proceedings during which there is no right on the part of the secured party to seize, take possession of or sell or cause the sale of the property subject to such Lien, and adequate book reserves have been established in accordance with GAAP; and (C) all such Liens, pledges, and deposits shall not in the aggregate materially impair the use or diminish the value of the properties of the Borrower or any Restricted Subsidiary in the operation of the respective businesses of the Borrower and the Restricted Subsidiaries provided, further, that this clause (C) shall not be deemed to permit any Liens which may be imposed pursuant to Section 4068 of ERISA or Section 412(n) of the Code; or (iv) other Liens not in excess of 10% of Consolidated Net Worth;

(d) [RESERVED];

(e) Minor survey exceptions and minor encumbrances, easements, or reservations, or rights of others for rights-of-way, utilities and other similar purposes, or zoning or other restrictions as to the use of real properties, which are necessary for the conduct of the activities of the Borrower and the Restricted Subsidiaries or which customarily exist on properties of corporations engaged in similar activities and similarly situated and which do not in any event materially impair the use or diminish the value of any of such properties in the operation of the businesses of the Borrower and the Restricted Subsidiaries;

(f) Liens originally created to secure payment of a portion of the purchase price relating to fixed assets or equipment which the Borrower or any Restricted Subsidiary acquires after the date hereof from a non-affiliate, provided, however, that (i) no such Lien shall extend to any other property of the Borrower or any Restricted Subsidiary; (ii) the outstanding principal amount of indebtedness secured by any such Lien shall not exceed 100% of the cost of the property subject to such Lien;

(g) Liens securing indebtedness of a corporation outstanding on the date such corporation (i) is designated as a Restricted Subsidiary pursuant to the provisions of this Agreement, (ii) merges into or consolidates with the Borrower or any Restricted Subsidiary pursuant to the provisions of Section 7.3 hereof, or (iii) is acquired by the purchase of all or substantially all of such corporation's assets and the assumption of such indebtedness of such corporation by the Borrower or any Restricted Subsidiary; provided, however, that such Liens are not applicable to the Borrower or any previously designated Restricted Subsidiary or the assets (other than the acquired assets) of the Borrower or any previously designated Restricted Subsidiary; provided, further, that none of such Liens is created prior to and in anticipation of such designation, merger, consolidation, or acquisition;

(h) Liens which may arise to secure Indebtedness incurred under the Comerica Loan Agreement as a result of security interests granted Bank in accordance with clause (ii) of Section 3.1(b), so long as property of the Borrower and/or Restricted Subsidiaries is subjected to such Liens in compliance with the provisions of this Agreement; and

(i) The extension, renewal, or replacement of any Lien specified in the foregoing clauses (a) through (h); provided, however that (i) no property shall become subject to such extended, renewal, or replacement Lien that was not subject to the Lien extended, renewed, or replaced; (ii) the aggregate principal amount of Indebtedness secured by any such extended, renewed, or replacement Lien shall not be increased by such extension, renewal, or replacement; (iii) the Indebtedness secured by such Lien could be incurred in compliance with the applicable limitations of this Agreement at the time of such extension, renewal, or replacement; and (iv) after giving effect thereto, no Event of Default shall exist.

"Person" means any corporation, business entity, natural person, firm, joint venture, partnership, trust, unincorporated organization, association, government, or any department or agency of any government.

"Plan" means any "employee benefit plan" (within the meaning of Section 3 (3) of ERISA) that the Borrower, any Subsidiary, or any ERISA Affiliate maintains, contributes to, or is obligated to contribute to for the benefit of employees or former employees of the Borrower, any Subsidiary, or any ERISA Affiliate.

"Prime-based Advance" means an Advance which bears interest at the Prime-based Rate.

"Prime-based Rate" means for any day, that rate of interest which is equal to the Applicable Margin plus the Prime Rate.

"Prime Rate" means the per annum rate of interest publicly announced by Bank, at its main office from time to time as its "prime rate" (it being acknowledged that such announced rate may not necessarily be the lowest rate charged by Bank to any of its customers), which Prime Rate shall change simultaneously with any change in such announced rate.

"Responsible Officer" means the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer or Chief Accounting Officer of the Borrower.

“Restricted Subsidiary” means the Subsidiaries designated as “Restricted Subsidiaries” in Schedule 1.1.B hereto, and any other Subsidiary that may be designated as a Restricted Subsidiary by resolution of the board of directors of the Borrower so long as (i) such Subsidiary conducts substantially all of its business and owns substantially all of its property within the United States or such other location as is consented to by the Bank, and (ii) at least eighty percent (80%) of each class of the voting stock and one hundred percent (100%) of the preferred stock of such Subsidiary is legally and beneficially owned by the Borrower; provided, however, that any such designation of a Subsidiary as a Restricted Subsidiary shall not be effective unless the provisions of Section 7.10 hereof shall have been complied with. Once a Subsidiary becomes a Restricted Subsidiary, it may not thereafter become an Unrestricted Subsidiary.

“Revolving Credit” means the revolving credit loan to be advanced to the Borrower by Bank pursuant to Section 2.1 of this Agreement, in an aggregate amount, not to exceed, at any one time outstanding, the Committed Amount.

“Revolving Credit Note” means the revolving credit note described in Section 2.1 hereof, made by Borrower payable to Bank, in the form annexed to this Agreement as Exhibit “A”, as such note may be amended or supplemented from time to time, and other note issued in substitution, replacement or renewal thereof from time to time.

“S&P” means Standard & Poor's Corporation.

“Sale Leaseback Transaction” has the meaning specified in Section 7.3(b) hereof.

“SEC” means the Securities and Exchange Commission, or any successor organization.

“Security Documents” has the meaning set forth in Section 3.1(b) hereof.

“Subsidiary” means, for any Person, any corporation, partnership, or other entity of which more than fifty percent (50%) of the securities or other ownership interests having ordinary voting power to elect the board or directors or having direct power to perform functions similar to that of a board of directors is at the time directly or indirectly owned or controlled by such Person. Unless the context clearly indicates otherwise, the term, “Subsidiary” refers to a subsidiary of the Borrower.

“Substantial Sale of Assets” means the sale of any assets of the Borrower or any Restricted Subsidiary out of the ordinary course of business which, when aggregated with the proceeds of all such asset sales by the Borrower and any Restricted Subsidiary after the date hereof, exceeds 50% of the total consolidated tangible assets of the Borrower and its Restricted Subsidiaries on January 29, 2011, as determined in accordance with GAAP.

“Tax Sharing Agreement” means the Tax Sharing Agreement dated as of June 1, 1992, between the Borrower and the Parent as presently in effect and any similar agreement approved in writing by the Bank. The Borrower will not, nor will it permit any Restricted Subsidiary to, amend or supplement any provision of a Tax Sharing Agreement without the prior written consent of the Bank, which consent will not be unreasonably withheld.

“Termination Date” means July 8, 2013, subject to the provisions of Section 9 hereof.

“Unrestricted Subsidiary” means a Subsidiary which is not a Restricted Subsidiary.

“Voting Stock” means with respect to a corporation, the stock of such corporation the holders of which are ordinarily, in the absence of contingencies, entitled to elect members of the board of directors (or other governing body) of such corporation, and with respect to any partnership, the partnership interests in such partnership the owners of which are entitled to manage the management of the affairs of the partnership or the designation of another Person as the Person entitled to manage the affairs the partnership (it being understood that, in the case of any partnership, “shares of Voting Stock” shall refer to such partnership interests).

1.2 Other Definitional Provisions.

(a) The terms “material” and “materially” shall have the meanings ascribed to such terms under GAAP as such would be applied to the business of the Borrower or others, except as the context shall clearly otherwise require; (b) all of the terms defined in this Agreement shall have such defined meanings when used in other documents issued under, or delivered pursuant to, this Agreement unless the context shall otherwise require; (c) all terms defined in this Agreement in the singular shall have comparable meanings when used in the plural, and vice versa; (d) accounting terms to the extent not otherwise defined shall have the respective meanings given them under, and shall be construed in accordance with GAAP; (e) “hereof,” “herein,” “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; (f) the masculine and neuter genders are used herein and whenever used shall include the masculine, feminine, and neuter as well; and (g) whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such parties unless the context shall expressly provide otherwise.

SECTION 2. AMOUNT AND TERMS OF CREDIT.

2.1 The Revolving Credit.

(a) Revolving Credit Commitment. Subject to the terms and conditions of this Agreement, Bank agrees to make Advances of the Revolving Credit to Borrower from time to time on any Business Day during the period from the effective date hereof until (but excluding) the Termination Date in an aggregate amount not to exceed at any one time outstanding Twenty Five Million Dollars (\$25,000,000) (the “Committed Amount”). All of such Advances hereunder shall be evidenced by the Revolving Credit Note, under which advances, repayments and readvances may be made, subject to the terms and conditions of this Agreement.

(b) Accrual of Interest and Maturity. The Revolving Credit Note, and all principal and interest outstanding thereunder, shall mature and become due and payable in full on the Termination Date, and each Advance evidenced by the Revolving Credit Note from time to time outstanding hereunder shall, from and after the date of such Advance, bear interest at its Applicable Interest Rate. The amount and date of each Revolving Credit Advance, its Applicable Interest Rate, its Interest Period (if any), and the amount and date of any repayment shall be noted on Bank’s records, which records will be conclusive evidence thereof, absent manifest error; provided, however, that any failure by the Bank to record any such information shall not relieve Borrower of its obligation to repay the outstanding principal amount of such Advance, all interest accrued thereon and any amount payable with respect thereto in accordance with the terms of this Agreement and the other Loan Documents.

(c) Requests for Advances and Requests for Refundings and Conversions of Advances. Borrower may request an Advance, and may request to refund any Advance in the same type of Advance or convert any Advance to any other type of Advance only after delivery to Bank of a Request for Advance executed by an authorized officer of Borrower, subject to the following and to the remaining provisions hereof:

(i) each such Request for Advance shall set forth the information required on the Request for Advance form annexed hereto as Exhibit "B", including without limitation:

- (A) the proposed date of the Advance, which must be a Business Day;
- (B) whether the Advance is a refunding or conversion of an outstanding Advance; and
- (C) whether such Advance is to be a Prime-based Advance or a LIBOR-based Advance, and, except in the case of a Prime-based Advance, the first Interest Period applicable thereto;

(ii) each such Request for Advance shall be delivered to Bank by 11:00 a.m. (Fort Lauderdale time) two (2) Business Days prior to the proposed date of Advance, except in the case of a Prime-based Advance, for which the Request for Advance must be delivered by 10 a.m. (Fort Lauderdale time) on such proposed date;

(iii) the principal amount of such requested Advance plus the principal amount of all other Advances then outstanding hereunder, plus the Letter of Credit Reserve, shall not exceed the Committed Amount;

(iv) the principal amount of such Advance, plus the amount of any other outstanding indebtedness under this Agreement to be then combined therewith having the same Applicable Interest Rate and Interest Period, if any, shall be at least Two Hundred Fifty Thousand Dollars (\$250,000) or a larger integral multiple of Fifty Thousand Dollars (\$50,000) and at any one time there shall not be in effect more than ten (10) Interest Periods;

(v) each Request for Advance, once delivered to Bank, shall not be revocable by Borrower, and shall constitute and include a certification by the Borrower as of the date thereof that:

- (A) both before and after the Revolving Credit Advance, the obligations of the Borrower and Restricted Subsidiaries set forth in this Agreement are valid, binding and enforceable obligations of such parties;
- (B) to the best knowledge of Borrower all conditions to Advances of the Revolving Credit have been satisfied; and
- (C) both before and after the Advance, there is no Default or Event of Default in existence.

(d) Prime-based Advance in Absence of Election or Upon Default. If, as to any outstanding LIBOR-based Advance, Bank has not received payment on the last day of the Interest Period applicable thereto, or does not receive a timely Request for Advance meeting the requirements of this Section 2.1 with respect to the refunding or conversion of such Advance, or, subject to Section 2.4(d) hereof, if on such day a Default or Event of Default shall have occurred and be continuing, the principal amount thereof which is not then prepaid shall be converted automatically to a Prime-based Advance and Bank shall thereafter promptly notify Borrower of said action.

(e) [Intentionally deleted.]

(f) Subject to the terms and conditions of this Agreement, Bank agrees to issue, or commit to issue, from time to time, standby letters of credit for the account of Borrower (herein individually called a "Letter of Credit" and collectively "Letters of Credit") in aggregate undrawn amounts not to exceed three Million Dollars (\$3,000,000) at any one time outstanding; provided, however, that the sum of the aggregate amount of Advances outstanding under the Revolving Credit Note plus the Letter of Credit Reserve shall not exceed the Committed Amount at any time; and provided further that no Letter of Credit shall, by its terms, have an expiration date which is more than twelve (12) months after issuance or which extends beyond the Termination Date. In addition to the terms and conditions of this Agreement, the issuance of any Letters of Credit also shall be subject to the terms and conditions of any letter of credit applications and agreements ("Letter of Credit Documents") executed and delivered by Borrower to Bank with respect thereto. Borrower shall pay to Bank in advance upon issuance of any Letter of Credit a fee equal to the Applicable Letter of Credit Percentage per annum of the amount of such Letter of Credit.

2.2 [Intentionally deleted.]

2.3 Use of Proceeds of Revolving Credit. The proceeds of all Advances shall be used for working capital needs, capital expenditures, Permitted Acquisitions, and other lawful corporate purpose of Borrower, subject to the terms and conditions of this Agreement.

2.4 Interest Rate.

(a) Prime-based Interest Payments. Interest on the unpaid balance of all Prime-based Advances from time to time outstanding shall accrue from the date of such Advances to the Termination Date (and until paid), at a per annum interest rate equal to the Prime-based Rate, and shall be payable in immediately available funds on the first day of each calendar quarter, commencing with the first such date after the initial Advance hereunder. Interest accruing at the Prime-based Rate shall be computed on the basis of a 360 day year and assessed for the actual number of days elapsed, and in such computation effect shall be given to any change in the interest rate resulting from a change in the Prime-based Rate on the date of such change in the Prime-based Rate.

(b) LIBOR-based Interest Payments. Interest on each LIBOR-based Advance shall accrue at its LIBOR-based Rate and shall be payable in immediately available funds on the last day of the Interest Period applicable thereto. Interest accruing at the LIBOR-based Rate shall be computed on the basis of a 360 day year and assessed for the actual number of days elapsed from the first day of the Interest Period applicable thereto to, but not including, the last day thereof.

(c) Interest Payments on Conversions. Notwithstanding anything to the contrary in Section 2.4(a) or (b), all accrued and unpaid interest on any Advance refunded or converted pursuant to Section 2.1(c) hereof shall be due and payable in full on the date such Advance is refunded or converted.

(d) Interest on Default. Notwithstanding anything to the contrary set forth in Section 2.4(a), (b) or (c), in the event and so long as any Event of Default shall exist under this Agreement, interest shall be payable daily on the principal amount of all Advances from time to time outstanding (and on all other monetary obligations of Borrower hereunder and under the other Loan Documents) at a per annum rate equal to the Applicable Interest Rate in respect of each such Advance, plus, in the case of LIBOR-based Advances, three percent (3%) per annum for the remainder of the then existing Interest Period (but only so long as any Event of Default shall continue to exist), if any, and at all other such times and for all Prime-based Advances, at a per annum rate equal to the Prime-based Rate, plus three percent (3%).

2.5 Prepayment. Borrower may prepay all or part of the outstanding balance of any Prime-based Advance(s) (subject to not less than one (1) Business Day's notice to Bank) at any time, provided that the amount of any partial prepayment shall be at least Two Hundred Fifty Thousand Dollars (\$250,000) and the aggregate balance of Prime-based Advance(s) remaining outstanding under the Revolving Credit Note shall be at least Two Hundred Fifty Thousand Dollars (\$250,000). Borrower may prepay all or part of any LIBOR-based Advance (subject to not less than three (3) Business Days' notice to Bank) only on the last day of the Interest Period applicable thereto, provided that the amount of any such partial prepayment shall be at least Two Hundred Fifty Thousand Dollars (\$250,000), and the unpaid portion of such Advance which is refunded or converted under Section 2.1(c) shall be at least Two Hundred Fifty Thousand Dollars (\$250,000). Any prepayment made in accordance with this Section 2.5 shall be without premium, penalty or prejudice to the right to reborrow under the terms of this Agreement. Any other prepayment of all or any portion of the Revolving Credit, whether by acceleration, mandatory or required prepayment or otherwise, shall be subject to Section 10 hereof, but otherwise without premium, penalty or prejudice.

2.6 Facility Fee. As consideration for making the Revolving Credit available, the Borrower shall pay to the Bank a non-refundable quarterly facility fee in an amount equal to the Applicable Facility Fee Percentage times the Committed Amount. Such fee shall be payable quarterly in arrears beginning on September 30, 2011 and continuing on the last day of each calendar quarter thereafter, and on the Termination Date.

SECTION 3. SECURITY AND GUARANTY.

The obligations and liabilities of the Borrower hereunder and under the Loan Documents shall be secured and guaranteed as provided in this Section 3, subject to the provisions set forth below.

3.1 Security Interest.

(a) The Revolving Credit Note shall be unsecured except as provided for in Section 3.1(b) below.

(b) (i) In the event that any real or personal property of the Borrower becomes subject to a Lien (in violation of this Agreement) which is not a Permitted Lien and which Lien is not removed within thirty days of Borrower's receipt of notice of any Lien (and without regard to any additional cure period) or (ii) upon the occurrence of any Event of Default which has not otherwise been cured or waived at any time, the Bank shall have the right after written notice to Comerica Bank (with a copy to Borrower) to become secured by a first perfected (as set forth below) security interest in and mortgage of all the real and personal property of the Borrower now owned or hereafter acquired or arising, and all proceeds thereof. The Borrower shall execute and deliver to the Bank such mortgages and security agreements as the Bank shall require and as are customary for a transaction of that type, covering said real and personal property in form and substance satisfactory to the Bank (the "Security Documents"), securing the foregoing obligations to the full extent permitted under applicable law. The Security Documents shall be sufficient, when notice thereof is properly filed or recorded in the appropriate jurisdictions, to grant to the Bank a first perfected security interest in and lien on the Borrower's property, subject to no prior Liens or encumbrances except as expressly permitted herein, except the equal and ratable lien, if any, to be granted pursuant to the Comerica Loan Agreement, or except as the Bank permits in writing. The Borrower agrees to execute or otherwise provide to the Bank any and all financing statements, modifications, and other agreements or consents required by the Bank now or in the future to perfect Bank's interest in the collateral and otherwise in connection therewith. The grant of a lien and security interest pursuant to this Section shall not cure any violation of this Agreement, any such violation shall constitute an Event of Default hereunder taking into account the expiration of any applicable cure period.

3.2 Guaranty. Payment of the Revolving Credit Note, any other obligations under this Agreement or the other Loan Documents, presently existing or hereafter arising, shall be guaranteed by each of the Restricted Subsidiaries as set forth in the Continuing and Unconditional Guaranty dated as of the date hereof executed by each Restricted Subsidiary (the "Guaranty"). In the event of the designation of any additional Restricted Subsidiaries, a joinder agreement in the form attached hereto as Exhibit "C" shall be executed and delivered to the Bank by each such additional Restricted Subsidiary (also, a "Guaranty"), together with such supporting attorney's opinion, if requested by Lender, evidence of corporate authorization, and other instruments and documents as the Bank may reasonably request.

SECTION 4. REPRESENTATIONS AND WARRANTIES.

To induce the Bank to enter into this Agreement and to establish the Revolving Credit and make the Advances and issue the Letters of Credit, the Borrower represents and warrants to the Bank as follows:

4.1 Corporate Existence; Power; Compliance with Law; Restricted Subsidiaries; Name History. Each of the Borrower and the Restricted Subsidiaries is an entity duly incorporated or organized, validly existing, and in good standing under the laws of the jurisdiction of its incorporation or organization. Each of the Borrower and the Restricted Subsidiaries has all requisite power and authority (corporate and otherwise) to own and operate its properties and to carry on its business as now being conducted, is duly qualified as a foreign entity to do business and is good standing in every jurisdiction in which the failure to so qualify is reasonably likely to materially adversely affect the business, earnings, prospects, properties, or condition (financial or otherwise) of the Borrower and its Restricted Subsidiaries, taken as a whole. Each of the Borrower and the Restricted Subsidiaries has all licenses and permits necessary to carry on and conduct its business in all states and localities wherein it now operates and is in compliance with all other requirements of law, rule, or regulation applicable to it and to its business, if the failure to possess such licenses and permits or to so comply, either individually or in the aggregate, is reasonably likely to materially adversely affect the business, earnings, properties, or condition (financial or otherwise) of the Borrower and the Restricted Subsidiaries, taken as a whole.

The Borrower is a Subsidiary of the Parent. All of the Subsidiaries of the Borrower are listed on Schedule 1.1.B hereto. None of the Borrower or the Restricted Subsidiaries have merged, changed its name, or done business under a fictitious name during the past five years, except as set forth in Schedule 1.1.B hereto.

4.2 Capital Stock; Parent; Subsidiaries.

(a) The authorized capital stock of the Borrower consists of 1,000 shares of common stock, par value \$0.01 per share, which is voting stock and is vested with all the voting rights in the Borrower, of which 100 shares are issued and outstanding, and 1,000 shares of preferred stock, par value \$0.01 per share, of which no shares are issued or outstanding. All such outstanding shares have been duly authorized, validly issued and are fully paid, nonassessable and free of preemptive rights. No shares of common stock are held in the treasury of the Borrower. There are no subscriptions, options, warrants, or calls relating to the issuance by the Borrower of any shares of common stock, including any right of conversion or exchange under any outstanding security or other instrument. There are no voting trusts or other agreements or understandings with respect to the voting of the common stock of the Borrower. The Borrower is not subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of its common stock or any security convertible into or exchangeable for any of its common stock. All of the outstanding shares of common stock of the Borrower are owned beneficially and of record by the Parent.

(b) The authorized capital stock of the Parent consists of 75,000,000 shares of common stock, par value \$0.01 per share, which is voting stock and, is vested with all the voting rights in the Parent, of which 52,262,139 shares are issued and 46,229,355 shares are outstanding, and 1,000,000 shares of preferred stock, par value \$1.00 per share, none of which are outstanding.

(c) The only Subsidiaries of the Borrower are as listed in Schedule 1.1.B hereto. Schedule 1.1.B correctly sets forth as to each Subsidiary its name, the jurisdiction of its incorporation if a corporation, or the jurisdiction of its formation if a partnership, whether such Subsidiary is a Restricted Subsidiary, the jurisdiction of its principal place of business, the address of its principal place of business, chief executive office, and the office where all books and records are kept, if different, the name of its parent company, the number of authorized shares, and the number of outstanding shares of each class of capital stock of such Subsidiary, and the number of such outstanding shares owned by the Borrower or other parent company. All of the outstanding shares of capital stock of each class of each Subsidiary have been validly issued and are fully paid and nonassessable. The Borrower owns beneficially and of record all of the outstanding shares of capital stock of each Subsidiary indicated as being owned by it on Schedule 1.1.B hereto, free and clear of any Liens.

4.3 Corporate Power and Authorization to Execute Loan Documents; No Conflict; No Consent. Each of the Parent, Borrower and the Restricted Subsidiaries has the corporate or limited liability company power and authority and the legal right to execute and deliver the Loan Documents to be executed by it and to perform its obligations thereunder, and has taken all corporate action necessary to authorize the execution, delivery, and performance of such Loan Documents and to authorize the transactions contemplated thereby. The execution, delivery, and performance by the Parent, the Borrower or the Restricted Subsidiaries of the Loan Documents to be executed by it will not contravene, conflict with, result in the breach of, or constitute a violation of or default under, or result in the creation of any lien, charge, or encumbrance upon any property or assets of such Person, pursuant to the constituent documents or other governing instruments of such Person, or any applicable law, rule, regulation, judgment, order, writ, injunction, or decree or any indenture or other agreement or instrument to which the Borrower, the Parent or a Restricted Subsidiary is a party, or by which such Person or its property may be bound or affected which has a material adverse effect on the business earnings, prospects, properties, or conditions (financial or otherwise) of the Borrower and the Restricted Subsidiaries taken as a whole. No consent, license, or authorization of, or filing with, or notice to, any Person or entity (including, without limitation, any governmental authority), is necessary or required in connection with the execution, delivery, performance, validity, or enforceability of the Loan Documents and the transactions as contemplated thereunder, except for consents, licenses, authorizations, filings, and notices obtained or performed by the Borrower or any Restricted Subsidiary and of which the Bank has been provided written notice, or referred to or disclosed in the Loan Documents. Any such consents, licenses, authorizations, filings, or notices remain in full force and effect.

4.4 Enforceable Obligations. The Loan Documents constitute legal, valid, and binding agreements enforceable against the respective parties thereto and any property described therein in accordance with their respective terms, except as such enforceability may be limited by (i) bankruptcy, insolvency, reorganization, arrangement, moratorium, or other laws relating to or affecting the rights of creditors generally and (ii) general principles of equity, regardless of whether enforcement is considered in proceedings at law or in equity.

4.5 Financial Condition.

(a) The consolidated financial statements of the Borrower as of January 29, 2011 and the consolidated financial statements of the Parent as of January 29, 2011, copies of which have been furnished to the Bank, fairly present the financial condition of the Borrower and its Subsidiaries and the Parent, respectively, as at the date of the financial statements, and fairly present the results of the operations of the Borrower and its Subsidiaries and the Parent for the period covered thereby.

(b) Neither the Borrower, nor any of the Restricted Subsidiaries, has any direct or contingent liabilities, liabilities for taxes, long-term leases, or unusual forward or long-term commitments as of the date of this Agreement which, either individually or in the aggregate, are or are reasonably likely to be material to the Borrower and the Restricted Subsidiaries, which are not disclosed by provided for, or reserved against in the foregoing financial statements or referred to in notes thereto, other than liabilities incurred since January 29, 2011 in the ordinary course of business which in the aggregate have no material adverse effect on the Borrower and the Restricted Subsidiaries, taken as a whole, or on the conduct of the business of the Borrower and the Restricted Subsidiaries, taken as a whole. The Borrower does not know of any basis for any material unrealized or anticipated losses of the Borrower. The financial statements furnished to the Bank have been prepared in accordance with GAAP maintained throughout the period involved. There has been no material adverse change in the business, earnings, prospects, properties, or condition, financial or otherwise, of the Borrower and the Restricted Subsidiaries, taken as a whole, since the date of such financial statements.

4.6 No Litigation. Except as set forth in Schedule 4.6 hereto, there is no suit or proceeding at law or in equity or other proceeding or investigation (including proceedings by or before any court, arbitrator, governmental or administrative commission, board or bureau, or other administrative agency) pending, or to the best knowledge of the Borrower threatened, by or against or involving the Parent, the Borrower, or any Subsidiary, or against any of their respective properties, existence, or revenues which, individually or in the aggregate, (a) if adversely determined, is reasonably likely to have a material adverse effect on the properties, assets, or business, or on the condition, financial or otherwise, of the Borrower and the Restricted Subsidiaries, taken as a whole, (b) materially impair the right or ability of the Borrower and the Restricted Subsidiaries, taken as a whole, to carry on their operations substantially as now conducted or as anticipated to be conducted in the future, (c) which would substantially impair the ability of the Borrower to perform its obligations under the Loan Documents, or, regardless of outcome, which questions the validity of the transactions contemplated by the Loan Documents, or (d) regardless of outcome, which would be required to be disclosed in notes to any balance sheet as of the date hereof of the Borrower prepared in reasonable detail in accordance with GAAP.

4.7 Investment Company Act; Regulation.

(a) Neither the Borrower nor any of its Subsidiaries is an "investment company" or an "affiliated person" of an "investment company," or a company "controlled" by an "investment company," and neither the Borrower nor any of its Subsidiaries is an "investment advisor" or an "affiliated person" of an "investment advisor," and as each of the quoted terms is defined or used in the Investment Company Act of 1940, as amended.

(b) Neither the Borrower nor any of its Subsidiaries is subject to regulation under any state or local public utilities code or any federal, state, or local statute or regulation limiting its ability to incur Indebtedness for Money Borrowed or to pledge assets of the type contemplated hereunder.

4.8 Disclosure and No Untrue Statements. No representation or warranty made by the Borrower in the Loan Documents or which will be made by the Borrower from time to time in connection with the Loan Documents (a) contains or will contain any misrepresentation or untrue statement of any material fact, or (b) omits or will omit to state any material fact necessary to make the statements therein not misleading. There is no fact (excluding information relating to world or national economic, social, or political conditions generally) known to any Responsible Officer of Borrower which materially adversely affects, or which would in the future materially adversely affect, the business, assets, properties, or condition, financial or otherwise, of the Borrower and the Restricted Subsidiaries, taken as a whole, or materially affects, or which might in the future materially adversely affect, the ability of the Borrower and the Restricted Subsidiaries to perform their obligations under the Loan Documents, or except as set forth or referred to in the Loan Documents or otherwise disclosed in writing to the Bank.

4.9 Title to Assets; Leases in Good Standing.

(a) Each of the Borrower and the Restricted Subsidiaries has good and valid title (or, with respect to interests as lessee or otherwise, its equivalent under applicable law) to properties and assets purported to be owned (or leased) by it that are material to the conduct of the business of the Borrower and the Restricted Subsidiaries, taken as a whole, and including properties and assets reflected in the financial statements and notes thereto described in Section 4.5 hereof, except for such assets as have been disposed of in the ordinary course of business. All such properties and assets are subject to no Liens, other than Permitted Liens. Schedule 1.1.A accurately lists (i) each financing statement, deed, agreement, or other instrument in effect on the date hereof which has been filed, recorded, or registered pursuant to any United States federal, state, or local law or regulation that names the Borrower or any of the Restricted Subsidiaries as debtor or lessee or as the grantor or the transferor of the interest created thereby, and (ii) as to each such financing statement, deed, agreement, or other instrument, the names of the debtor, lessee, grantor, or transferor and the secured party, lessor, grantee, or transferee and the name of the jurisdiction in which such financing statement, deed, agreement or other instrument has been filed, recorded, or registered. Except as contemplated hereby, and pursuant to the Comerica Loan Agreement, neither the Borrower nor any of the Restricted Subsidiaries has signed any agreement or instrument in effect on the date hereof authorizing any secured party thereunder to file any such financing statement, deed, agreement, or other instrument (other than any such agreement or instrument relating to the Liens permitted under paragraph (d) or (f) of the definition of Permitted Liens).

(b) Each of the Borrower and its Restricted Subsidiaries has the right to, and does, enjoy peaceful and undisturbed possession under all leases under which it is leasing property that are material to the conduct of the business of the Borrower and its Restricted Subsidiaries, taken as a whole. All such leases are valid, subsisting and in full force and effect, subject only to Permitted Liens, and neither the Borrower nor any of its Restricted subsidiaries in default in the performance, observance, or fulfillment of any obligation under any provision of any such lease, which default is reasonably likely to result in a termination of such lease or have a material adverse effect on the Borrower and its Restricted Subsidiaries, taken as a whole. No Responsible Officer has received any written notice that any other party to any such lease is in default under any such lease.

4.10 Investments. As of the date hereof, the Borrower and the Restricted Subsidiaries do not own any Investments other than Permitted Investments of the types described in clauses (a)-(e) of the definition of such term in Section 1.1 hereof and other than the Investments listed in Schedule 1.1.C hereto, which Item correctly sets forth the amounts (determined as provided in the definition of "Investments" in Section 1.1) of the Investments listed thereon.

4.11 Payment of Taxes. Each of the Borrower, and the Subsidiaries has filed or caused to be filed all, federal, state, and local tax returns which are required to be filed by it and has paid or caused to be paid all taxes as shown on said returns or on any assessment received by it, to the extent that such taxes have become due, other than taxes being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been established in accordance with GAAP. No controversy in respect of additional taxes of the Parent, the Borrower or any Subsidiary is pending, or, to the knowledge of the Borrower, threatened, except as shown on the Borrower's financial statements described in Section 4.5 hereof or in notes thereto, and other than amounts in respect of business carried on by the Borrower, and the Subsidiaries in the ordinary course since the date of such financial statements, and other than amounts which, either individually or in the aggregate, do not materially and adversely affect, and are not likely to materially and adversely affect, the business, earnings, prospects, properties, or condition (financial or otherwise) of the Borrower and the Restricted Subsidiaries, taken as a whole.

4.12 Agreement or Contract Restrictions; No Default. Neither the Borrower nor any of the Subsidiaries is a party to, or is bound by, any agreement, contract, or instrument or subject to any charter or other corporate restriction which materially and adversely affects the business, properties, assets, operations, or condition, financial or otherwise, of the Borrower and the Restricted Subsidiaries, taken as a whole. The ability of the Borrower or any of its Restricted Subsidiaries to declare, make, or pay dividends in respect of any shares of its common stock is not expressly limited by the provisions of any agreement or instrument other than the Comerica Loan Agreement. Each of the Borrower and the Restricted Subsidiaries is in full compliance with and is not in default in the performance, observance, or fulfillment of any obligations, covenants, or conditions contained in any agreement or instrument to which it is a party, other than any defaults which individually or in the aggregate are not reasonably likely to materially adversely affect the business, earnings, prospects, properties, or condition (financial or otherwise) of the Borrower and the Restricted Subsidiaries, taken as a whole.

4.13 Patents, Trademarks, Licenses, Etc. Each of the Borrower and the Restricted Subsidiaries owns, possesses, or has the right to use, and holds free from burdensome restrictions or known conflicts with the rights of others, all patents, patent rights, licenses, trademarks, trademark rights, trade names, trade name rights, and copyrights, and all rights with respect to the foregoing, necessary to conduct their respective businesses as now being conducted, and is in full compliance with the terms and conditions, if any, of all such patents, patent rights, licenses, trademarks, trademark rights, trade names, trade name rights, or copyrights and the terms and conditions of any agreements relating thereto, except for such conflicts or noncompliance which, either individually or in the aggregate, do not materially and adversely affect the business, earnings, prospects, properties, or condition (financial or otherwise) of the Borrower and the Restricted Subsidiaries, taken as a whole. Further, each of the Restricted Subsidiaries and the Borrower agree that they shall not transfer any and all patents, patent rights, licenses, trademarks, trademark rights, trade name, trade name rights and copyrights and all rights to the foregoing presently held by Borrower or any Restricted Subsidiary to any Person or entity including the Parent, however, transfers between (a) Borrower and the Restricted Subsidiaries; (b) Restricted Subsidiaries; and (c) Restricted Subsidiaries and Borrower shall be permitted.

4.14 [RESERVED]

4.15 Compliance with ERISA; Multiemployer Plans.

(a) Neither the execution and delivery of this Agreement or the other Loan Documents, the incurrence of the indebtedness hereunder by the Borrower, the application by the Borrower of the proceeds thereof, nor the consummation of any of the other transactions contemplated by this Agreement, constitutes or will constitute a “prohibited transaction” (within the meaning of Section 4975 of the Code or Section 406 of ERISA).

(b) Each Plan is in compliance in all material respects with applicable provisions of ERISA and the Code. Each of the Borrower and the Subsidiaries has made all contributions to the Plans required to be made by them.

(c) Except for liabilities to make contributions and to pay PGGC premiums and administrative costs, neither the Borrower, of the Subsidiaries, nor any ERISA Affiliate has incurred any material liability to or on, account of any Plan or Pension Plan under applicable provisions of ERISA or the Code, and no condition exists which presents a material risk to the Borrower, any of its subsidiaries, or any ERISA Affiliate of incurring any such liability. No domestic Pension Plan has an “accumulated funding deficiency” (within the meaning of Section 412 of the Code), whether or not waived. Neither the Parent, the Borrower, any of its Subsidiaries, any ERISA Affiliate, the PBGC, nor any other Person has instituted any proceedings or taken any other action to terminate any Pension Plan, nor (in the case of the Parent, the Borrower, or any Subsidiary) has any present intention of terminating any Pension Plan.

(d) Except with respect to any Multiemployer Plan, the present value of the “current liability” (within the meaning of Section. 412 (1) (7) (a) of the Code) under each Pension Plan (based on the assumptions used in the funding of such Pension Plan, which assumptions are reasonable, and determined as of the last day of the most recent plan year of such Pension Plan for which an annual report has been filed with the IRS, did not exceed the current fair market value of the assets of such Pension Plan as of such last day.

(e) None of the Plans is a Multiemployer Plan, and neither the Borrower, any of its Restricted Subsidiaries, nor any ERISA Affiliate (i) has contributed or been obligated to contribute to any Multiemployer Plan at any time within the preceding six years, (ii) has incurred or is reasonably expected to incur any “withdrawal liability” (within the meaning of Part I of Subtitle E of Title IV of ERISA) ; or (iii) has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is insolvent, is in reorganization, or has been “terminated” (within the meaning of Title IV of ERISA).

4.16 Compliance with Environmental Laws.

(a) Each of the Borrower and the Restricted Subsidiaries is, and will continue to be, in full compliance with all applicable federal, state, and local environmental laws, regulations, and ordinances governing its business, products, properties, or assets with respect to all discharges into the ground and surface water, emissions into the ambient air and generation, accumulation, storage, treatment, transportation, labeling, or disposal of waste materials or process by-products, the violation of which is reasonably likely to materially and adversely affect the business, earnings, prospects, properties, or condition (financial or otherwise) of the Borrower and the Restricted Subsidiaries, taken as a whole, and neither the Borrower nor any of its Restricted Subsidiaries is liable for any penalties, fines, or forfeitures for failure to comply with any such laws, regulations, and ordinances other than penalties, fines or forfeitures which are not reasonably likely to materially and adversely affect the business, earnings, prospects, properties, or condition (financial or otherwise) of the Borrower and Restricted Subsidiaries, taken as a whole. All licenses, permits or registrations required for the business of the Borrower and its Restricted Subsidiaries, as presently conducted and proposed to be conducted, under any federal, state, or local environmental laws, regulations or ordinances have been obtained or made, other than any such licenses, permits, or registrations the failure to obtain or make which, either individually or in the aggregate, do not materially and adversely affect, and are not reasonably likely to materially and adversely affect, the business, earnings, prospects, properties, or condition (financial or otherwise) of the Borrower and its Restricted Subsidiaries, taken as a whole, and the Borrower and its Restricted Subsidiaries each is in compliance with all such licenses, permits, and registrations other than any such licenses, permits, or registrations the failure to obtain, make or comply with which, either individually or in the aggregate, do not materially and adversely affect, and are not reasonably likely to materially and adversely affect, the business, earnings, prospects, properties or condition (financial or otherwise) of the Borrower and its Restricted Subsidiaries, taken as a whole.

(b) No release, emission, or discharge into the environment of hazardous substances, as defined under the Comprehensive Environmental Responses, compensation, and Liability Act, as amended, or hazardous waste, as defined under the Resource Conservation and Recovery Act, or air pollutants as defined under the Clean Air Act, or pollutants, as defined under the Clean Water Act, has occurred or is presently occurring on or from any property owned or leased by the Borrower or its Subsidiaries in excess of federal, state or local permitted release or reportable quantities, or other concentrations, standards, or limitations under the foregoing laws, or any state or local law governing the protection of health and the environment, or under any other federal state, or local laws or regulations (then or now applicable, as the case may be) other than any such releases, emissions, or discharges which, either individually or in the aggregate, do not materially and adversely affect, and are not reasonably likely to materially and adversely affect, the business, earnings, prospects, properties, or condition (financial or otherwise) of the Borrower and the Restricted Subsidiaries, taken as a whole.

(c) Neither the Borrower nor any of its Restricted Subsidiaries has ever (i) owned, occupied, or operated a site or structure on or in which any hazardous substance was or is stored, transported, or disposed of, or (ii) transported or arranged for the transportation of any hazardous substance except, in each case, in full compliance with all applicable federal, state, and local environmental laws, regulations, and ordinances governing its business, products, properties, or assets or the storage, transportation, or disposal of hazardous substances, which ownership, occupation, operation, transportation or arranging is reasonably likely to (i) subject the Parent, the Borrower and the Restricted Subsidiaries to any liabilities, expenses, fines or penalties which, individually or in the aggregate, are material to the Parent, the Borrower and its Restricted Subsidiaries, taken as a whole, or (ii) inhibit or result in the prohibition by the use by the Borrower or any Restricted Subsidiary of any property necessary in the conduct of the business of the Parent, the Borrower or such Subsidiary, the effect of which, individually or in the aggregate, is reasonably likely to materially adversely affect the business, earnings, prospects, properties, or condition (financial or otherwise) of the Parent, the Borrower and the Restricted Subsidiaries, taken as a whole. Neither the Parent, the Borrower nor any of its Restricted Subsidiaries has ever caused or been held legally responsible for any release or threatened release of any hazardous substance, or received notification from any federal, state, or other governmental authority of any such release or threatened release, of any hazardous substance from any site or structure owned, occupied, or operated by the Borrower or any of its Restricted Subsidiaries, individually or in the aggregate, reasonably likely to lead to liabilities, expenses, fines, and penalties in an amount material to the Borrower and the Restricted Subsidiaries, taken as a whole.

4.17 Labor Relations. Neither the Borrower nor any of its Subsidiaries is engaged in any unfair labor practice which is reasonably likely to materially adversely affect the business, earnings, prospects, properties, or condition (financial or otherwise) of the Borrower and the Restricted Subsidiaries, taken as a whole. There is (a) no unfair labor practice complaint pending or, to the best knowledge of the Borrower, threatened against the Borrower or any of its Restricted Subsidiaries before the National Labor Relations Board or any court or labor board, and no grievance or arbitration proceedings arising out of or under collective bargaining agreements is so pending or, to the best knowledge of the Borrower, threatened; (b) no strike, lock-out, labor dispute, slowdown, or work stoppage pending or, to the best knowledge of the Borrower, threatened against the Borrower or any of its Restricted Subsidiaries; and (c) no union representation or certification question existing or pending with respect to the employees of the Borrower or any of its Subsidiaries and, to the best knowledge of the Borrower, no union organization activity taking place, which unfair labor practice complaint, grievance, or arbitration proceedings, strike, lock-out, labor dispute, slowdown, or work stoppage or union representation or certification question, individually or in the aggregate, is reasonably likely to have a material adverse affect on the business, earnings, prospects, properties, or condition (financial or otherwise) of the Borrower and the Restricted Subsidiaries, taken as a whole.

SECTION 5. CONDITIONS OF LENDING.

The obligations of Bank to make any Advance or to issue or renew any Letters of Credit hereunder are subject to the condition that:

5.1 Continuing Accuracy of Representations and Warranties. At the time of each Advance or Letter of Credit, the representations and warranties set forth in Section 4 hereof, as supplemented by written disclosures by the Borrower to the Bank of changes affecting such representations and warranties (but which changes do not breach any term of this Agreement except as may have been waived or for which consent has been given by the Bank) or as supplemented by subsequent financial statements provided to the Bank, shall be true and correct on and as of the date of the borrowing with the same effect as though the representations and warranties had been made on and as of the date of the borrowing or issuance, except to the extent that such representations and warranties may expressly relate to an earlier date, in which case they shall continue to be true as of such date.

5.2 No Default. At the time of each borrowing or issuance or renewal of a Letter of Credit hereunder, the Borrower shall be in compliance with all terms and conditions set forth herein, and no Default or Event of Default shall have occurred and be continuing at the time of such borrowing, unless such Default or Event of Default shall have been waived by the Bank in writing.

5.3 Opinion of the Borrower's Counsel. On or prior to the date of this Agreement, the Bank shall have received the favorable opinion of counsel for the Borrower, in form and substance satisfactory to the Bank.

5.4 Insurance. On or prior to the date of this Agreement, the Bank shall have received, certificates of insurance, in form and detail acceptable to the Bank, describing the types and amounts of insurance (property and liability) maintained by the Borrower and its Restricted Subsidiaries.

5.5 Loan Documents. On or prior to the date of this Agreement, the Bank shall have received, duly executed, this Agreement and the other Loan Documents (with the exception of any Security Documents), all in form and substance satisfactory to the Bank and counsel for the Bank.

5.6 Supporting Documents. On or prior to the date of this Agreement, the Bank shall have received all other documents and instruments required hereunder or otherwise reasonably required by the Bank to be executed and delivered or otherwise provided to the Bank in form and substance satisfactory to the Bank and counsel for the Bank.

SECTION 6. AFFIRMATIVE COVENANTS.

The Borrower covenants and agrees that until the Termination Date and thereafter until final payment in full of all obligations and liabilities hereunder, and under the Revolving Credit Note and the performance by the Borrower of all other obligations under this Agreement and the other Loan Documents, unless Bank shall otherwise consent in writing, the Borrower will fully comply and will cause each Restricted Subsidiary to comply with the following provisions:

6.1 Financial Reports and Other Information. The Borrower will deliver or cause to be delivered to the Bank the following:

(a) As soon as practicable and in any event within forty-five (45) days after the end of each fiscal quarter of the Borrower other than the last quarter of each fiscal year, a consolidated balance sheet of the Borrower and the Restricted Subsidiaries as at the last day of such quarter and the related consolidated statement of income for such quarter and cumulative fiscal year-to-date for the Borrower and the Restricted Subsidiaries, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and satisfactory in scope to the Bank and certified by the chief financial officer of the Borrower as to the fairness of such financial statements and that the same have been prepared in accordance with GAAP, subject to changes resulting from normal, recurring year-end adjustments; provided, however, that if, so long as the Borrower is a Subsidiary of the Parent, the Parent duly files with the SEC any Form 12b-25 under the Exchange Act (or any successor form thereunder) with respect to its inability to timely file its quarterly report on Form 10-Q for a fiscal quarter and obtains a valid extension of such time to file, the financial information required to be delivered by this paragraph may be delivered later than forty-five (45) days after the end of such fiscal quarter but in no event later than the extended deadline for filing such quarterly report imposed by said Rule 12b-25.

(b) As soon as practicable and in any event within one hundred (100) days after the end of each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and the Restricted Subsidiaries as at the end of such fiscal year, and related consolidated statements of income, retained earnings, and changes in financial position for such fiscal year, setting forth in each case in comparative form figures for the corresponding period in the preceding calendar year, all in reasonable detail and satisfactory in scope to the Bank and certified by and containing an unqualified opinion of McGladrey & Pullen, LLP or other independent certified public accountants of recognized national standing selected by the Borrower and reasonably satisfactory to the Bank, provided, however, that if, so long as the Borrower is a Subsidiary of the Parent, the Parent shall duly file with the SEC any Form 12b-25 under the Exchange Act (or any successor form thereunder) with respect to its inability to timely file its annual report on Form 10-K for a fiscal year and obtains a valid extension of such time to file, the financial information required to be delivered by this paragraph may be delivered later than one hundred (100) days after the end of such fiscal year but in no event later than the extended deadline for filing such annual report imposed by said Rule 12b-25.

(c) As soon as practicable, and in any event within forty-five (45) days after the end of each fiscal quarter of the Parent, other than the last quarter of each fiscal year, a consolidated balance sheet as at the last day of such quarter and the related consolidated statement of income for such quarter and cumulative fiscal year-to-date for the Parent and its Subsidiaries, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and satisfactory in scope to the Bank and certified by the chief accounting officer of the Parent as to the fairness of such financial statements and that the same have been prepared in accordance with GAAP, subject to changes resulting from nonrecurring year-end adjustments; provided, however, that the delivery of the Parent's quarterly report on Form 10-Q promptly after its timely filing with the SEC thereof shall satisfy the requirements of this paragraph with regard to consolidation of financial statements;

(d) As soon as practicable, and in any event within one hundred (100) days after the end of each fiscal year of the Parent, the consolidated balance sheet of the Parent and its Subsidiaries as at the end of such fiscal year, and related consolidated statements of income, retained earnings, and changes in financial position for such fiscal year, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and satisfactory in scope to the Bank and certified by and containing an unqualified opinion of McGladrey & Pullen, LLP, or other independent certified public accountants of recognized national standing selected by the Parent and reasonably satisfactory to the Bank; provided, however, that, the delivery of the Parent's annual report on Form 10-K promptly after its timely filing with the SEC thereof shall satisfy the requirements of this paragraph with regard to consolidated financial statements;

(e) Together with each delivery of those items required by clauses (a) and (b) above, a Certificate of Compliance in the form attached hereto as Exhibit "D", executed by the chief financial officer or the Vice President-Comptroller of the Borrower;

(f) [Intentionally deleted.]

(g) Together with each delivery of the financial statements required by clause (b) above, a certificate of the independent certified accountants stating that in making the examination necessary to said certification of the financial statements, they obtained no knowledge of any condition or event pertaining to financial or accounting matters that constitutes an Event of Default, or event which after notice by the Bank or lapse of time, or both, or would constitute an Event of Default; or if the accountants have obtained knowledge of any Event of Default or such event, a statement specifying the nature and period of existence thereof.

(h) Promptly upon distribution thereof, copies of all annual or quarterly financial or other statements of Borrower and the Parent (including proxy statements, documents, and reports as the Borrower) shall send to any class of its shareholders;

(i) At any time when the Borrower or the Parent is obligated to file reports with the SEC pursuant to the Exchange Act, promptly, and in any event within fifteen (15) days after the filing thereof, copies of all periodic reports, current reports, and registration statements which the Borrower files with the SEC or any equivalent governmental agency and, promptly upon written request therefor, copies of any financial statements which the Borrower files annually with any federal, state, or local regulatory agency or agencies;

(j) With reasonable promptness such additional financial or other information as the Bank may from time to time reasonably request (including, without limitation, consolidating financial statements with respect to any Subsidiary); provided, however, that the Borrower shall not be required to furnish any information requested pursuant to this paragraph to the extent that such information is not then available or may not be produced without unreasonable effort or expense.

Bank is hereby authorized to deliver a copy of any financial statements or any other information relating to the business, operations, or financial condition of the Parent, the Borrower, or the Subsidiaries, which may be furnished to it or come to its attention pursuant to the Loan Documents or otherwise, to any regulatory body or agency having jurisdiction over the Bank or to any Person which shall or shall have the right or obligation to, succeed to all or any part of the Bank's interest in the Loan Documents.

6.2 Payment of Indebtedness to the Bank; Performance of other Covenants; Payment of Other Obligations. The Borrower will (a) make full and timely payment of the principal of and interest on the indebtedness owed hereunder; and (b) duly comply with all the terms and covenants contained in the Loan Documents.

6.3 Conduct of Business; Maintenance of Existence and Rights. The Borrower will, and will cause its Subsidiaries to, (i) do or cause to be done all things necessary to preserve and to keep in full force and effect its respective corporate existence and rights and privileges as a corporation, and will not liquidate or dissolve, and will take and fulfill, or cause to be taken and fulfilled, all actions and conditions necessary to qualify, and to preserve and keep in full force and effect its qualification, to do business as a foreign corporation in the jurisdictions in which the conduct of its business or the ownership or leasing of its properties requires such qualification, except where the failure to so qualify or maintain such qualification is reasonably likely to materially adversely affect the business, earnings, prospects, properties, or condition (financial or otherwise) of the Borrower and the Restricted Subsidiaries, taken as a whole; provided, however, that this Section shall not be deemed to prohibit any transaction permitted by Sections 7.2 and 7.3 hereof, and (ii) obtain and maintain franchises, licenses, trade names, patents, trademarks, and permits which are necessary to the ownership of its property or to the continuance of its business except where the failure to obtain or maintain, either individually or in the aggregate, is reasonably likely to materially adversely affect the business earnings prospects, properties, or condition (financial or otherwise) of the Borrower and the Restricted Subsidiaries, taken as a whole.

6.4 Maintenance of Property. The Borrower will, and will cause its Subsidiaries to, maintain its property in good condition and repair and, from time to time, make all necessary repairs, renewals, replacements, additions, betterments, and improvements thereto, so that the business carried on in connection therewith may be conducted in the ordinary course at all times.

6.5 Right of Inspection; Discussions. The Borrower will, and will cause its Subsidiaries to, permit any Bank employee or agent designated by the Bank, at the Bank's expense, to visit and inspect any of the properties, corporate books, records, papers, and financial reports of the Borrower or such Subsidiary, including the making of any copies thereof and abstracts therefrom, and to discuss its affairs, finances, and accounts with its principal officers and independent certified accountants (and by this provision the Borrower hereby authorizes and directs said accountants to discuss with any such Person the finances and accounts of the Borrower and the Subsidiaries), all upon reasonable notice, at reasonable times during normal business hours, and with reasonable frequency. The Borrower will, and will cause each of its Subsidiaries to, also permit the Bank, or its designated representative, to audit or appraise any of its respective assets or financial and business records. Each such inspection (including any audit or appraisal) shall be at the expense of the Person making the inspection, unless such inspection shall be made during the continuance of an Event of Default (in which event the reasonable expenses of any Person making any such inspection shall be borne by the Borrower). Notwithstanding the foregoing sentence, it is understood and agreed by the Borrower that all expenses in connection with any such inspection incurred by the Borrower or any Subsidiary, any officers and employees thereof, and the independent certified accountants therefor shall be expenses payable by the Borrower and shall not be expenses of the Person making the inspection.

6.6 Notices. The Borrower will promptly, and in any event within fifteen (15) Business Days thereafter, give notice to the Bank of:

(a) the institution of any suit, action, or proceeding against the Borrower or any Restricted Subsidiary which is reasonably likely, in the reasonable judgment of the Borrower, to have a materially adverse effect on the business, earnings, prospects, properties, or condition (financial or otherwise) of the Borrower and the Restricted Subsidiaries, taken as a whole;

(b) upon the obtaining of knowledge thereof by any Responsible Officer, any change in any law which is reasonably likely to have a materially adverse effect on the business, earnings, prospects, properties, or condition (financial or otherwise) of the Borrower and the Restricted Subsidiaries, taken as a whole;

(c) copies of any notice of violation, order, or other document evidencing noncompliance with any environmental law which is reasonably likely to have a materially adverse effect on the business, earnings, prospects, properties, or condition (financial or otherwise) of the Borrower and the Restricted Subsidiaries, taken as a whole;

(d) upon the obtaining of actual knowledge thereof by any Responsible Officer, any Event of Default, specifying the nature and period of existence thereof, what action the Borrower has taken or is taking or proposes to take with respect thereto, and an estimate of the time necessary to cure such Event of Default;

(e) upon any Responsible Officer being aware thereof, the occurrence of any (i) ERISA Termination Event; (ii) “prohibited transaction” (within the meaning of Section 4975 of the Code or Section 406 of ERISA), other than one to which an exemption applies; (iii) failure to make a timely contribution to any Pension Plan, if such failure has given rise to a lien under Section 412 (n) of the Code; or (iv) actual, asserted, or alleged violation of ERISA, the Code, or comparable provision of applicable foreign law, that, with respect to any of the events set forth in the forgoing clauses (i) through (iv), could result in a tax, penalty, or other consequence to the Borrower, any Subsidiary, or any ERISA Affiliate in connection with any Plan, which tax, penalty, or other consequence, individually or in the aggregate, would materially affect, individually or in the aggregate, the business, earnings, prospects, properties, or condition (financial or otherwise) of the Borrower and its Restricted Subsidiaries, taken as a whole, what action the Borrower is taking or proposes to take with respect thereto, and, when known, any action taken by the IRS, the U.S. Department of Labor, the PBGC, any foreign governmental entity, or any other Person with respect thereto;

(f) upon the obtaining of actual knowledge by any Responsible Officer, that any franchise or license held by the Borrower or any Restricted Subsidiary will be revoked, terminated, or suspended, other than any termination in connection with the sale of any assets pursuant to Sections 7.2 and 7.3 hereof, and other the revocations, terminations, and suspensions which, individually or in the aggregate, would not have a material adverse effect on the business, earnings, prospects, properties, or condition (financial or otherwise) of the Borrower and the Restricted Subsidiaries, taken as a whole;

(g) copies of all press releases and other written statements made available generally by the Borrower to its stockholders or to one or more financial news services concerning material developments in the business of the Borrower and the Restricted Subsidiaries, taken as a whole;

(h) copies of any notice of the exercise of any remedy by any secured party with respect to any of the material assets or property of the Borrower and the Restricted Subsidiaries, taken as a whole;

(i) copies of any Form 8-K filed under the Exchange Act; and

(j) the occurrence of any material casualty to any material facility of the Borrower or any other force majeure (including, without limitation, any strike or other labor disturbance) materially affecting the operation or value of any such facility and which is reasonably likely to have a materially adverse effect on the business, earnings, prospects, properties, or condition (financial or otherwise) of the Borrower and the Restricted Subsidiaries, taken as a whole (specifying whether or not such casualty or force majeure is covered by insurance).

6.7 Payment of Taxes; Liens. The Borrower will, and will cause its Subsidiaries to, pay and discharge promptly when due:

(a) all taxes, assessments, and governmental charges and levies imposed upon it, its income, or profits or any of its properties, before the same shall become delinquent; and

(b) all lawful claims of materialmen, mechanics, carriers, warehousemen, landlords, and other similar Persons for labor, materials, supplies and rentals that, if unpaid, might by law become a Lien upon any of its property;

provided, however, that none of the foregoing need be paid while the same is being contested in good faith by appropriate proceedings diligently conducted so long as adequate reserves shall have been established in accordance with GAAP with respect thereto, title of the Borrower or, any subsidiary, as the case may be, to the particular property shall not be divested thereby, and the right of the Borrower or such Subsidiary to use said property shall not be materially adversely affected thereby; provided, further, that any delinquency or non-payment of an immaterial amount which does not result in the imposition of a Lien which is not a Permitted Lien shall not be an Event of Default hereunder. Each of the Borrower and its Subsidiaries will file all federal, state and local tax returns and all other tax reports as required by law.

6.8 Insurance of Properties. The Borrower will, and will cause each Subsidiary to maintain, with respect to its business and properties, insurance at all times by insurance companies of nationally recognized stature and responsibility which the Borrower believes to be financially sound, of a character usually insured by corporations engaged in the same or a similar business similarly situated against loss or damage of the kinds and in the amounts customarily insured against and for by such corporations, and carry or cause to be carried, with such insurers in customary amounts (with customary deductibles), such other insurance, including public liability insurance, as is usually carried by corporations engaged in the same or a similar business similarly situated; provided, however, that all insurance maintained pursuant to this paragraph shall be carried in amounts sufficient to prevent the Borrower or any Subsidiary from incurring liability as a co-insurer under law or the terms of the applicable policy or policies.

6.9 True Books. The Borrower will, and will cause its Subsidiaries to, keep proper books of record and account, in which entries will be made of all of its respective dealings and transactions in accordance with and to the extent required by GAAP, and establish on its books such accruals and reserves in amounts deemed adequate in the reasonable opinion of the Borrower, that, in accordance with GAAP, should be set aside in connection with the business of the Borrower and its Subsidiaries, including reserves for depreciation, obsolescence, amortization, third-party insurance payment, and claims and accruals for taxes based on or measured by income on profits, and for all other taxes.

6.10 Observance of Laws. The Borrower will, and will cause the Parent and its Subsidiaries to, conform to and duly observe all laws, regulations, and other valid requirements of any governmental authority with respect to the conduct of its business, the violation of which, individually or in the aggregate, is reasonably likely to materially adversely affect the business, earnings, prospects, properties, or condition (financial or otherwise) of the Borrower and its Restricted Subsidiaries, taken as a whole.

6.11 Further Assurances. Upon request of the Bank, the Borrower will, and will cause Restricted Subsidiary to, duly execute and deliver or cause to be duly executed and delivered to, the Bank such further instruments or documents and do and cause to be done such further acts as may be reasonably necessary or proper in the reasonable opinion of the Bank to carry out more effectively the provisions and purposes of this Agreement and the other Loan Documents.

6.12 ERISA.

(a) Each of the Borrower, its Subsidiaries, and the ERISA Affiliates will take all actions and fulfill all conditions necessary to maintain any and all Plans in substantial compliance with applicable requirements of ERISA, the Code, and applicable foreign law until such Plans are terminated, and the liabilities thereof discharged, in accordance with applicable law.

(b) No domestic Pension Plan (other than a Multiemployer Plan) will incur any “accumulated funding deficiency” (within the meaning of Section 412 of the Code), and no foreign Pension Plan will be in violation of any funding requirement imposed by applicable foreign law, which deficiency or violation would or would be reasonably likely to, materially adversely affect the business, earnings, prospects, properties, or condition (financial or otherwise) of the Borrower and the Restricted Subsidiaries, taken as a whole.

6.13 Change of Name, Principal Place of Business, Office, or Agent. The Borrower will provide the Bank with prior written notice of any change in the name of the Borrower, the Parent, or any Restricted Subsidiary, the principal place of business of the Borrower, the Parent, or any Restricted Subsidiary, the office where the books and records of the Borrower, the Parent, or any Restricted Subsidiary are kept, or any change in the registered agent of the Borrower, the Parent, or any subsidiary for the purposes of service of process.

6.14 Financial Covenants. The Borrower will, in accordance with GAAP, maintain as of the last day of each fiscal quarter, commencing with the fiscal quarter ending May 1, 2011:

- (a) A ratio of Consolidated Funded Debt to Consolidated Net Worth of not more than 2.0 to 1.0.
- (b) A ratio of Consolidated Funded Debt to Consolidated EBITDA for the four (4) fiscal quarters then ending of not more than 3.5 to 1.0.

SECTION 7. NEGATIVE COVENANTS.

The Borrower covenants and agrees that from the date of this Agreement until payment in full of all present or future indebtedness hereunder, and termination of all present or future credit facilities established hereunder, unless the Bank shall otherwise consent in writing, the Borrower will fully comply and will cause each Subsidiary to fully comply with the following provisions:

7.1 Limitations on Mortgages, Liens, Etc. The Borrower will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume, or suffer or permit to exist, any Lien, other than in favor of Bank or the Permitted Liens.

7.2 Consolidation and Merger, Sale of Assets, Etc. The Borrower will not, and will not permit any Restricted Subsidiary to, merge into or consolidate with, or sell, lease, or otherwise dispose of all or substantially all of its assets, directly or indirectly, in one or a series of transactions, to any other Person, or permit any other Person to merge into or consolidate with it or any Restricted Subsidiary except:

(a) The Borrower may permit any corporation to merge into it so long as: (i) the Borrower shall be the surviving corporation; (ii) immediately after giving effect to the transaction, the Borrower shall be permitted by the provisions of this Agreement to incur at least \$1.00 of additional Funded Debt; and (iii) immediately before and after giving effect to the transaction, no Event of Default shall exist;

(b) The Borrower may merge into or consolidate with, or sell all or substantially all of its assets to, any other corporation, so long as: (i) the corporation which survives such merger or results from such consolidation or acquires such assets shall be organized under the laws of the United States of America, a state thereof or the District of Columbia; (ii) the surviving corporation shall assume, by an instrument reasonably satisfactory in form and substance to the Bank, the obligations of the Borrower under this Agreement; (iii) immediately after giving effect to the transaction, the surviving corporation shall be permitted by the provisions of this Agreement to incur at least \$1.00 of additional Funded Debt; (iv) immediately before and after giving effect to the transaction, no Event of Default shall exist; and (v) an opinion of counsel (reasonably satisfactory in form and substance to the Bank) shall be delivered to the Bank upon consummation of the transaction to the effect that this Agreement, the Revolving Credit Note, and the instrument referred to in the foregoing clause (ii) are legal, valid, and binding obligations of the surviving corporation, enforceable against the surviving corporation in accordance with their respective terms, and as to such other matters as to which the Bank shall have received a legal opinion on the date of this Agreement as the Bank may reasonably request;

(c) Any Restricted Subsidiary may merge into or consolidate with (i) the Borrower; (ii) any other Restricted Subsidiary; or (iii) any other corporation, so long as (x) if such other corporation is the surviving corporation, it is organized under the laws of the United States of America, a state thereof, or the District of Columbia and, simultaneously with the consummation of such merger or consolidation, is designated a Restricted Subsidiary pursuant to Section 7.10 hereof; (y) immediately after and giving effect to such merger or consolidation, the Borrower shall be permitted by the Provisions of this Agreement to incur at least \$1.00 of additional Funded Debt; and (z) immediately before and after giving effect to the transaction, no Event of Default shall exist; and

(d) Any Restricted Subsidiary may sell all or substantially all of its assets to (i) the Borrower; (ii) any other Restricted Subsidiary; or (iii) any other corporation, so long as (v) such transaction complies with the provisions of Sections 7.2 and 7.3 hereof, (w) any indebtedness of such Restricted Subsidiary to the Borrower and to any other Restricted Subsidiary is repaid prior to or contemporaneously with such transaction, (x) no Investment of such Restricted Subsidiary in the Borrower or any other Restricted Subsidiary is included among the assets sold in such transaction, (y) immediately before and after giving effect to such transaction, the Borrower shall be permitted by the provisions of this Agreement to incur at least \$1.00 of additional Funded Debt, and (z) immediately before and after giving effect to such transaction, no Event of Default shall exist.

7.3 Transfer and Sale of Assets; Sale and Leaseback.

(a) The Borrower will not, and will not permit any Restricted Subsidiary to, directly or indirectly, through a single transaction or a series of transactions, sell, lease, transfer, or otherwise dispose of or suffer to be sold, leased, transferred, abandoned, or otherwise disposed of, all or any part of its assets except:

(i) The Borrower or any Restricted Subsidiary may sell its inventory, materials, and surplus and obsolete equipment in each case in the ordinary course of its business;

(ii) The Borrower or any Restricted Subsidiary may sell all or substantially all of its assets to the extent permitted under this Agreement;

(iii) Any Restricted Subsidiary may sell, lease, transfer, or otherwise dispose of any of its assets to the Borrower or any other Restricted Subsidiary; and

(iv) The Borrower or any Restricted Subsidiary may sell, lease, or otherwise dispose of assets to a Person which is not an Affiliate of the Borrower for cash and/or indebtedness issued by the purchaser of such assets in consideration therefor (each such sale, lease, or other disposition of assets pursuant to this clause (iii) being hereinafter referred to as a "sale"), so long as such sale (i) is determined in good faith by the Borrower to be for a price or rental at least equal to the fair market sale or rental value of the assets sold, leased, or otherwise disposed of and to be in the best interest of the Borrower, and (ii) does not constitute a Substantial Sale of Assets.

(b) The Borrower will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, sell, transfer, or otherwise dispose of any property, whether now owned or hereafter acquired, in connection with a transaction in which it is contemplated that such property, or any portion thereof, or any other property that the Borrower or such Restricted Subsidiary, as the case may be, intends to use for substantially the same purpose as the property so sold, transferred, or otherwise disposed of, will simultaneously or subsequently be leased back to the Borrower or any Restricted Subsidiary (a "Sale Leaseback Transaction") unless:

(i) Such Sale Leaseback Transaction involves a lease which (x) if such Lease is an operating lease, would be permitted pursuant to the provisions of this Agreement and, (y) if such Lease is a Capital Lease, the Attributable Indebtedness associated with such Capital Lease would be permitted pursuant to the provisions of this Agreement;

(ii) Such Sale Leaseback Transaction relates solely to property or assets with respect to which the Borrower or any Restricted Subsidiary may create a Lien pursuant to the provisions of paragraphs (f), (g), or (h) of the definition of "Permitted Liens" set forth in Section 1.1 hereof; and

(iii) Such Sale Leaseback Transaction either (x) complies with the provisions of this Agreement or (y) is consummated within twelve (12) months of the date on which the construction of all the leased assets has been completed, whichever is later.

7.4 Payment Restrictions. The Borrower will not, and will not permit any of its Restricted Subsidiaries to, enter into any agreement, instrument, or other document which prohibits or restricts in any way or to otherwise, directly or indirectly, create or cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to (i) pay dividends, or make any other distribution in respect of its capital stock or any other equity interest or participation in its profits owned by the Borrower or any Restricted Subsidiary, or pay or repay any indebtedness owed to the Borrower or any Restricted Subsidiary, (ii) make loans or advances to the Borrower, or (iii) transfer any of its properties or assets to the Borrower or any Restricted Subsidiary (subject to the rights of any holder of a Lien on any such properties or assets which Lien is a Permitted Lien).

7.5 Limitations on Distributions. The Borrower will not declare or make, or permit any Restricted Subsidiary to declare or make, any distribution, dividend, payment or other distribution of assets, properties, cash, rights, obligations or securities (collectively, "Distributions") on account of its capital stock, or purchase, redeem or otherwise acquire for value any capital stock, or any warrants, rights or options to acquire such capital stock, now or hereafter outstanding, except that:

(a) The Borrower may pay dividends to its shareholders if no Event of Default has occurred and is continuing, either before the declaration and payment of such dividends or after giving effect thereto; and

(b) Restricted Subsidiaries may make Distributions to the Borrower or to other Restricted Subsidiaries.

7.6 RESERVED

7.7 Regulation U. The Borrower will not permit any part of the proceeds of the loan or loans made pursuant to this Agreement to be used to purchase or carry or to reduce or retire any loan incurred to purchase or carry any margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System) or to extend credit to others for the purpose of purchasing or carrying any such margin stock, or to be used for any other purpose which violates, or which would be inconsistent with, the provisions of Regulation U or other applicable regulation.

7.8 Transactions with Affiliates. Neither the Borrower nor any Restricted Subsidiary will enter into any transaction (including, without limitation, the purchase, sale, lease, or exchange of any property, the rendering of any services, or the payment of management fees) with any Affiliate, except: (i) transactions in the ordinary course of the business of the Borrower or such Restricted Subsidiary, and in good faith and upon commercially reasonable terms that are no less favorable to it than it would obtain in a comparable arm's length transaction with a Person other than an Affiliate; and (ii) transactions between the Borrower and any wholly-owned Restricted Subsidiary which are not otherwise prohibited by this Agreement.

7.9 Limitation on Nature of Business. The Borrower and the Restricted Subsidiaries will remain engaged in lines of business related to the businesses in which the Borrower and its Restricted Subsidiaries are currently engaged.

7.10 Restricted Subsidiaries. The Borrower will not hereafter designate any entity as a Restricted Subsidiary hereunder (and any such designation shall be without effect hereunder) unless:

- (i) The board of directors of the Borrower shall have duly adopted a resolution approving such designation, and the Bank shall have received a copy of such resolution certified by the secretary or assistant secretary of the company;
- (ii) Such entity satisfies the requirements of the definition of "Restricted Subsidiary" set forth in this Agreement;
- (iii) No Event of Default shall exist prior to, as a result of, or immediately after giving effect to, such designation;
- (iv) Immediately after such designation and including such entity in such determination, the Borrower shall be permitted to incur at least \$1.00 of additional Funded Debt pursuant to the provisions of this Agreement;
- (v) Such entity shall have executed a Guaranty pursuant to the provisions of Section 3.2 hereof and obtained, if required by the Bank, an opinion of counsel reasonably satisfactory to it as to the due authorization, execution, and delivery of such Guaranty by such corporation; and
- (vi) The Borrower shall promptly, and in any event within seven (7) Business Days after such designation, give notice to the Bank of the fact of such designation, the name, jurisdiction of incorporation or organization, principal business address, and business of such newly-designated Restricted Subsidiary, and certifications as to and computations showing compliance with the requirements of this Section, and shall deliver to the Bank with such notice the Guaranty and counsel opinion, if any;

provided, however, that, for the purposes of this Section, any computation of any financial covenant in connection with the determination of the absence of an Event of Default or the ability of the Borrower to incur Indebtedness after giving effect to the designation of a corporation as a Restricted Subsidiary shall be made on a pro forma basis, and, without limitation, shall include the Indebtedness of such corporation in any such computation for the relevant period in the case of any such designation and include the net income or EBITDA of such corporation in such computation in the case of any such designation. Notwithstanding the foregoing provisions of this Section, to the extent that a Subsidiary is not designated a Restricted Subsidiary within ninety (90) days after the day on which such Subsidiary becomes a Subsidiary of the Borrower, such Subsidiary shall be deemed to be an Unrestricted Subsidiary. Any designation of a Person as a Restricted Subsidiary shall be irrevocable.

7.11 Changes in Governing Documents, Accounting Methods, Fiscal Year. The Borrower will not, and will not permit its Subsidiaries to, amend in any respect its constituent documents from that in existence on the date of this Agreement or change its respective accounting methods or practices, its depreciation or amortization policy or rates, or its fiscal year end from that in existence as of the date of the financial statements provided to the Bank pursuant to Section 4.5 hereof, except as required to comply with law or with GAAP.

7.12 Limitation on Incurrence of Funded Debt. The Borrower agrees that throughout the term of the Revolving Credit:

(a) Neither the Borrower nor any Restricted Subsidiary shall at any time, directly or indirectly, incur, create, assume, guarantee or become liable in any manner with respect to any Funded Debt unless, immediately after giving effect to such incurrence: (i) the ratio of Consolidated Funded Debt (determined immediately after giving effect to such incurrence) to EBITDA (for the four (4) most recent full fiscal quarters) shall be equal to or less than 3.50 to 1.00; and (ii) no Event of Default shall exist.

(b) For purposes of this Section 7.12, if Funded Debt is incurred by the Borrower or a Restricted Subsidiary for the purpose of acquiring Voting Stock of or any assets of any Person which is not a Restricted Subsidiary and, immediately after and giving effect to such acquisition, such Person will be a Restricted Subsidiary (in the case of an acquisition of Voting Stock) or such assets will be owned by Borrower or a Restricted Subsidiary (in the case of an acquisition of assets), then the amounts of EBITDA of such Person or of EBITDA attributable to such assets which would have been included in EBITDA if such Person had been a Restricted Subsidiary or such assets had been owned by Borrower or a Restricted Subsidiary during the relevant fiscal quarters shall be included in EBITDA for the relevant fiscal quarters for purposes of determining compliance with this Section 7.12.

SECTION 8. EVENTS OF DEFAULT.

The following events shall constitute "Events of Default" hereunder:

8.1 Payment of Obligations Under Loan Documents. The Borrower fails to make timely payment of any principal, interest, or other amount due on any indebtedness owed the Bank under the Loan Documents, or fails to make any other payment to the Bank as contemplated thereunder either by the terms hereof or otherwise when due, and such failure shall continue for five (5) days.

8.2 Representation or Warranty. Any representation or warranty made or deemed made by the Borrower or any Restricted Subsidiary herein or in any writing furnished in connection with or pursuant to the Loan Documents, or any report certificate, financial statement, or other information provided by others and furnished by the Borrower or any Restricted Subsidiary to the Bank in connection with or pursuant to the Loan Documents, shall be false or misleading in any material respect on the date when made or when deemed made.

8.3 Covenants under this Agreement. A default in the observance or performance of any of the conditions, covenants or agreements of Borrower set forth in Sections 6.5, 6.6(d), 6.14 or 7.1 through 7.13, inclusive.

8.4 Other Covenants Under the Loan Documents. The Borrower or any other Person fails to fully and promptly perform when due (i) any other agreement, covenant, term, or condition binding on it contained in this Agreement, and such failure shall have continued unremedied for thirty (30) days after notice thereof has been given to Borrower or (ii) any agreement, covenant, term or condition binding on it contained in any other Loan Document (taking into account applicable periods of notice and cure, if any).

8.5 Payment, Performance, or Default of other Monetary Obligations. The Borrower or any Restricted Subsidiary fails to make payment on any contract obligation or of principal or interest on any indebtedness other than that created under the Loan Documents or otherwise owed to the Bank, individually or in the aggregate, exceeding \$2,500,000.00, beyond any period of grace provided with respect thereto, or fails to fully and promptly perform any other obligation, agreement, term, or condition contained in any agreement under which any such other Indebtedness is created, or there is otherwise a default or event of default thereunder, if the effect of any such failure or default is to cause, or permit the holder or holders of such indebtedness (or a trustee or other person or entity acting in behalf of such holder or holders) to cause, such indebtedness to become due prior to its stated maturity.

8.6 Covenants or Defaults to the Bank or Others; Revocation of Guaranty. The Borrower or any Restricted Subsidiary fails to fully and promptly perform when due any agreement, covenant, term, or condition binding on it, contained in any lease, contract, or other agreement to which it is a party or in respect of which it is obligated, other than the Loan Documents and other than any monetary default (as described above), beyond any period of grace provided with respect thereto, or there is otherwise a default or event of default thereunder, if such failure or default would, either individually or in the aggregate, materially and adversely affect the business, earnings, prospects, properties, or conditions (financial or otherwise) of the Borrower and the Restricted Subsidiaries, taken as a whole; or any Restricted Subsidiary revokes or attempts to revoke any Guaranty.

8.7 Liquidation; Dissolution; Bankruptcy; Etc. Liquidation or dissolution of the Borrower, the Parent or any Restricted Subsidiary, suspension of the business of the Borrower or any Restricted Subsidiary, or the filing or commencement by the Borrower, the Parent or any Restricted Subsidiary of a voluntary petition, case, proceeding, or other action seeking reorganization, arrangement, readjustment of its debts, or any other relief under any existing or future law of any jurisdiction, domestic or foreign, state or federal, relating to bankruptcy, insolvency, reorganization or relief of debtors, or any other action of the Borrower, the Parent or any Restricted Subsidiary indicating its consent to, approval of, or acquiescence in, any such petition, case, proceeding, or other action seeking to have an order for relief entered with respect to it or its debts; the application by the Borrower, the Parent or any Restricted Subsidiary for, or the appointment, by consent or acquiescence of, a receiver, trustee, custodian, or other similar official for the Borrower or any Restricted Subsidiary, or for all or a substantial part of its respective property; the making by the Borrower or any Restricted Subsidiary of an assignment for the benefit of creditors; or the inability of the Borrower or any Restricted Subsidiary, or the admission by the Borrower or any Restricted Subsidiary in writing of its inability to pay its debts as they mature.

8.8 Involuntary Bankruptcy, Etc. Commencement of an involuntary petition, case, proceeding, or other action against the Borrower, the Parent or any Restricted Subsidiary under the Bankruptcy Code or seeking reorganization, arrangement, readjustment of its debts, or any other relief under any existing or future law of any jurisdiction, domestic or foreign, state or federal, relating to bankruptcy, insolvency, reorganization, or relief of debtors; or the involuntary appointment of a receiver, trustee, custodian, or other similar official for the Borrower, the Parent or any Restricted Subsidiary, or for all or a substantial part of its respective property or assets; or there shall be commenced against the Borrower, the Parent or any Restricted Subsidiary any case, proceeding, or other action seeking issuance of a warrant of attachment, execution, distraint, or similar process against all or any substantial part of the assets, or property of such person which results in the entry of an order for such relief, and the continuance of any of such for sixty (60) days without being vacated, discharged, stayed, bonded, or dismissed.

8.9 Judgments. The rendition of a judgment or judgments against the Borrower or any Restricted Subsidiary for the payment of damages or money, individually or in the aggregate, in excess of \$2,500,000, if the same is/are not discharged or if a writ of execution or similar process is issued with respect thereto and is not stayed within the time allowed by law for filing notice of appeal of the final judgment.

8.10 Attachment, Garnishment, Liens Imposed by Law. The issuance of a writ of attachment or garnishment against, or the imposition of a lien by operation of law on, any property of the Borrower or any Restricted Subsidiary, if the amount of the claim or the value of the affected property is in excess of \$2,500,000, individually or in the aggregate, and if forty-five (45) days have elapsed and the proceeding or lien has not been vacated, satisfied, dismissed, or stayed pending appeal.

8.11 ERISA.

(a) Any domestic Pension Plan (other than a Multiemployer Plan) shall incur an “accumulated funding deficiency” (within the meaning of Section 412 of the Code) with respect to any plan year; or

(b) Any waiver shall be sought or granted under Section 412(d) of the Code; or

(c) Any foreign Pension Plan shall violate any funding requirement imposed by applicable foreign law; or

(d) Any Pension Plan shall be, have been or be likely to be terminated or the subject of termination proceedings under ERISA; or

(e) the Borrower, the Parent, any Subsidiary, or any ERISA Affiliate shall incur or be likely to incur a liability to or on account of a Pension Plan under Sections 4062, 4063, 4064, or 4201 of ERISA or comparable provision of applicable foreign law, and there shall result from one or more of the events set forth in the foregoing clauses (i) through (v) either a liability or a material risk of incurring a liability to the PBGC, any foreign governmental entity, or a Pension Plan, which could have a material and adverse effect on the business, earnings, prospects, properties, or condition (financial or otherwise) of the Borrower or the Borrower and its Restricted Subsidiaries, taken as a whole.

8.12 Corporate Existence. Any act or omission (formal or informal) of the Borrower, the Parent or any Restricted Subsidiary or its officers, directors, or shareholders leading to, or resulting in, the termination, invalidation (partial or total), revocation, suspension, interruption, or unenforceability of (i) its corporate existence, rights, and privileges, or (ii) its licenses, franchises, or permits where the failure to maintain, either individually or in the aggregate, is reasonably likely to materially adversely affect the business, earnings, prospects, properties, or condition (financial or otherwise) of the Borrower and its Restricted Subsidiaries, taken as a whole.

SECTION 9. REMEDIES OF THE BANK.

If any one or more of the Events of Default described in Section 8 shall occur, the Bank may, at its option at any time thereafter, take one or more of the following actions: (i) declare all amounts due and payable hereunder by the Borrower to the Bank and all other obligations and indebtedness owed by the Borrower to the Bank to be forthwith due and payable (with the exception of an Event of Default described in Sections 8.7 or 8.8, in which case the amounts due and payable hereunder by the Borrower to the Bank and all other obligations and indebtedness owed by the Borrower to the Bank shall automatically become due and payable), whereupon the indebtedness owed to the Bank by the Borrower hereunder and all other obligations owed by the Borrower to the Bank with accrued interest thereon, whether contingent or direct, shall forthwith become due and payable, without presentment, demand, protest, or other notice of any kind from the Bank, all of which are hereby expressly waived, anything contained in the Loan Documents to the contrary notwithstanding, and all commitments to make Advances shall terminate; (ii) require the Borrower to grant a lien or a security interest in all assets of the Borrower to the Bank, subject to the provisions of Section 3.1(b) hereof, and (iii) immediately proceed to do all other things provided for by law or the Loan Documents to enforce its rights hereunder and to collect all amounts owing to the Bank by the Borrower. No right, power, or remedy conferred upon the Bank by the Loan Documents shall be exclusive of any other right, power, or remedy referred to therein or now or hereafter available at law or in equity.

Upon the occurrence and during the continuance of any Event of Default, Borrower shall immediately upon demand by Bank deposit with Bank cash collateral in the amount equal to the maximum amount available to be drawn at any time under any Letter of Credit then outstanding.

SECTION 10. CHANGES IN LAW OR CIRCUMSTANCES; INCREASED COSTS; PRICING GRID.

10.1 Reimbursement of Prepayment Costs. If Borrower makes any payment of principal with respect to any LIBOR-based Advance (or converts or refunds, or attempts to convert or refund any such Advance) on any day other than the last day of the Interest Period applicable thereto (whether voluntarily, by acceleration, or otherwise), or if Borrower fails to borrow, refund or convert any LIBOR-based Advance after notice has been given by Borrower to Bank in accordance with the terms hereof requesting such Advance, or if Borrower fails to make any payment of principal or interest in respect of a LIBOR-based Advance when due, Borrower shall reimburse Bank on demand for any resulting loss, cost or expense incurred by Bank as a result thereof, including, without limitation, any such loss, cost or expense incurred in obtaining, liquidating, employing or redeploying deposits from third parties, whether or not Bank shall have funded or committed to fund such Advance. Such amount payable by Borrower to Bank may include, without limitation, an amount equal to the excess, if any, of (a) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, refunded or converted, for the period from the date of such prepayment or of such failure to borrow, refund or convert, through the last day of the relevant Interest Period, at the applicable rate of interest for said Advance(s) provided under this Agreement, over (b) the amount of interest (as reasonably determined by Bank) which would have accrued to Bank on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurocurrency market. Calculation of any amounts payable to Bank under this paragraph shall be made as though such Bank shall have actually funded or committed to fund the relevant Advance through the purchase of an underlying deposit in an amount equal to the amount of such Advance and having a maturity comparable to the relevant Interest Period; provided, however, that Bank may fund any LIBOR-based Advance in any manner it deems fit and the foregoing assumptions shall be utilized only for the purpose of the calculation of amounts payable under this paragraph. Upon the written request of Borrower, Bank shall deliver to Borrower a certificate setting forth the basis for determining such losses, costs and expenses, which certificate shall be conclusively presumed correct, absent manifest error.

10.2 Bank's LIBOR Lending Office. For any Advance to which the LIBOR-based Rate is applicable, if Bank shall designate a LIBOR Lending Office which maintains books separate from those of the rest of Bank, Bank shall have the option of maintaining and carrying the relevant Advance on the books of such LIBOR Lending Office.

10.3 Inability to Determine Rate. In the event that Bank shall have determined, which determination shall be final, conclusive and binding, that by reason of circumstances occurring after the date of this Agreement affecting the London interbank market, adequate and fair means do not exist for ascertaining the LIBOR-based Rate on the basis provided for in this Agreement, Bank shall give notice (by telephone confirmed in writing or by telecopy) to Borrower of such determination, whereupon (i) no LIBOR-based Advance shall be made until Bank notifies Borrower that the circumstances giving rise to such notice no longer exist, and (ii) any request by Borrower for a LIBOR-based Advance shall be deemed to be a request for an advance at the Prime-based Rate.

10.4 Illegality; Impracticability. In the event that Bank shall determine, which determination shall be final, conclusive and binding, that the making, maintaining or continuance of any portion of a LIBOR-based Advance (i) has become unlawful as a result of compliance by the Bank with any law, treaty, governmental rule, regulation, guideline or order (or would conflict with any of the same not having the force of law even though the failure to comply therewith would not be unlawful) or (ii) has become impracticable, or would cause Bank material hardship, as a result of contingencies occurring after the date of this Agreement materially and adversely affect the London interbank market or Bank's ability to make LIBOR-based Advances generally, then, and in any such event, Bank shall give notice (by telephone confirmed in writing or by telecopy) to Borrower of such determination. Thereafter, (x) the obligation of Bank to make any LIBOR-based Advances or to convert any portion of the loan to a LIBOR-based Advance shall be suspended until such notice shall be withdrawn by Bank, and (y) any request by Borrower for a LIBOR-based Advance shall be deemed to be a request for an advance as a Prime-based Advance.

10.5 Increased Cost of LIBOR-based Advances. In the event that any applicable law, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not currently applicable to Bank or any interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by Bank with any request or directive (whether or not having the force of law) made by any such authority, central bank or comparable agency after the date hereof:

(a) shall subject Bank to any tax, duty or other charge with respect to any Advance or any Note or shall change the basis of taxation of payments to Bank of the principal of or interest on any Advance or the Revolving Credit Note or any other amounts due under this Agreement in respect thereof (except for changes in the rate of tax on the overall net income or revenues of Bank imposed by the United States of America or the jurisdiction in which such Bank's principal executive office is located); or

(b) shall impose, modify or deem applicable any reserve (including, without limitation, any imposed by the Board of Governors of the Federal Reserve System), special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by Bank or shall impose on Bank or the interbank markets any other condition affecting any Advance or the Revolving Credit Note;

and the result of any of the foregoing is to increase the costs to Bank of making, funding or maintaining any part of the Indebtedness hereunder as a LIBOR-based Advance or to reduce the amount of any sum received or receivable by the Bank under this Agreement or under the Revolving Credit Note in respect of a LIBOR-based Advance then Bank shall promptly notify the Borrower in writing of such fact and demand compensation therefor and, within fifteen (15) days after such notice, Borrower agrees to pay to Bank such additional amount or amounts as will compensate Bank for such increased cost or reduction. A certificate of Bank setting forth the basis for determining such additional amount or amounts necessary to compensate Bank shall be conclusively presumed to be correct save for manifest error.

10.6 Other Increased Costs. In the event that after the date hereof the adoption of or any change in any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not presently applicable to Bank, or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by Bank with any guideline, request or directive of any such authority (whether or not having the force of law), including any risk based capital guidelines, affects or would affect the amount of capital required or expected to be maintained by Bank (or any corporation controlling Bank) and Bank determines that the amount of such capital is increased by or based upon the existence of Bank's obligations or Advances hereunder and such increase has the effect of reducing the rate of return on Bank's (or such controlling corporation's) capital as a consequence of such obligations or Advances hereunder to a level below that which Bank (or such controlling corporation) could have achieved but for such circumstances (taking into consideration its policies with respect to capital adequacy) by an amount deemed by Bank to be material, then the Borrower shall pay to Bank, from time to time, upon request by such Bank, additional amounts sufficient to compensate such Bank (or such controlling corporation) for any increase in the amount of capital and reduced rate of return which Bank reasonably determines to be allocable to the existence of Bank's obligations or Advances hereunder, provided, however, that for purposes of this Agreement, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "change in law", regardless of the date enacted, adopted or issued. A statement as to the amount of such compensation, prepared in good faith and in reasonable detail by Bank, shall be submitted by Bank to the Borrower, reasonably promptly after becoming aware of any event described in this Section 10.6 and shall be conclusive, absent manifest error in computation.

10.7 Margin Adjustment. Adjustments to the Applicable Margin, the Applicable Facility Fee Percentage and the Applicable Letter of Credit Percentage, based on Schedule 10.7, shall be implemented on a quarterly basis as follows:

(a) Such adjustments shall be given prospective effect only, effective as to all Advances outstanding hereunder, the Applicable Facility Fee Percentage and the Applicable Letter of Credit Percentage, upon the date of delivery of the financial statements under Sections 6.1(a) and 6.1(b) hereunder and the Certificate of Compliance under Section 6.1(e) hereof, in each case establishing applicability of the appropriate adjustment and in each case with no retroactivity or claw-back. If Borrower shall fail timely to deliver such financial statements or the Certificate of Compliance and such failure continues for three (3) days, then (but without affecting the Event of Default resulting therefrom) from the date delivery of such financial statements and report was required until such financial statements and report are delivered, the Applicable Margin, the Applicable Facility Fee Percentage and Applicable Letter of Credit Percentage shall be at the highest level on the pricing grid attached to this Agreement as Schedule 10.7.

(b) From the date hereof until the required date of delivery (or, if earlier, delivery) of the financial statements under Section 6.1(a) or 6.1(b) hereof, as applicable, and the Certificate of Compliance under Section 6.1(e) hereof, for the fiscal quarter ending May 1, 2011, the Applicable Margin, the Applicable Facility Fee Percentage and Applicable Fee Percentage shall be those set forth under the Level I column of the pricing matrix attached to this Agreement as Schedule 10.7. Thereafter, the Applicable Margin, the Applicable Facility Fee Percentage and Applicable Fee Percentage shall be based upon the quarterly financial statements and Certificate of Compliance, subject to recalculation as provided in Section 10.7(a) above.

SECTION 11. MISCELLANEOUS.

11.1 Course of Dealing; Amendment; Supplemental Agreements. No course of dealing between the parties hereto shall be effective to amend, modify, or change any provision of this Agreement. This Agreement may not be amended, modified, or changed in any respect except by an agreement in writing signed by the party against whom such change is to be enforced. The parties hereto may, subject to the provisions of this Section, from time to time, enter into written agreements supplemental hereto for the purpose of adding any provisions to this Agreement or changing in any manner the rights and obligations of the parties hereunder. Any such supplemental agreement in writing shall be binding upon the parties thereto.

11.2 Waiver By the Bank of Requirements. The Bank may, in its sole discretion, sign and deliver to the Borrower a written statement waiving any of the requirements of this Agreement and in such event the waiver shall be effective only in the specific instance and for the specific purpose for which given.

11.3 Waiver of Default.The Bank may, in its sole discretion, by written notice to the Borrower, at any time and from time to time, waive any Event of Default and its consequences, or any default in the performance or observance of any condition, covenant, or other term hereof and its consequences. Any such waiver shall be for such period and subject to such conditions as shall be specified in any such notice. In the case of any such waiver, the Borrower and the Bank shall be restored to their former positions prior to such Event of Default or default and shall have the same rights as they had thereto, and any Event of Default or default so waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Event of Default or default, or impair any right consequent thereto.

11.4 Notices. Notwithstanding any provisions to the contrary contained in the other Loan Documents, all notices, requests and demands to or upon the parties to this Agreement pursuant to any Loan Document shall be deemed to have been given or made when delivered by hand, or when deposited in the mail, postage prepaid by registered or certified mail, return receipt requested, addressed as follows or to such other address as may be hereafter designated in writing by one party to the other:

The Borrower: NEWBEVCO, INC.
8100 SW 10th St. #4000
Plantation, Florida 33324
Attention: President
and
Attention: Legal Counsel

The Bank: BRANCH BANKING AND TRUST COMPANY
110 East Broward Blvd
21st Floor
Ft. Lauderdale, FL 33301
Attention: Stephen Derby
Senior Vice President

except in cases where it is expressly herein provided that such notice, request, or demand is not effective until received by the party to whom it is addressed.

11.5 No Waiver; Cumulative Remedies. No omission or failure of the Bank to exercise and no delay in exercising by the Bank of any right, power, or privilege hereunder, shall impair such right, power, or privilege, shall operate as a waiver thereof or be construed to be a waiver thereof; nor shall any single or partial exercise of any right, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The rights and remedies provided in the Loan Documents are cumulative and not exclusive of any rights or remedies provided by law, and the warranties, representations, covenants, and agreements made therein shall be cumulative, except in the case of irreconcilable inconsistency, in which case the provisions of this Agreement shall control.

11.6 Reliance Upon, Survival of, and Materiality of Representations and Warranties, Agreements, and Covenants. All representations and warranties, agreements, and covenants made by the Borrower in the Loan Documents are material and shall be deemed to have been relied upon by the Bank and shall survive the execution and delivery of the Loan Documents and the making of the loan or loans herein contemplated, and shall continue in full force and effect so long as any indebtedness is owed to the Bank by the Borrower pursuant hereto or so long as there shall be any commitment by the Bank to make loans to the Borrower hereunder. All statements contained in any certificate to the Bank by Borrower, the Parent or any Subsidiary at any time by or on behalf of the Borrower pursuant hereto shall constitute representations and warranties by the Borrower hereunder.

11.7 Set-Off. Upon the occurrence of any Event of Default, the Bank is hereby authorized at any time and from time to time, without notice to the Borrower, to set off, appropriate, and apply any and all monies, securities and other property of the Borrower and all proceeds thereof, now or hereafter held or received by, or in transit to, the Bank from or for the Borrower, and also upon any and all deposits (general or special) and credits of the Borrower, if any, at the Bank or all items hereinabove referred to against all indebtedness of the Borrower owed to the Bank, whether under the Loan Documents or otherwise, whether now existing or hereafter arising. The Bank shall be deemed to have exercised such right of set-off and to have made a charge against such items immediately upon the occurrence of such Event of Default although made or entered on its books subsequent thereof.

11.8 Severability and Enforceability of Provisions. If any one or more of the provisions of the Loan Documents is determined to be invalid, illegal, or unenforceable in any respect as to one or more of the parties, all remaining provisions nevertheless shall remain effective and binding on the parties thereto and the validity, legality, and enforceability thereof shall not be affected or impaired thereby. To the extent permitted by applicable law, the parties hereby waive any provision of law that renders any provision hereof invalid, illegal, or unenforceable in any respect.

11.9 Payment of Expenses, Including Attorneys' Fees and Taxes. The Borrower agrees (a) to pay or reimburse the Bank for all its reasonable and customary out-of-pocket costs and expenses incurred in connection with the preparation, negotiation, execution, and delivery of, and any amendment, supplement, or modification to, or waiver or consent under, the Loan Documents, and the consummation of the transactions contemplated thereby, including, without limitation, the reasonable and customary fees and disbursements of counsel for the Bank, taxes, and all recording or filing fees, (b) except as expressly provided otherwise herein, to pay or reimburse the Bank for all of its costs and expenses incurred in connection with the administration, supervision, collection, or enforcement of, or the preservation of any rights under, the Loan Documents, including, without limitation, the reasonable fees and disbursements of counsel for the Bank, including attorneys' fees out of court, in trial, on appeal, in bankruptcy proceedings, or otherwise, (c) without limiting the generality of provision (a) hereof, to pay or reimburse the Bank for, and indemnify and hold the Bank harmless against liability for, any and all documentary stamp taxes, non-recurring intangible taxes, or other taxes, together with any interest, penalties, or other liabilities in connection therewith, that the Bank now or hereafter determines, are payable with respect to the Loan Documents, the obligations evidenced by the Loan Documents, any Advances under the Loan Documents, and any guaranties or mortgages or other security instruments, and (d) to pay, indemnify, and hold the Bank harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance, and administration of the Loan Documents with the exception of the willful or gross negligence of the Bank. The agreements in this Section shall survive repayment of all other amounts payable hereunder or pursuant hereto, now or in the future, and shall be secured by all collateral that secures the loan or loans described herein.

11.10 Obligations Absolute. The obligations of the Borrower under this Agreement are primary, absolute, independent, unconditional, and irrevocable, and shall be paid and performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including without limitation, the following circumstances:

- (a) Any lack of validity or enforceability of any portion of any letter of credit, this Agreement, or any agreement or instrument relating thereto;
- (b) Any amendment or waiver of or any consent to or actual departure from any letter of credit, this Agreement, or any agreement or instrument relating thereto;
- (c) Any exchange, release, or nonperfection of any collateral;
- (d) Any delay, extension of time, renewal, compromise, or other indulgence or modification granted to or agreed by the Bank, with or without notice to or approval by the Borrower in respect of any of the Borrower's indebtedness to the Bank under this Agreement; or
- (e) The failure of the Bank to give any notice to the Borrower hereunder.

11.11 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Bank and the Borrower, and, to the extent permitted herein, their respective successors, assignees, or transferees. In the event of such transfer or assignment, the rights and privileges herein conferred upon the Bank shall automatically extend to and be vested in the successor, assignee, or transferee of the Bank, and the Bank shall be relieved of all liability hereunder. The Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Bank.

11.12 Counterparts; Effective Date. This Agreement may be signed in any number of separate counterparts, no one of which need contain all of the signatures of the parties, and as many of such counterparts as shall together contain all of the signatures of the parties shall be deemed to constitute one and the same instrument. A set of the counterparts of this Agreement signed by all parties hereto shall be lodged with the Bank. This Agreement shall become effective upon the receipt by the Bank of signed counterparts of this Agreement from each of the parties hereto or telecopy confirmation of the signing of counterparts of this Agreement by each of the parties hereto.

11.13 Participations. The Borrower recognizes that the Bank may enter into participation agreements with other financial institutions, including one or more banks or other lenders, whereby Bank will allocate a portion of the loan or loans contemplated hereunder. For the benefit of such other banks and lenders, the Borrower agrees that such other banks and lenders shall have the same rights of set-off against the Borrower granted the Bank in Section 11.7 hereof. The Bank will use its best efforts to advise the Borrower of the names of any participants and the extent of their interest herein.

11.14 Law of Florida. This Agreement and the Revolving Credit Note have been delivered at Atlanta, Georgia, and shall be governed by and construed and enforced in accordance with the laws of the State of Florida, except to the extent that the Uniform Commercial Code, other personal property law or real property law of a jurisdiction where Collateral is located is applicable and except as and to the extent expressed to the contrary in any of the Loan Documents. Whenever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

11.15 Consent to Jurisdiction. Borrower and Bank hereby irrevocably submit to the non-exclusive jurisdiction of any Florida state court or United States Federal court for the Southern District of Florida sitting in Fort Lauderdale in any action or proceeding arising out of or relating to this Agreement or any of the other Loan Documents, and Borrower and Bank hereby irrevocably agree that all claims in respect of such action or proceeding may be heard and determined in any such Florida state court or United States Federal court for the Southern District of Florida. Borrower irrevocably consents to the service of any and all process in any such action or proceeding brought in any court in or of the State of Florida by the delivery of copies of such process to Borrower at its address specified on the signature page hereto or by certified mail directed to such address or such other address as may be designated by Borrower in a notice to the other parties that complies as to delivery with the terms of Section 11.4. Nothing in this Section shall affect the right of the Bank to serve process in any other manner permitted by law or limit the right of Bank to bring any such action or proceeding against Borrower or any Restricted Subsidiary or any of its or their property in the courts of any other jurisdiction. Borrower hereby irrevocably waives any objection to the laying of venue of any such suit or proceeding in the above described courts.

11.16 Title and Headings: Table of Contents. The titles and headings preceding the text of Sections and Sections of this Agreement and the Table of Contents have been included solely for convenience of reference and shall neither constitute a part of this Agreement nor affect its meaning, interpretation, or effect.

11.17 Complete Agreement; No Other Consideration. The Loan Documents contain the final, complete, and exclusive expression of the understanding of the Borrower and the Bank with respect to the transactions contemplated by the Loan Documents and supersede any prior or contemporaneous agreement or representation, oral or written, by or between the parties related to the subject matter hereof. Without limiting the generality of the foregoing, there does not exist any consideration or inducement other than as stated herein for the execution, delivery and performance by the Borrower of the Loan Documents.

11.18 Legal or Governmental Limitations. Anything contained in this Agreement to the contrary notwithstanding, the Bank shall not be obligated to extend credit or make loans to the Borrower in an amount in violation of any limitations or prohibitions provided by any applicable statute or regulation.

11.19 Interest. If the obligation of Borrower to pay interest on the principal balance of the Revolving Credit Notes is or becomes in excess of the maximum interest rate which Borrower is permitted by law to contract or agree to pay, giving due consideration to the execution date of this Agreement, then, in that event, the rate of interest applicable with respect to such Bank's Percentage shall be deemed to be immediately reduced to such maximum rate and all previous payments in excess of the maximum rate shall be deemed to have been payments in reduction of principal and not of interest.

11.20 Independence of Covenants. Each covenant hereunder shall be given independent effect (subject to any exceptions stated in such covenant) so that if a particular action or condition is not permitted by any such covenant (taking into account any such stated exception), the fact that it would be permitted by an exception to, or would be otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default.

11.21 **WAIVER OF TRIAL BY JURY.** THE BORROWER AND THE BANK HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE THE RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THE LOAN DOCUMENTS AND ANY OTHER DOCUMENT EXECUTED IN CONJUNCTION WITH THE LOAN OR LOANS HEREUNDER, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER ORAL OR WRITTEN), OR ACTION OF EITHER PARTY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE BANK TO ENTER INTO ANY LOAN TRANSACTIONS HEREUNDER.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

BORROWER:

NEWBEVCO, INC.

By: /s/ _____

Its: _____

BANK:

BRANCH BANKING AND TRUST COMPANY

By: /s/ _____

Its: _____

EXHIBIT "A"

REVOLVING CREDIT NOTE

\$25,000,000

July 8, 2011

On the Termination Date, FOR VALUE RECEIVED, NEWBEVCO, INC., a Delaware corporation ("Borrower"), promises to pay to the order of Branch Banking and Trust Company ("Bank"), in lawful money of the United States of America, the sum of Twenty-Five Million Dollars (\$25,000,000), or so much of said sum as may from time to time have been advanced and then be outstanding hereunder pursuant to the Credit Agreement dated as July 8, 2011, made by and between the Borrower and Bank, as the same may be amended from time to time (the "Agreement"), together with interest thereon as hereinafter set forth.

Each of the Advances made hereunder shall bear interest at the Applicable Interest Rate from time to time applicable thereto under the Agreement or as otherwise determined thereunder, and interest shall be computed, assessed and payable as set forth in the Agreement.

This Note is a note under which Advances (including refundings and conversions), repayments and readvances may be made from time to time, but only in accordance with the terms and conditions of the Agreement. This Note evidences borrowings under, is subject to, is secured in accordance with, and may be accelerated or matured under, the terms of the Agreement, to which reference is hereby made. Definitions and terms of the Agreement are hereby incorporated by reference herein.

Borrower waives presentment for payment, demand, protest and notice of dishonor and nonpayment of this Note and agrees that no obligation hereunder shall be discharged by reason of any extension, indulgence, release, or forbearance granted by any holder of this Note to any party now or hereafter liable hereon or any present or subsequent owner of any property, real or personal, which is now or hereafter security for this Note.

Nothing herein shall limit any right granted Bank by any other instrument or by law.

NEWBEVCO, INC.

By: _____ /s/

Its: _____

EXHIBIT "B"
REQUEST FOR ADVANCE

No. _____

Dated: _____

To: Branch Banking and Trust Company

Re: Credit Agreement by and between Branch Banking and Trust Company ("Bank") and Newbevco, Inc. ("Borrower") dated as of July 8, 2011 (as amended from time to time, the "Agreement").

Pursuant to the Agreement, the Borrower requests an Advance from Bank as follows:

A. Date of Advance:

B. Amount of Advance: \$ _____

Deposit to:

Branch Banking and Trust Company Bank Account No. _____

Other: _____

C. Type of Activity:

1. Advance

2. Refunding

3. Conversion

D. Interest Rate:

1. Prime-based Rate

2. LIBOR-based Rate

The Borrower certifies to the matters specified in Section 2.1(c) of the Agreement.

NEWBEVCO, INC.

By: _____ /s/

Its: _____

EXHIBIT "C"

JOINDER AGREEMENT

THIS JOINDER AGREEMENT is dated as of _____, 200__ by _____, a _____ corporation ("New Guarantor").

WHEREAS, pursuant to Section 3.2 of that certain Credit Agreement dated as of July 8, 2011 (as may be amended, restated, supplemented or replaced from time to time, the "Credit Agreement") by and among Newbevco, Inc. ("Borrower") and Branch Banking and Trust Company ("Bank"), the New Guarantor has been designated a Restricted Subsidiary of Borrower and accordingly, the New Guarantor must execute and deliver a Joinder Agreement in accordance with the Credit Agreement and become obligated as a guarantor under that certain Continuing and Unconditional Guaranty dated July 8, 2011, executed by the Restricted Subsidiaries in favor of Bank with respect to the indebtedness of Borrower to Bank ("Guaranty").

NOW THEREFORE, as a further inducement to Banks to continue to provide credit accommodations to Borrower and the Account Parties (as defined in the Credit Agreement), New Guarantor hereby covenants and agrees as follows:

1. All capitalized terms used herein shall have the meanings assigned to them in the Credit Agreement unless expressly defined to the contrary.
2. New Guarantor hereby enters into this Joinder Agreement in order to comply with Section 3.2 of the Credit Agreement and does so in consideration of the Advances made or to be made from time to time under the Credit Agreement (and the other Loan Documents), from which New Guarantor shall derive direct and indirect benefit as with the parties the Guaranty (all as set forth and on the same basis as in the Guaranty).
3. New Guarantor shall be considered, and deemed to be, for all purposes of the Credit Agreement, the Guaranty and the other Loan Documents, a guarantor and obligated party under the Guaranty as fully as though New Guarantor had executed and delivered the Guaranty at the time originally executed and delivered under the Credit Agreement and New Guarantor hereby ratifies and confirms its obligations under the Guaranty, all in accordance with the terms thereof.
4. No Default or Event of Default (each such term being defined in the Credit Agreement) has occurred and is continuing under the Credit Agreement.
5. This Joinder Agreement shall be governed by the laws of the State of Florida and shall be binding upon New Guarantor and its successors and assigns.

IN WITNESS WHEREOF, the undersigned New Guarantor has executed and delivered this Joinder Agreement as of _____, 201__.

[NEW GUARANTOR]

By: _____ /s/ _____

Its: _____

EXHIBIT "D"

CERTIFICATE OF COMPLIANCE

To: Branch Banking and Trust Company

Re: NewBevCo., Inc. Credit Agreement
dated as of July 8, 2011 (the "Agreement")

This Certificate of Compliance ("Report") is furnished pursuant to Section 6.1(e) of the Agreement and sets forth various information as of _____, ____ (the "Computation Date").

1. Consolidated Funded Debt to Consolidated Net Worth. On the Computation Date, the rate of Consolidated Funded Debt to Consolidated Net Worth, which is required to be not more than 2.0 to 1.0, was ____ to 1.0 as computed in the supporting documents attached hereto as Schedule 1.

2. Consolidated Funded Debt to Consolidated EBITDA. On the Computation Date, the ratio of Consolidated Funded Debt to Consolidated EBITDA, which is required to be not more than 3.5 to 1.0, was ____ to 1.0 as computed in the supporting documents attached hereto as Schedule 2.

The undersigned officer of Borrower hereby certifies that:

A. All of the information set forth in this Report (and in any Schedule attached hereto) is true and correct in all material respects.

B. As of the Computation Date, the Borrower has observed and performed all of its covenants and other agreements contained in the Agreement and in the Revolving Credit Note and any other Loan Documents to be observed, performed and satisfied by them.

C. I have reviewed the Agreement and this Report is based on an examination sufficient to assure that this Report is accurate.

D. Except as stated in Schedule 3 hereto (which shall describe any existing Event of Default or event which with the passage of time and/or the giving of notice, would constitute an Event of Default and the notice and period of existence thereof and any action taken with respect thereto or contemplated to be taken by Borrower), no Event of Default, or event which with the passage of time and/or the giving of notice would constitute an Event of Default, has occurred and is continuing on the date of this Report.

Capitalized terms used in this Report and in the schedules hereto, unless specifically defined to the contrary, have the meanings given to them in the Agreement.

IN WITNESS WHEREOF, Borrower has caused this Report to be executed and delivered by its duly authorized officer this ____ day of _____, 201 ____.

NEWBEVCO, INC.

By: _____ /s/

Its: _____

SCHEDULE 1.1.A

LIENS

Shasta Beverages, Inc.

Debtor(s)	Secured Party(ies)	Filing No.	Filing Date	Filing Type	Collateral
Shasta Beverages, Inc.	AirLiquide Industrial U.S. LP	2009-068-9056	3/4/2009	Original	Equipment
Shasta Beverages, Inc.	AirLiquide Industrial U.S. LP	2009-031-6213	1/30/2009	Original	Equipment
Shasta Beverages, Inc.	AirLiquide Industrial U.S. LP	2009-038-4567	2/4/2009	Original	Equipment
Shasta Beverages, Inc.	AirLiquide Industrial U.S. LP	2009-060-7454	2/25/2009	Original	Equipment
Shasta Beverages, Inc.	AirLiquide Industrial U.S. LP	2010-135-7833 (amendment to 2009-031-6213)	4/20/2010	Amendment	Equipment
Shasta Beverages, Inc.	AirLiquide Industrial U.S. LP	181-367-815	4/10/2009	Original	Equipment

Borrower and all other Subsidiaries

None

SCHEDULE 1.1.B

RESTRICTED SUBSIDIARIES OF BORROWER

Name of Subsidiary Principal Place of Business	Jurisdiction of Subsidiary	Assumed Name	Number of Authorized Shares	Number of Outstanding Shares	Number of Outstanding Shares Owned by Newbevco
BevCo Sales, Inc. 1165 Palmour Drive Gainesville, GA 30501	Delaware	Bevco, Inc.	2,500 Common Shares, \$.01 Par	100	100
Faygo Beverages, Inc. 3579 Gratiot Avenue Detroit, MI 48207	Michigan	None	82,490 Common Shares, \$1.00 Par	1,000	1,000
Faygo Sales Company 3579 Gratiot Avenue Detroit, MI 48207	Texas	None	2,000 Preferred Shares, \$100 Par	0	
Faygo Sales Company 3579 Gratiot Avenue Detroit, MI 48207	Texas	None	1,000,000 Common Shares, \$.01 Par	100,000	100,000
Paco, Inc. 8100 SW 10 th St., Suite 4000 Plantation, FL 33324	Delaware	None	1,000 Common Shares, \$.01 Par	100	100
Shasta SW Inc. f/k/a Shasta West, Inc. 26901 Industrial Blvd. Hayward, CA 94545	Delaware	None	1,000 Preferred Shares, \$.01 Par		
Shasta SW Inc. f/k/a Shasta West, Inc. 26901 Industrial Blvd. Hayward, CA 94545	Delaware	None	2,500 Common Shares, \$.01 Par	100	100
Shasta Beverages, Inc. 8100 SW 10 th St., Suite 4000 Plantation, FL 33324	Delaware	None	2,500 Common Shares, \$.01 Par	100	100
Shasta Beverages International, Inc. 1227 Andover Park East Tukwila, WA 98188	Delaware	None	2,500 Common Shares, \$.01 Par	100	100
Shasta Midwest, Inc. 9901 Widmer Road Lenexa, KS 66215	Delaware	None	2,500 Common Shares, \$.01 Par	100	100
Shasta West, Inc. f/k/a Shasta Northwest, Inc. 14405 East Artesia Blvd. La Mirada, CA 90638	Delaware	None	2,500 Common Shares, \$.01 Par	100	100
National Beverage Vending Company f/k/a Shasta Sales, Inc 2031 Industrial Blvd., Lexington, SC 29072	Delaware	Shasta Vending	2,500 Common Shares, \$.01 Par	100	100
National Retail Brands, Inc. 1165 Palmour Drive Gainesville, GA 30501	Delaware	None	2,500 Common Shares, \$.01 Par	100	100
Shasta Sweetener Corp. 8100 SW 10 th St., Suite 4000 Plantation, FL 33324	Delaware	None	2,500 Common Shares, \$.01 Par Class A Voting	100	100
National Productions, Inc. 8100 SW 10 th St., Suite 4000 Fort Lauderdale, FL 33324	Delaware	None	2,500 Common Shares, \$.01 Par	100	100
Big Shot Beverages, Inc. f/k/a Winnsboro Beverage Packers, Inc. 5600 Jefferson Highway Suite 112 Harahan LA 70123	Delaware	None	2,500 Common Shares, \$.01 Par	2,600	2,600
Everfresh Beverages, Inc. 6600 East 9 Mile Road Warren, MI 48091	Delaware	Sundance Beverage Company	2,500 Preferred Shares, \$.01 Par		
Everfresh Beverages, Inc. 6600 East 9 Mile Road Warren, MI 48091	Delaware	Sundance Beverage Company	2,500 Common Shares, \$.01 Par	100	100
Shasta Sales, Inc. f/k/a Sea Acquisition Corp. 6156 St. Andrews Road, #105 Columbia, SC 29212	Delaware	None	2,500 Common Shares, \$.01 Par	100	100
			2,500 Common Shares, \$.01 Par Class B Voting	100	100

UNRESTRICTED SUBSIDIARIES OF BORROWER

None

SCHEDULE 1.1.C.

INVESTMENTS

Advances to Parent - NET	
Amount at April 30, 2011	\$269,198,000

SCHEDULE 4.6
LITIGATION DISCLOSURE

None

SCHEDULE 10.7**PRICING GRID**

BASIS FOR PRICING	LEVEL I	LEVEL II	LEVEL III	LEVEL IV	LEVEL V
CONSOLIDATED FUNDED DEBT TO EBITDA RATIO	< 0.75 to 1.0	>0.75 to 1.0 and < 1.5 to 1.0	>1.5 to 1.0 and < 2.0 to 1.0	>2.0 to 1.0 < and < 2.5 to 1.0	> 2.5 to 1.0
APPLICABLE FACILITY FEE PERCENTAGE (expressed as basis points)	20.00	25.00	30.00	30.00	30.00
APPLICABLE LETTER OF CREDIT PERCENTAGE (expressed as basis points)	90.00	100.00	135.00	160.00	180.00
APPLICABLE PRIME-BASED RATE MARGIN (expressed as basis points)	-50.00	-25.00	0.00	0.00	50.00
APPLICABLE LIBOR-BASED RATE MARGIN (expressed as basis points)	90.00	100.00	135.00	160.00	180.00

SUBSIDIARIES OF REGISTRANT

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>	<u>Percentage of Voting Stock Owned</u>
BevCo Sales, Inc.	Delaware	100%
Beverage Corporation International, Inc.	Delaware	100%
Big Shot Beverages, Inc.	Delaware	100%
Everfresh Beverages, Inc.	Delaware	100%
Faygo Beverages, Inc.	Michigan	100%
Home Juice Corp.	Delaware	100%
National Beverage Vending Company	Delaware	100%
National Retail Brands, Inc.	Delaware	100%
NewBevCo, Inc.	Delaware	100%
NutraFizz Products Corp.	Delaware	100%
PACO, Inc.	Delaware	100%
Shasta, Inc.	Delaware	100%
Shasta Beverages, Inc.	Delaware	100%
Shasta Beverages International, Inc.	Delaware	100%
Shasta Sales, Inc.	Delaware	100%
Shasta Sweetener Corp.	Delaware	100%
Shasta West, Inc.	Delaware	100%
Sundance Beverage Company	Delaware	100%

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in Registration Statement No. 333-97415 on Form S-8 of National Beverage Corp. of our report dated July 14, 2011 related to our audits of the consolidated financial statements and internal control over financial reporting which appears in this annual report on Form 10-K of National Beverage Corp. for the year ended April 30, 2011.

/s/ McGladrey & Pullen, LLP
Fort Lauderdale, Florida
July 14, 2011

CERTIFICATION

I, Nick A. Caporella, certify that:

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

Date: July 14, 2011

/s/ Nick A. Caporella

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

CERTIFICATION

I, George R. Bracken, certify that:

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

Date: July 14, 2011

/s/ George R. Bracken

George R. Bracken

Senior Vice President - Finance

(Principal Financial Officer)

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

In connection with the Annual Report of National Beverage Corp. (the "Company") on Form 10-K for the period ended April 30, 2011 (the "Report"), I, Nick A. Caporella, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

Date: July 14, 2011

/s/ Nick A. Caporella

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

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

In connection with the Annual Report of National Beverage Corp. (the "Company") on Form 10-K for the period ended April 30, 2011 (the "Report"), I, George R. Bracken, Senior Vice President - Finance of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

Date: July 14, 2011

/s/ George R. Bracken

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