HAWKINS INC
Form PRE 14A
June 02, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.___)

Filed by the registrant x

Filed by a party other than the registrant o

Check the appropriate box:

x Preliminary proxy statement.

o Confidential, for use of the Commission only (as permitted by Rule 14A-6(e)(2)).

o Definitive proxy statement.

o Definitive additional materials.

o Soliciting material pursuant to section 240.14a-11(c) or Section 240.14a-12.

HAWKINS, INC.
(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of filing fee (check the appropriate box):
x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

HAWKINS, INC.

3100 East Hennepin Avenue
Minneapolis, Minnesota 55413

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held
July 28, 2010

To our Shareholders:

The Annual Meeting of Shareholders of Hawkins, Inc. will be held at the Midland Hills Country Club, 2001 Fulham Street, Roseville, Minnesota on Wednesday, July 28, 2010, at 3:00 p.m., Central Daylight Time, for the following purposes:

1. To elect seven directors;
2. To approve the Hawkins, Inc. 2010 Omnibus Incentive Plan;
3. To amend and restate our articles of incorporation; and
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on June 1, 2010 as the record date for determining the shareholders entitled to vote at the Annual Meeting. Accordingly, only shareholders of record at the close of business on that date will be entitled to vote. Our transfer books will not be closed.

Dated: June __, 2010

BY ORDER OF THE BOARD OF DIRECTORS

RICHARD G. ERSTAD, *Secretary*

IMPORTANT: To assure the necessary representation at the Annual Meeting, you are urged to SIGN AND RETURN THE ENCLOSED PROXY PROMPTLY TO SAVE THE COMPANY THE EXPENSE OF ADDITIONAL SOLICITATION. You may revoke your proxy at any time prior to its exercise, and returning your proxy will not affect your right to vote in person if you attend the Annual Meeting and revoke the proxy.

PROXY STATEMENT

HAWKINS, INC.

3100 East Hennepin Avenue
Minneapolis, Minnesota 55413
June __, 2010

The following statement is furnished in connection with the solicitation of proxies by our Board of Directors to be voted at the Annual Meeting of Shareholders (the Annual Meeting) to be held on Wednesday, July 28, 2010 at the Midland Hills Country Club, 2001 Fulham Street, Roseville, Minnesota, at 3:00 p.m., Central Daylight Time, and at any adjournments of such meeting. Distribution of this Proxy Statement and proxy to shareholders began on or about June __, 2010.

SOLICITATION

The cost of soliciting proxies and of the notices of the meeting, including the preparation, assembly and mailing of proxies and this Proxy Statement, will be borne by us. In addition to the use of the mail, proxies may be solicited personally or by telephone, mail or electronic mail by our directors, officers and regular employees. Furthermore, arrangements may be made with brokers, banks and similar organizations to send proxies and proxy materials to beneficial owners for voting instructions. We will reimburse such organizations for their expenses.

REVOCATION AND VOTING OF PROXY

Any proxy given pursuant to this solicitation and received in time for the Annual Meeting will be voted in accordance with the instructions in such proxy, unless the proxy is properly revoked prior to the meeting. Any shareholder giving a proxy may revoke it prior to its exercise at the meeting by (1) delivering a written notice expressly revoking the proxy to our Secretary at our offices, (2) signing and forwarding to us at our offices a later dated proxy, or (3) attending the Annual Meeting and casting his or her votes personally.

If you indicate on your proxy that you wish to abstain from voting, and you hold your shares in street name or your broker records abstentions, your shares will be considered present and entitled to vote at the Annual Meeting. Such shares will also count toward determining whether or not a quorum is present for the Annual Meeting. However, abstentions will not be taken into account in determining the approval of any of the proposals and will have the effect of casting a negative vote. If a shareholder (including a broker) does not give authority to a proxy to vote, or withholds authority to vote on a certain proposal, then the shareholder s shares will not be considered present or entitled to vote on that proposal.

If you hold your shares in street name and do not provide voting instructions to your broker, your broker has authority under New York Stock Exchange rules to vote those shares for or against routine proposals, such as an amendment and restatement of our articles of incorporation. Brokers cannot vote on their customers behalf on non-routine proposals such as the approval of an equity compensation plan or the election of directors. These rules apply to us even though the shares of our common stock are traded on the NASDAQ Global Market. If a broker votes shares for which its customers have not provided voting instructions for or against a routine proposal, then those shares are counted for the purpose of establishing a quorum at the Annual Meeting and also will be counted for the purpose of determining the outcome of routine proposals. If a broker does not receive voting instructions as to a non-routine proposal, or chooses to leave shares unvoted on a routine proposal, a broker non-vote will occur and those shares will be counted for the purpose of establishing a quorum at the Annual Meeting, but not for determining the outcome of those proposals. Shares that are subject to broker non-votes are considered not entitled to vote on the particular proposal, and effectively reduce the number of shares needed to approve that proposal.

As of the date of this proxy statement, we know of no matters that will be presented for determination at the meeting other than those referred to in this proxy statement. If any other matters properly come before the meeting calling for a vote of shareholders, proxies in the enclosed form returned to us will be voted in accordance with the recommendation of the Board of Directors or, in the absence of such a recommendation, in accordance with the judgment of the proxy holders.

OUTSTANDING SHARES AND VOTING RIGHTS

At the close of business on June 1, 2010, the record date, there were 10,282,458 shares of our common stock, par value $0.05 per share, outstanding. The common stock is our only outstanding class of capital stock. Holders of common stock are entitled to one vote for each share held on the record date with respect to all matters that may be brought before the meeting. There is no cumulative voting for directors.

PROPOSAL ONE ELECTION OF DIRECTORS

At the Annual Meeting, seven persons are to be elected to our Board of Directors, each to hold office for the ensuing year and until his successor is duly elected and qualified. Our By-laws provide for a Board of Directors of not fewer than three nor more than eleven directors. Our Board of Directors currently consists of seven directors, as established by resolution of our Board of Directors. Our By-laws provide that the nominees must be elected by the affirmative vote of the holders of a majority of the voting power of the shares represented at the meeting (whether in person or by proxy). Abstentions and withhold votes have the effect of a vote against the nominees. Proxies will be voted for the election of all nominees unless you direct otherwise. Should any nominee decline or be unable to accept such nomination or to serve as a director (an event which our management does not now expect to occur), proxies will be voted for a substitute nominee or nominees in accordance with the best judgment of the person or persons acting under them.

Our Board of Directors has nominated James A. Faulconbridge, John R. Hawkins, Duane M. Jergenson, John S. McKeon, Daryl I. Skaar, James T. Thompson and Jeffrey L. Wright for election to the Board of Directors.

OUR BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ELECTION OF ALL NOMINEES FOR DIRECTOR.

Information About Our Directors

Our directors have served as our directors continuously since the year indicated below. The following information, as of May 31, 2010, including the principal occupation or employment of each director nominee, has been furnished to us by the respective director nominees. All positions are with our Company unless otherwise noted.

Director	Principal Occupation or Employment	Age	Director Since
John S. McKeon	Chairman of the Board since 2005; Retired; President and Chief Operating Officer of ConAgra Foods, Inc. Venture Development Group from 2003 to 2005; President and Chief Operating Officer of ConAgra Foods Snack Group (formerly Golden Valley Microwave Foods, Inc.) from 1993 to 2003; President of McKeon Associates, Inc. (corporate finance consulting) from 1991 to 1993; Vice President of Northstar Industries, Inc. from 1976 to 1990.	65	1984
John R. Hawkins	Chief Executive Officer since 2000; Chairman of the Board from 2000 to 2005; President from 1998 to 2000; Executive Vice President from 1997 to 1998; Vice President of Sales from 1987 to 1997; Secretary from 1991 to 1999.	58	1989
James A. Faulconbridge	Principal of Karges-Faulconbridge, Inc. (engineering and technical services) since 1996.	42	2006

Director	Principal Occupation or Employment	Age	Director Since
Duane M. Jergenson	Retired; Vice President of Operations of Taylor Corporation from 1985 to 1999; various positions with Taylor Corporation from 1966 to 1985.	63	1996
Daryl I. Skaar	Retired; Vice President and Chief Procurement Officer of Lucent Technologies from 1997 to 2000; various positions at 3M from 1965 to 1997, most recently as Vice President of Purchasing and Packaging Engineering.	68	2001
James T. Thompson	Retired; Executive Vice President Commercial of The Mosaic Company from 2004 to 2007; board member, Sims Metal Management since 2009; various positions at Cargill, Inc. from 1974 to 2004, most recently as President of Cargill Steel from 1996 to 2004.	59	2009
Jeffrey L. Wright	G&K Services, Inc. Chief Financial Officer since 1999, Executive Vice President and Director since May 2009, Senior Vice President from 2004 to 2009, Treasurer and Secretary from 1999 to 2003; BMC Industries, Inc. Treasurer from 1998 to 1999, Controller from 1996 to 1998; various positions at Employee Benefit Plans, Inc. from 1993 to 1996, most recently as Vice President and Treasurer; employed by Arthur Andersen & Co. from 1984 to 1993.	47	2009

John R. Hawkins, our Chief Executive Officer and a director, is the uncle of Patrick H. Hawkins, our President. There are no other family relationships between any of our directors, executive officers, or director nominees.

Each director nominee brings unique capabilities to our Board of Directors. The Board believes the nominees as a group have the experience and skills in areas such as general business management, corporate governance, manufacturing, finance, strategic planning and risk management that are necessary to effectively oversee our Company. In addition, the Board believes that each of our directors possesses high standards of ethics, integrity and professionalism, sound judgment and a commitment to representing the long-term interests of our shareholders. The following is information as to why each nominee should serve as a director of our Company:

Mr. McKeon has been our Chairman of the Board since 2005 and has extensive experience in management, manufacturing and corporate finance, having served as President and Chief Operating Officer of ConAgra Foods, Inc. Venture Development Group. His knowledge of our Company and its business is valuable in formulating and executing our business plans and growth strategies.

Mr. Hawkins has been our Chief Executive Officer since 2000 and has been with the Company for more than 30 years, giving him an intimate knowledge of our Company and its business and a deep passion for our Company s continued success.

Mr. Faulconbridge is a principal of Karges-Faulconbridge, Inc., an engineering and technical services firm that services a broad variety of industries, including the ethanol industry. His background provides the Company with technical expertise and insight into ethanol and other industries we serve.

Mr. Jergenson has been on our Board for 14 years. His operations management experience with Taylor Corporation, one of the largest privately held companies in the United States, provides valuable perspective and insight as our Company seeks and implements growth opportunities.

Mr. Skaar has extensive experience in purchasing and procurement for large public companies, having served as Vice President and Chief Procurement Officer at Lucent Technologies and Vice President of Purchasing and Packing Engineering at 3M.

Mr. Thompson has experience with major manufacturing and commodity companies having served 30 years at Cargill, Inc., including eight years as President of Cargill Steel, and three years as Executive Vice President Commercial for The Mosaic Company, the world s leading producer and marketer of concentrated phosphate and potash. This knowledge and experience is valuable to us in our bulk chemicals business.

Mr. Wright has extensive public company finance and audit experience, serving as Chief Financial Officer of G&K Services, Inc. and having been employed by Arthur Andersen & Co. He also has public company board experience, serving as a director of G&K Services, Inc.

Director Independence

Our Board of Directors has determined that, of the director nominees, each of James A. Faulconbridge, Duane M. Jergenson, John S. McKeon, Daryl I. Skaar, James T. Thompson and Jeffrey L. Wright are Independent Directors as that term is defined under the applicable listing standards of the NASDAQ Stock Market. Accordingly, a majority of our directors are independent. When considering the independence of directors, the Board of Directors determined that Mr. Wright s position as Chief Financial Officer, Executive Vice President and Director of G&K Services, Inc., which is a customer of and supplier of services to the Company, did not impair the independence of Mr. Wright. All of the transactions with G&K Services, Inc. were conducted on arms-length terms in the ordinary course of business, and the amount of the transactions represent less than one percent of the revenues of G&K Services, Inc. and less than one percent of our revenues.

CORPORATE GOVERNANCE

Meetings of the Board of Directors

Our Board of Directors held five meetings during the fiscal year ended March 28, 2010, hereinafter referred to as fiscal 2010. All directors attended at least 75% of the meetings of our Board of Directors and the committees on which they served. All directors attended our Annual Meeting of Shareholders in 2009. Our Board of Directors encourages, but does not require, director attendance at annual meetings of shareholders.

Leadership Structure of the Board of Directors

Our Board of Directors does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board as the Board of Directors believes it is in the best interests of the Company to make that determination based on the position and direction of the Company and the membership of the Board. The positions of Chief Executive Officer and Chairman of the Board are not currently held by the same person. This structure allows us to more fully utilize the skills of Mr. McKeon and ensures a greater active participation of the directors in setting agendas and establishing Board priorities and procedures. Further, this structure permits our Chief Executive Officer to focus on the management of the Company s day-to-day operations.

Audit Committee

The Audit Committee, which consists of James A. Faulconbridge (Chair), Daryl I. Skaar, James T. Thompson and Jeffrey L. Wright, is responsible for, among other things, selecting and appointing our independent auditors, meeting with the independent auditors and financial management to review the scope of the audit and the audit procedures, reviewing annually the responsibilities of the Audit Committee and recommending to our Board of Directors any changes to these responsibilities, and establishing and reviewing internal controls. The Audit Committee held six meetings during fiscal 2010.

Our Board of Directors has determined that all members of the Audit Committee are independent as that term is used in Section 10A(m) of the Securities Exchange Act of 1934 and Independent Directors as that term is defined under the applicable listing standards of the NASDAQ Stock Market. Our Board of Directors has determined that Messrs. Faulconbridge, Skaar, Thompson and Wright are audit committee financial experts, as the term is defined by regulations promulgated by the Securities and Exchange Commission (SEC).

The responsibilities of the Audit Committee are set forth in the Audit Committee Charter. A current copy of the charter is available on our website (www.hawkinsinc.com).

Compensation Committee

The Compensation Committee, which consists of Duane M. Jergenson (Chair), Daryl I. Skaar, James T. Thompson and Jeffrey L. Wright, is responsible for establishing compensation policies for our Company and for reviewing and setting compensation for our executive officers. The Compensation Committee held seven meetings during fiscal 2010.

Our Board of Directors has determined that all members of the Compensation Committee are Independent Directors as that term is defined under the applicable listing standards of the NASDAQ Stock Market, non-employee directors as that term is defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, and outside directors as that term is used in Section 162(m) of the Internal Revenue Code of 1986, as amended.

The Compensation Committee retained independent compensation consultant Towers Perrin, a nationally recognized compensation consulting firm with expertise in our industry, to provide the committee with independent advice regarding industry practices and peer company compensation programs for fiscal 2010. In September 2009, the Compensation Committee retained independent compensation consultant Amalfi Consulting to provide the committee with independent advice regarding industry practices and peer company compensation programs to take effect in the fiscal year ending April 3, 2011, hereinafter referred to as fiscal 2011. No member of the Board of Directors or any executive officer has any affiliation with Towers Perrin or Amalfi Consulting. Neither Towers Perrin nor Amalfi Consulting do other work for the Company, and each has reported directly to the Chair of the Compensation Committee. Towers Perrin advised the Compensation Committee on the principal aspects of our executive compensation components and best practices in executive compensation and provides market information and analysis regarding the competitiveness of levels and components of total compensation for the Company s named executive officers for fiscal 2010. In determining the competitiveness of such compensation, the Compensation Committee reviewed survey data prepared by Towers Perrin. The Company does not benchmark its compensation. The Compensation Committee reviews and considers the information provided by Towers Perrin to understand current compensation practices, levels and structures and to inform its compensation decisions, but not to establish specific compensation parameters based on such data.

The Compensation Committee also regularly consults with our Chief Executive Officer, who makes recommendations to the committee regarding compensation of our executive officers other than the Chief Executive Officer. Additional information on the role of the compensation consultants and management in the Compensation Committee s processes and procedures can be found in the Compensation Discussion and Analysis section below.

The responsibilities of the Compensation Committee are set forth in the Compensation Committee Charter. A current copy of the charter is available on our website (www.hawkinsinc.com).

Governance and Nominating Committee

Until August 5, 2009, we had a Governance Committee, which consisted of John S. McKeon (Chair), James A. Faulconbridge and Duane M. Jergenson, and a Nominating Committee, which consisted of James A. Faulconbridge (Chair) and Duane M. Jergenson. The Governance Committee was responsible for monitoring and recommending to our Board corporate governance principles and business conduct guidelines; recommending as necessary changes in the size of the Board and its committees; reviewing and approving the processes for Board evaluation and director education policies; recommending to the Board the number, timing and duration of Board and committee meetings; and recommending to the Board changes in director compensation. The Governance Committee held two meetings in fiscal 2010. The Nominating Committee was responsible for recommending as necessary changes in the composition of the Board and its committees, developing a pool of potential director candidates for consideration in the event of a vacancy on the Board, recommending to the Board nominees for membership on the Board and reviewing and approving the processes for new director orientation. The Nominating Committee held one meeting in fiscal 2010.

On August 5, 2009, our Board of Directors combined the Governance Committee and the Nominating Committee into one committee. The new Governance and Nominating Committee, which consists of John S.

McKeon (Chair), James A. Faulconbridge and Duane M. Jergenson, is responsible for identifying individuals qualified to become directors and recommending nominees to our Board for election at annual meetings of shareholders, monitoring developments in director compensation and, as appropriate, developing and recommending to our Board corporate governance principles applicable to us and overseeing public policy matters and compliance with our Code of Conduct. The Governance and Nominating Committee held two meetings during fiscal 2010. The responsibilities of the Governance and Nominating Committee are set forth in the Governance and Nominating Committee Charter. A current copy of the charter is available on our website (www.hawkinsinc.com). The Governance and Nominating Committee evaluated potential candidates for director nomination on the basis indicated below and recommended to the Board that the director nominees included in this Proxy Statement be submitted to the shareholders for election at the upcoming Annual Meeting of Shareholders.

Nominating Process

In order to maintain flexibility in its consideration of candidates, our Board of Directors does not have a formal policy regarding the consideration of any director candidates recommended by shareholders. However, the Governance and Nominating Committee would consider for possible nomination qualified nominees recommended by shareholders in compliance with our By-laws. To make a director nomination, a shareholder should send the director candidate s name, credentials and contact information, a signed statement consenting to his or her nomination and agreeing, if elected, to serve as a director, a completed director nominee questionnaire (available from our Secretary upon request) and the other information required by our By-laws, to our Secretary no later than 90 days prior to the first anniversary of the preceding year s annual meeting. The proposing shareholder should also include his or her contact information and evidence that the person submitting the nomination is a shareholder of the Company. The Nominating Committee will evaluate candidates (nominated by shareholders or otherwise) based on financial literacy, knowledge of our industry or other background relevant to our needs, status as a stakeholder in our Company, independence for purposes of compliance with SEC rules and NASDAQ Stock Market listing standards, and willingness, ability and availability for service. The Company does not have a formal policy with regard to the consideration of diversity in identifying director nominees, but the Governance and Nominating Committee strives to nominate directors with a variety of complementary skills so that, as a group, the Board will possess the appropriate talent, skills, and expertise to oversee the Company s businesses.

Risk Oversight

The Company s management is responsible for defining the various risks facing the company, formulating risk management policies and procedures, and managing the Company s risk exposures on a day-to-day basis. The Board of Directors responsibility is to monitor the Company s risk management processes by informing itself concerning the Company s material risks and evaluating whether management has reasonable controls in place to address the material risks; the Board is not responsible, however, for defining or managing the Company s various risks. The Audit Committee of the Board of Directors is primarily responsible for monitoring management s responsibility in the area of risk oversight, and risk management is a factor the Board and the Nominating and Governance Committee consider when determining which directors serve on the Audit Committee. Accordingly, management has reported to the Audit Committee on various risk management matters during fiscal 2010. The Audit Committee, in turn, reports on the matters discussed at the committee level to the full Board of Directors. The Audit Committee and the Board of Directors focus on the material risks facing the company, including operational, market, liquidity, legal and regulatory risks, to assess whether management has reasonable controls in place to address these risks. The Board believes this allocation of responsibility provides an effective and efficient approach for addressing risk management.

Communications with Directors

Shareholders can contact the full Board of Directors, the independent directors as a group or any of the individual directors by writing to our Secretary at 3100 East Hennepin Avenue, Minneapolis, Minnesota 55413. All communications will be compiled by the Secretary and submitted to the addressees on a periodic basis.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee has (i) reviewed and discussed our audited financial statements for fiscal 2010 with both our management and KPMG LLP (KPMG); (ii) discussed with KPMG the matters required to be discussed by Statement of Auditing Standards No. 61, as amended, regarding communications with audit committees; (iii) received from KPMG the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the audit committee concerning independence and discussed with KPMG its independence; and (iv) considered whether the non-audit services provided by KPMG are compatible with maintaining the independence of KPMG.

Based on the review and discussions described above, the Audit Committee recommended to our Board of Directors that our audited financial statements be included in our Annual Report on Form 10-K for fiscal 2010 for filing with the SEC.

James A. Faulconbridge (Chair) Daryl I. Skaar James T. Thompson Jeffrey L. Wright

Audit Committee of the Board of Directors

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM S FEES

Our Audit Committee dismissed Deloitte & Touche LLP as the Company s independent registered public accounting firm effective June 9, 2009. Neither of Deloitte s reports on the financial statements of the Company for fiscal years ended March 30, 2008 or March 29, 2009, hereinafter referred to as fiscal 2008 and fiscal 2009, respectively, contained an adverse opinion or disclaimer of opinion, or was qualified or modified as to uncertainty, audit scope, or accounting principles. During fiscal years 2008 and 2009 and through June 9, 2009, there were no disagreements with Deloitte on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Deloitte s satisfaction, would have caused Deloitte to make reference to the subject matter in connection with its reports on the Company s financial statements for such periods. During the same periods, there were no reportable events of the type set forth in Item 304(a)(1)(v) of Regulation S-K.

The Company provided Deloitte with a copy of this disclosure and requested that Deloitte furnish the Company with a letter addressed to the Securities and Exchange Commission stating whether it agrees with the above statements. The letter from Deloitte was filed under cover of Amendment No. 1 to a Current Report on Form 8-K/A on June 17, 2009.

On June 9, 2009, our Audit Committee approved the engagement of KPMG LLP as the Company s independent registered public accounting firm for fiscal 2010. During fiscal years 2008 and 2009 and through June 9, 2009, the Company had not consulted with KPMG with respect to any of the matters or reportable events set forth in Item 304(a)(2)(i) or (ii) of Regulation S-K.

The following table shows the aggregate fees billed to us by KPMG LLP for services rendered during fiscal 2010 and by Deloitte & Touche LLP for services rendered during fiscal 2009. The Audit Committee pre-approved 100% of the services described below.

Description of Fees	KPMG LLP Fiscal 2010 Amount	Deloitte & Touche LLP Fiscal 2009 Amount
Audit Fees	$ 212,000	$ 390,000
Audit-Related Fees (a)		46,000
Tax Fees (b)	44,350	38,000
Total	$ 256,350	$ 474,000

(a) Includes fees for audits in connection with our benefit plans and $21,000 in fiscal 2009 for services related to responding to SEC staff comments.

(b) Includes tax preparation and consulting fees.

The Audit Committee s current practice on pre-approval of services performed by the independent registered public accounting firm is to approve annually all audit services, as well as the nature and extent of specific types of audit-related, tax and other non-audit services to be provided by the independent registered public accounting firm during the year. The Audit Committee reviews each non-audit service to be provided and assesses the impact of the service on the auditors independence. As the need arises, other specific permitted services are pre-approved on a case-by-case basis during the year. The Audit Committee has delegated to its chair pre-approval authority between meetings of the Audit Committee. Any pre-approvals made by the chair must be reported to the Audit Committee.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Compensation Discussion and Analysis

Our executive compensation program is designed to attract and retain executives who will lead our Company to achieve long-term success and growth in shareholder value. Consistent with that goal, our executive compensation is based on individual performance, Company performance and the alignment of the interests of our executive officers with those of our shareholders and is used to encourage our executive officers to remain with our Company. We seek to reward current results and motivate long-term performance through a combination of short- and long-term incentives that meet our performance, alignment and retention objectives.

Our results of operations and financial condition in fiscal 2010 improved over fiscal 2009 levels and remained at levels significantly over those of fiscal 2008 despite the national economic difficulties. Gross profit from continuing operations was $64.4 million, an increase of $2.0 million from fiscal 2009, cash provided by operating activities was $38.8 million, and cash and cash equivalents increased to $53.7 million as of the end of fiscal 2010. As a result, our executive officers received near the maximum payout under the corporate and business unit performance measures under our annual non-equity incentive compensation arrangement and earned the maximum number of restricted shares under the performance-based restricted stock units granted for fiscal 2010 as described below.

Determining Executive Compensation for Fiscal 2010

Our executive compensation program for the last fiscal year consisted of the following elements:

- base salary,
- annual non-equity incentive compensation,
- annual equity awards,
- contributions to long-term benefit plans, and
- other benefits.

The Compensation Committee does not benchmark the total compensation or any element of compensation to our executives. It also does not apply a mechanical formula or target a specific amount relative to comparative data for any individual nor does it target a specific amount or relative weight for any component of compensation. Rather, the committee members reviewed and considered broad-based third-party survey data to understand current compensation practices, levels and structures and thereby inform its compensation decisions, but not to establish specific compensation parameters based on such data. The committee considered all elements of compensation together and utilized the members experience and judgment in determining the total compensation opportunity and mix of compensation elements appropriate for each executive officer in light of our compensation objectives.

Independent compensation consultant Towers Perrin, a nationally recognized compensation consulting firm with expertise in our industry, also provided the Compensation Committee with independent advice regarding industry practices and information on compensation programs of companies offering products similar to ours and from companies of comparable size to us that the committee used in determining the compensation received by our executives during fiscal 2010. The Compensation Committee did not have a role in selecting the list of companies that Towers Perrin included in its sample. The Compensation Committee did not use the information provided to it by Towers Perrin in a formulaic manner, but instead used the information to inform its judgment regarding the appropriate levels and components of total compensation for the Company s executive officers.

The Compensation Committee viewed the information provided by Towers Perrin as one of a number of tools available to the Committee in assessing executive compensation. The Compensation Committee also regularly consults with our Chief Executive Officer, who makes recommendations to the committee regarding compensation of our executive officers other than the Chief Executive Officer. Our Chief Executive Officer participates in some of the Compensation Committee s deliberations regarding compensation for our other executive officers, although all determinations are made by the Compensation Committee.

Elements of Executive Officer Compensation

Base Salary

We provide base salaries to our executive officers to compensate them for fulfilling their primary responsibilities and to provide financial stability. The Compensation Committee annually reviews, and adjusts as appropriate, base salaries for our executive officers. In each of October 2008 and October 2009, the Compensation Committee made modest increases to the base salaries for fiscal 2009 and fiscal 2010 based on its evaluation of the competitive information available to it and to approximate increases in the cost of living. The base salaries paid to our executive officers during the last three completed fiscal years are listed in the Summary Compensation Table below.

Annual Non-Equity Incentive Compensation

Annual non-equity incentive compensation is a key component of our executive compensation strategy. The purpose of annual incentive compensation is to provide cash compensation that is variable based on the achievement of performance goals established by the Compensation Committee. Our executive officers do not have a contractual right to receive a fixed bonus for any fiscal year.

In 2008, the Compensation Committee, with the assistance of Towers Perrin, reviewed our cash incentive program for executive officers and adopted a new non-equity incentive arrangement (described below) that provides for no payout to executive officers unless a specified portion of the target is achieved and allows for a significantly increased payout if the target is exceeded. This revised cash incentive program was implemented starting with the second half of fiscal 2008 and was in place for fiscal 2009 and 2010.

Cash incentive payments have been determined and paid twice each year with 60% of the payment opportunity based on the first six months of our fiscal year and 40% based on the last six months. This split reflects the fact that we have historically generated a higher level of profits during the first six months of our fiscal year than the second half of our fiscal year.

For fiscal 2010, the Compensation Committee designated the following factors for determining whether a cash incentive payment would be paid under the arrangement for a particular performance period and in what amount:

- corporate performance,
- business unit performance for the executive in charge of such unit, and
- individual objectives.

The corporate performance portion of the annual cash incentive payment was based on our Company-wide results for each half of fiscal 2010 as measured by income before taxes as compared to a targeted level of income before taxes for that period. For the first half of fiscal 2010, the targeted level of income before taxes was $13,900,000, while the actual performance was $20,612,000, and for the second half of fiscal 2010, the targeted level of income before taxes was $3,485,000, while the actual performance was $18,689,000. The business unit performance portion of the incentive payment was based on an operational measure of business unit profitability for fiscal 2010 as compared to a targeted measure for the respective business unit for that period. For first half of fiscal 2010, the targeted Water Treatment Group measure was $22,800,000, while the actual performance was

$24,795,000, and for the second half of fiscal 2010, the targeted measure was $16,500,000, while the actual performance was $17,383,000. For the first half of fiscal 2010, the targeted Industrial Group measure was $19,300,000, while the actual performance was $24,482,000, and for the second half of fiscal 2010, the targeted measure was $12,900,000, while the actual performance was $22,506,000. In each case, the targeted levels of performance were based on the level of anticipated performance that was derived from the Company s annual operating plan. The Compensation Committee set these target performance levels to ensure that a substantial portion of each executive officer s cash compensation is tied to corporate and business unit performance, as appropriate, and to provide our executives with a performance-based opportunity to achieve market-competitive total compensation.

The committee established multiple individual objectives for each executive officer for each half of the fiscal year. The individual objectives for our Chief Executive Officer included succession planning, strategic planning matters and developing a growth plan for the business. For our Chief Financial Officer, the individual objectives included efforts to drive efficiencies within the accounting organization and manage the costs of our employee benefits. For our General Counsel, the individual objectives included improving risk management processes and revising and updating our public filings and our organizational documents. For our Vice President Water Treatment Group, the individual objectives included business expansion initiatives and succession planning within the Water Treatment Group. For our Vice President Industrial, the individual objectives included business expansion and project management initiatives. The Compensation Committee consulted with the Chief Executive Officer for his assessment of the degree to which the other executive officers had met their respective individual objectives and then made its own determination as to the appropriate level of payout under these measures for each of the executive officers.

The Compensation Committee determined that 80% of the annual cash incentive payment opportunities for our Chief Executive Officer, Chief Financial Officer and General Counsel for fiscal 2010 should be based upon Company-wide performance against the income targets to reflect their significant Company-wide responsibilities and resulting ability to impact the overall success of the Company. In addition, the committee determined that 20% should be based upon meeting their individual objectives.

The committee determined that 40% of the annual cash incentive payment opportunities for Ms. Paulson and Mr. Sevenich for fiscal 2010 should be based upon Company-wide performance and 40% should be based upon the profitability of their respective business units to reflect their dual roles as leaders of their respective business units and as members of the Company s overall executive management team. In addition, the committee determined that 20% should be based upon meeting their individual objectives.

The annual cash incentive payment opportunities for participating executive officers were based on the following percentages of base salary for fiscal 2010:

Position	Threshold Annual Cash Incentive Payment	Target Annual Cash Incentive Payment	Maximum Annual Cash Incentive Payment
Chief Executive Officer	30%	60%	120%
Chief Financial Officer	20%	40%	80%
General Counsel	15%	30%	60%
Vice President Water Treatment Group	20%	40%	80%
Vice President Industrial Group	20%	40%	80%

The Compensation Committee established the targets for each of the executive officers based on the relative scope of his or her responsibilities and resulting ability to impact the Company s performance. The committee established a higher target opportunity for the Chief Executive Officer to reflect his significant responsibilities regarding the creation and implementation of long-term strategic direction for the entire Company.

No annual cash incentive payments are made unless the threshold level of 80% of the respective performance target is achieved. Performance between 80% and 100% of the respective target is awarded on a sliding scale from 50% of the target annual cash incentive payment for exactly achieving 80% of the performance target to 100% of the target annual cash incentive payment for achieving the respective target (e.g., 90% of performance target will lead to an award of 75% of the target annual cash incentive payment). Performance between 100% and 120% of the respective target is awarded on a sliding scale from 100% of the target annual cash incentive payment for exactly meeting the performance target to 200% of the target annual cash incentive payment for exceeding the performance target by 20% (e.g., 105% of performance target will lead to an award of 125% of the target annual cash incentive payment). Performance over 120% of the applicable performance target does not result in any additional annual cash incentive payment.

As a result of our strong financial performance for the fiscal year, each participating executive officer exceeded their respective corporate and business unit performance targets and, in most cases, exceeded the maximum targets. As a result, with the exception of Ms. Paulson, each participating executive officer received the maximum payout under the financial measures. Because the Water Treatment Group profitability measure exceeded the targeted measure, but did not exceed the maximum measure, Ms. Paulson s payout under the business unit performance target was less than the maximum payout. Each participating executive officer was determined to have attained his or her individual objectives for the fiscal year, while Ms. Paulson was determined to have exceeded her individual objectives for the second half of the fiscal year. Each participating executive officer received the targeted annual cash incentive payment for individual objectives, while Ms. Paulson received the maximum annual cash incentive payment for individual objectives for the second half of the fiscal year based on exceeding the targeted performance on her personal objectives. No participating executive officer received more than the maximum total payment under the annual non-equity incentive arrangement.

Equity Awards

We had not traditionally used long-term equity incentive awards as part of our executive compensation program. We had previously contributed approximately 5% of the executive s pay for his or her account to our Employee Stock Ownership Plan (ESOP) and allowed executives to receive matching contributions under our Employee Stock Purchase Plan (ESPP).

After fiscal 2008, the Compensation Committee, with the assistance of Towers Perrin, reviewed our equity incentive award practices for the executives officers and determined to adopt a new equity incentive compensation program with the first grants made in May 2008 for fiscal 2009 and subsequent grants made in June 2009 for fiscal 2010. Factors considered by the Compensation Committee in establishing this equity incentive program included:

- aligning the interests of the participants with those of our shareholders,
- providing incentives for the retention of executive officers,
- establishing a minimum level of performance for payouts under certain of the equity awards,
- providing an opportunity for increased payouts for performance in excess of established targets under certain of the equity awards, and
- review of comparable equity incentive programs at competitive companies.

The equity incentive award program has consisted of a combination of:

- grants to each executive officer of traditional stock options at fair market value on the date of grant with vesting on the third anniversary of the date of grant, and
- grants of performance-based restricted stock unit awards based on Company performance during the current fiscal year with any related restricted stock vesting on the second anniversary of the end of that fiscal year.

To partially offset the potential cost of the equity incentive program, the Compensation Committee determined that executive officers would no longer participate in our ESOP beginning in fiscal 2009 or receive matching contributions under the ESPP beginning in June 2008. Excluding our executive officers, all of our non-bargaining unit employees remain eligible to participate in both our ESOP and ESPP.

Under this program, each executive officer was granted in each of May 2008 and June 2009 a non-statutory stock option agreement and a performance-based restricted stock unit award representing a future issuance of restricted shares of our common stock based on a pre-tax income target for the fiscal year. Based on the Compensation Committee s assessment of the equity incentive awards program, including information provided by Towers Perrin, in each of May 2008 and June 2009, our CEO was granted an option to purchase 33,333 shares of our common stock, while the other executive officers were each granted an option to purchase 9,333 shares of our common stock. The options granted in May 2008 were all granted at an exercise price of $15.43 per share, the fair market value (as defined in our 2004 Omnibus Stock Plan, the 2004 Plan) as of the date of grant, vest in their entirety on May 13, 2011 and will terminate on May 13, 2018. The options granted in June 2009 were all granted at an exercise price of $19.90 per share, the fair market value (as defined in the 2004 Plan) as of the date of grant, vest in their entirety on June 10, 2012 and will terminate on June 10, 2019.

The Compensation Committee determined the appropriate number of options to purchase shares for each of the executive officers based on the relative scope of his or her responsibilities and resulting ability to impact the Company s performance and information available to the committee about market practices. The committee granted to the Chief Executive Officer an option to purchase a higher number of shares to reflect his significant responsibilities regarding the creation and implementation of the long-term strategic direction for the entire Company.

The actual number of restricted shares issued to each executive officer under the performance-based restricted stock unit is based on a sliding scale for pre-tax income above or below the target and is subject to minimum and maximum thresholds. For fiscal 2010, the pre-tax income target was set at $17,385,000, the same level as our annualized target used for our non-equity incentive plan arrangement described above, while our actual performance was $39,301,000. If our pre-tax income were less than 80% of the target pre-tax income in fiscal 2010, then no executive officer would have received restricted shares from the performance-based restricted stock units. If our pre-tax income were between 80% and 100% of the target in fiscal 2010, then the executive officers would have received a number of restricted shares based on a sliding scale between 50% of the target restricted shares and 100% of the target restricted shares. If our pre-tax income were between 100% and 120% of the target in fiscal 2010, then the executive officers would have received a number of restricted shares based on a sliding scale between 100% of the target restricted shares and 150% of the target restricted shares. Because our pre-tax income exceeded 120% of the target in fiscal 2010, the executive officers each received a maximum number of restricted shares based on 150% of the target restricted share amounts.

The Compensation Committee established the following target restricted share amounts for the executive officers for fiscal 2010:

Position	**Minimum**	**Target**	**Maximum**
CEO	4,167	8,333	12,500
Other Officers	1,167	2,333	3,500

The Compensation Committee established the targets for each of the executive officers based on the relative scope of his or her responsibilities and their resulting ability to impact the Company s performance. The committee established a higher target opportunity for the Chief Executive Officer to reflect his significant responsibilities regarding the creation and implementation of the long-term strategic direction for the entire Company.

The actual number of restricted shares issued to each executive officer was determined after our final financial information became available for fiscal 2010. The restricted shares will vest 100% two years after the last day of fiscal 2010. The restricted shares will terminate in their entirety if the executive officer departs the Company before the end of the vesting period other than in cases of death or disability.

In the event of a change in control of the Company or other fundamental change as defined below, then the performance-based restricted stock unit award will vest immediately at 100% of its target if the Compensation Committee determines that the fundamental change will not result in the continuation of the performance-based restricted stock unit award. Any shares of restricted stock outstanding under performance-based restricted stock unit awards will also immediately vest. If a performance-based restricted stock unit award is continued after a fundamental change, but, in connection with the fundamental change, an executive is terminated without cause or resigns for good cause, then the performance-based restricted stock unit award and any restricted stock granted under the performance-based restricted stock unit award will vest in the same manner. We believe that these triggers in our performance-based restricted stock unit award notices in connection with a fundamental change strike an appropriate balance between Company and shareholder concerns about executive retention in the event of a fundamental change and an executive s legitimate concerns regarding termination or diminution of duties as a result of a fundamental change or a change in control. As currently defined in the 2004 Plan, a fundamental change includes the dissolution of the Company, a sale of substantially all our assets, a merger or consolidation of the Company with or into any other corporation, regardless of whether our Company is the surviving entity, or a statutory share exchange involving our capital stock.

Contribution to Long-Term Benefit Plan

All of our executive officers participate in our Profit Sharing Plan, which is generally available to all other non-bargaining unit employees. Contributions to the Profit Sharing Plan by us on behalf of our executive officers have been a key component of our retention objectives since the contributed benefits initially vest over a six-year period.

Under the plan, our executive officers participate on the same terms as all other eligible employees, with the annual compensation that was used to determine plan benefits being capped at $245,000 for fiscal 2010. This limit will be adjusted in future years under federal tax law for cost-of-living increases.

Under our Profit Sharing Plan, we contributed a percentage of each eligible participant s compensation to an account maintained for the participant under the plan. Participant accounts are credited with the appropriate gains or losses resulting from employee-directed investments made by the plan. During recent years, including fiscal 2010, we made contributions to this plan equal to 15% of each participant s compensation. For fiscal 2010, we contributed $36,750 on behalf of each named executive officer other than Richard G. Erstad, who was hired in calendar 2008 and was not yet eligible for a contribution.

Employee Stock Purchase Plan

Our employees may acquire our stock through an employee stock purchase plan, which is generally available to all employees. As noted above, we ceased matching contributions by the Company on behalf of our executive officers under the plan beginning in June 2008. Purchases of common stock under this plan are made from accumulated contributions at the end of each month at the prevailing market price on the designated purchase dates, with the objective of allowing our employees to profit when the value of our stock increases over time. Participants in this plan may authorize us to deduct up to $500 a month from his or her paycheck and, for non-executive participants, we generally make a matching contribution of 75% of the participant s purchases under the plan.

Other Benefits

The Compensation Committee believes that we must offer a competitive benefits program to attract and retain our executive officers. During fiscal 2010, we provided medical and other health and welfare benefits to our executive officers that are generally available to our other employees.

Chief Executive Officer Compensation

The Compensation Committee reviewed Mr. Hawkins performance for fiscal 2010. The committee reviewed Mr. Hawkins total compensation opportunity and determined that it was appropriately positioned relative to both the market for his position and the compensation of our other executive officers. The committee considers Mr. Hawkins potential for increased compensation through achievement of performance equal to, or exceeding, his performance targets, and long-term appreciation in our stock price through his options as critical to aligning his compensation with the interests of our shareholders.

Other Agreements and Policies

Post-Retirement Healthcare Coverage

We currently permit any employee who retires after working for us for at least 25 years to continue to participate in our health insurance coverage until that person reaches the age of 65. The cost to the retired employee for that coverage is equal to the amount that the retiree would have been obligated to pay for the coverage under

COBRA (the Consolidated Omnibus Budget Reconciliation Act). This policy is based on the importance we place on the retention of our employees, including our executive officers.

Tax Deductibility of Compensation

Section 162(m) of the Internal Revenue Code denies a deduction to any publicly-held corporation for compensation paid to certain covered employees in a taxable year to the extent that compensation to such covered employee exceeds $1.0 million. Under current IRS interpretations, a covered employee is the chief executive officer of the Company and any other executive officer (other than the chief financial officer) who is among the three other most highly compensated officers employed by the Company at a year-end. Certain kinds of compensation, including qualified performance-based compensation, are disregarded for purposes of the deduction limitation.

In order to qualify as performance-based compensation for Section 162(m) purposes, compensation must satisfy certain requirements, including that the vesting and payment such compensation must generally be conditioned upon the satisfaction over a specified performance period of pre-established performance goals set by the Compensation Committee. We did not believe that the amounts of the cash incentive payment opportunities under our fiscal 2010 non-equity incentive plan for any of our covered executive officers, when combined with other applicable cash compensation, would have exceeded the $1.0 million limit. As a result, the Compensation Committee did not take steps to have the potential cash incentive payments qualified as performance-based compensation for Section 162(m) purposes.

Compensation Committee Report

The Compensation Committee has discussed and reviewed the Compensation Discussion and Analysis with management. Based upon this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in our Annual Report on Form 10-K.

Duane M. Jergenson (Chair) Daryl I. Skaar James T. Thompson Jeffrey L. Wright

Compensation Committee of the Board of Directors

Summary Compensation Table

The following table sets forth the compensation of our Chief Executive Officer, Chief Financial Officer and the three other highest paid executive officers (collectively, the named executive officers).

Name and Principal Position	Year	Salary ($)	Bonus ($)(a)	Stock Awards ($)(b) (c)	Option Awards ($)(b)	Non-Equity Incentive Plan Compensation ($)(d)	All Other Compensation ($)(e)	Total ($)
John R. Hawkins	2010	341,242		165,827	144,332	378,000	55,136	1,084,537
Chief Executive Officer	2009	327,642		128,578	98,370	359,083	46,384	960,057
	2008	300,424	195,065				45,000	540,489
Kathleen P. Pepski	2010	212,652		46,427	40,412	156,600	38,080	494,171
Vice President, Chief Financial Officer and	2009	208,075		35,998	27,544	158,785		430,402
Treasurer (beginning February 26, 2008)	2008	20,237	7,878					28,115
Richard G. Erstad	2010	203,000		46,427	40,412	111,240	10,470	411,549
Vice President, General Counsel and	2009	74,359	25,000					99,359
Secretary (beginning November 17, 2008)	2008							
Keenan A. Paulson	2010	212,208		46,427	40,412	139,676	38,080	476,803
Vice President Water Treatment	2009	205,233		35,998	27,544	136,970	34,500	440,245
Group	2008	191,584	89,049				45,000	325,633
John R. Sevenich	2010	198,853		46,427	40,412	145,440	38,080	469,212
Vice President Industrial Group	2009	193,053		35,998	27,544	141,052	34,500	432,147
	2008	181,163	86,627				45,000	312,790

(a) In the second half of fiscal 2008, we converted from a cash bonus program to an annual non-equity incentive arrangement, effective for the last six months of fiscal 2008 and future periods.

(b) Amounts represent the aggregate grant date fair value of awards made each fiscal year, as computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718. See Note 9, Profit Sharing and Employee Stock Ownership Plans, to our audited financial statements included in our Annual Report on Form 10-K for fiscal 2010 for a description of our accounting and the assumptions used.

(c) Reflects the aggregate grant date fair value of performance based restricted stock unit awards that were computed based on the probable outcome of the performance conditions as of the grant date. The values of the performance-based restricted stock unit awards granted in fiscal 2010, assuming the highest level of performance conditions are achieved, are set forth below.

Name	Amount Reported	Maximum Amount
Mr. Hawkins	$ 165,827	$ 248,750
Ms. Pepski	$ 46,427	$ 69,650
Mr. Erstad	$ 46,427	$ 69,650
Ms. Paulson	$ 46,427	$ 69,650
Mr. Sevenich	$ 46,427	$ 69,650

(d) See the description of target levels corporate performance, business unit performance and individual objectives, as described under Annual Non-Equity Incentive Compensation in the Compensation Discussion and Analysis above. Of the amounts reported for fiscal 2010, the following amounts were paid during the fiscal year and the remaining amounts were paid after we completed our annual audit: Mr. Hawkins, $226,800; Ms. Pepski, $93,960; Mr. Erstad, $66,744; Ms. Paulson, $81,091; and Mr. Sevenich, $87,264.

(e) Amounts reported for fiscal 2010 include:

Contributions of $36,750 to our Profit Sharing Plan by the Company on behalf of each of John R. Hawkins, Kathleen P. Pepski, Keenan A. Paulson and John R. Sevenich.

With respect to John R. Hawkins, $9,888 as the personal value of a Company-provided car (based on the incremental cost to the Company, calculated as a portion of the amortized cost of the car) and $3,748 as the personal portion of a country club membership (based on the incremental cost to the Company, calculated as a portion of the annual dues paid). For income tax purposes, the amount included in his income is based on IRS regulations. This amount is not grossed up for taxes.

With respect to Richard G. Erstad, consists of $7,200 paid as an automobile allowance for a portion of the year and $3,270 as the personal value of a Company-provided car for the remainder of the year (based on the incremental cost to the Company, calculated as a portion of the amortized cost of the car). For income tax purposes, the amount included in his income is based on IRS regulations. This amount is not grossed up for taxes.

Grants of Plan-Based Awards

The following table sets forth information concerning grants of plan-based awards to our named executive officers during fiscal 2010.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (a)			Estimated Future Payouts Under Equity Incentive Plan Awards (b)			All Other Option Awards: Number of Securities Underlying Options (#)(c)	Per Share Exercise or Base Price of Option Awards ($)(d)	Grant Date Fair Value of Stock and Option Awards ($)(e)
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**			
John R.	6/10/09	105,000	210,000	420,000						
Hawkins	6/10/09				4,167	8,333	12,500			248,750
	6/10/09							33,333	19.90	144,332
Kathleen	6/10/09	43,500	87,000	174,000						
P. Pepski	6/10/09				1,167	2,333	3,500			69,650
	6/10/09							9,333	19.90	40,412
Richard G.	6/10/09	30,900	61,800	123,600						
Erstad	6/10/09				1,167	2,333	3,500			69,650
	6/10/09							9,333	19.90	40,412
Keenan A.	6/10/09	42,900	85,800	171,600						
Paulson	6/10/09				1,167	2,333	3,500			69,650
	6/10/09							9,333	19.90	40,412
John R.	6/10/09	40,360	80,720	161,440						
Sevenich	6/10/09				1,167	2,333	3,500			69,650
	6/10/09							9,333	19.90	40,412

(a) Awards represent potential payments under our annual non-equity incentive arrangement for fiscal 2010. Payments are based on specified target levels of corporate performance, business unit performance and individual objectives, as described under Annual Non-Equity Incentive Compensation in the Compensation Discussion and Analysis.

The actual amounts earned for fiscal 2010 are the sole components of Non-Equity Incentive Plan Compensation in the Summary Compensation Table above. Executives must be employed on the date the payments are made (typically in June of each year with respect to the most recently completed fiscal year) to be eligible for a payment. The threshold, target and maximum payments are based on the plan s requirements, which were 30%, 60% and 120% of base salary, respectively, for our CEO; 15%, 30% and 60% of base salary, respectively, for our General Counsel; and 20%, 40% and 80% of base salary, respectively, for the other named executive officers.

(b) Awards represent potential awards of shares of restricted stock under performance-based restricted stock unit awards granted for fiscal 2010. Actual awards were made at the maximum level. Payments are based on specified target levels of income before taxes. See Equity Awards in the Compensation Discussion and Analysis for the performance targets applicable to the performance-based restricted stock units granted in fiscal 2009 for performance in fiscal 2010. Additional terms of the outstanding performance-based restricted stock units are described in Note (a) to the Outstanding Equity Awards table.

(c) Awards represent stock options granted under the 2004 Plan. See Equity Awards in the Compensation Discussion & Analysis for the terms of these awards.

(d) The exercise price of all options was based on fair market value as of the date of grant as defined in the 2004 Plan (i.e., the closing price of our common stock on the date of grant).

(e) Grant date fair value for stock options and performance-based restricted stock units was determined in accordance with FASB ASC Topic 718. For the performance-based restricted stock units, the actual number of restricted shares that can be earned ranges from 0 to 150% of the target amount. For the performance-based restricted stock units, the amount reported is based on an assumption that the maximum number of restricted shares will be earned.

Outstanding Equity Awards at 2009 Fiscal Year-End

The following table sets forth certain information concerning outstanding equity awards held by our named executive officers as of March 28, 2010.

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(a)	Market Value of Shares or Units of Stock that Have Not Vested ($)(b)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
John R. Hawkins		33,333(c)	15.43	5/13/2018	25,000	586,000		
		33,333(c)	19.90	6/10/2019				
Kathleen P. Pepski		9,333(c)	15.43	5/13/2018	7,000	164,080		
		9,333(c)	19.90	6/10/2019				
Richard G. Erstad		9,333(c)	19.90	6/10/2019	3,500	82,040		
Keenan A. Paulson		9,333(c)	15.43	5/13/2018	7,000	164,080		
		9,333(c)	19.90	6/10/2019				
John R. Sevenich		9,333(c)	15.43	5/13/2018	7,000	164,080		
		9,333(c)	19.90	6/10/2019				

(a) Consists of shares of restricted stock actually issued under the performance-based restricted stock unit awards granted for fiscal 2009 and 2010. The restricted shares vest 100% two years after the last day of fiscal year for which they were awarded. The restricted shares will be forfeited in their entirety if the executive officer departs the Company before the end of the vesting period. The vesting of the units and restricted shares may be accelerated upon the occurrence of certain events described below under Potential Payments Upon Termination or Change in Control .

(b) Based on closing market price of our common stock as of the most recently completed fiscal year of $23.44 per share.

(c) All reported options vest three years after the date of grant. The vesting of the options may be accelerated upon the occurrence of certain events described below under Potential Payments Upon Termination or Change in Control .

Option Exercises and Stock Vested

None of the named executive officers exercised stock options or had any other form of stock award that vested during fiscal 2010.

Potential Payments Upon Termination or Change in Control

It has not been our practice to provide our officers with any right to severance payments or benefits, and none of our executive officers currently has an employment, severance or change in control agreement or arrangement with us, except as provided in the equity incentive awards described below. The Compensation Committee does, however, retain the discretion to make severance payments to an executive officer if it believes the specific circumstances warrant a payment.

Termination Other than Due to Death or Disability Following a Fundamental Change

All named executive officers with performance-based restricted stock units or shares of restricted stock are entitled to accelerated vesting of the interests following a fundamental change as outlined in the table below. In the event of a change in control of the Company or other fundamental change as defined below, then the performance-based restricted stock unit equity award will vest immediately at 100% of its target if the

Compensation Committee determines that the fundamental change will not result in the continuation of the performance-based restricted stock unit. Any shares of restricted stock outstanding under the performance-based restricted stock unit equity award will also immediately vest. If a performance-based restricted stock unit equity award is continued after a fundamental change, but, in connection with the fundamental change, an executive is terminated without cause or resigns for good cause, then the performance-based restricted stock unit and any restricted stock granted under the performance-based restricted stock unit equity award will vest in the same manner. As defined in the 2004 Plan, a fundamental change includes the dissolution of the Company, a sale of substantially all our assets, a merger or consolidation of the Company with or into any other corporation, regardless of whether our Company is the surviving entity, or a statutory share exchange involving our capital stock.

In addition, all named executive officers with outstanding unvested stock options are entitled to accelerated vesting of the stock options following a fundamental change as outlined in the table below. In the event of a change in control of the Company or other fundamental change , then the Compensation Committee may either (1) make appropriate provision to protect the stock option in a manner that equitably preserves the compensation element of the stock option at the time of the fundamental change, or (2) cancel the stock option in exchange for payment of cash equal to the amount, if any, by which the fair market value per share exceeds the exercise price per share covered by the stock option. Fair market value per share means the cash plus the fair market value, as determined in good faith by the Compensation Committee, of the non-cash consideration to be received per share by the shareholders of the Company upon the occurrence of the fundamental change.

The following table presents the value of all outstanding stock and option awards that would have been received by each named executive officer if a fundamental change took place on the last business day of our most recently completed fiscal year.

Name	**Early Vesting of Performance-Based Restricted Stock Units/Restricted Stock ($)(a)**	**Early Vesting of Stock Options ($)(b)**	**Total ($)**
John R. Hawkins	488,326	384,996	873,322
Kathleen P. Pepski	136,726	107,796	244,522
Richard G. Erstad	54,686	33,039	87,724
Keenan A. Paulson	136,726	107,796	244,522
John R. Sevenich	136,726	107,796	244,522

(a) Amounts determined by multiplying the number of shares for which vesting is accelerated by our closing stock price on March 26, 2010 ($23.44 per share).

(b) Amounts determined by multiplying the number of option shares for which vesting is accelerated by our closing stock price on March 26, 2010 ($23.44 per share) and subtracting the exercise price of such option shares.

Termination of Employment Due to Death or Disability

All named executive officers with performance-based restricted stock units or shares of restricted stock are entitled to accelerated vesting of the interests upon termination of employment due to death or disability as outlined in the table below. In the event that the executive officer s employment with the Company ceases due to death or disability during the performance period, then the performance-based restricted stock unit equity award will vest immediately at 100% of its target. The Company will issue one unrestricted share in exchange for each vested unit.

In addition, all named executive officers with outstanding unvested stock options are entitled to accelerated vesting of the stock options upon termination of employment due to death or disability as outlined in the table below.

The following table presents the value of all outstanding stock and option awards that would have been received by each named executive officer if a triggering event took place on the last business day of our most recently completed fiscal year.

Name	Early Vesting of Performance-Based Restricted Stock Units/Restricted Stock ($)(a)	Early Vesting of Stock Options ($)(a)	Total $
John R. Hawkins	488,326	384,996	873,322
Kathleen P. Pepski	136,726	107,796	244,522
Richard G. Erstad	54,686	33,039	87,724
Keenan A. Paulson	136,726	107,796	244,522
John R. Sevenich	136,726	107,796	244,522

(a) Amounts determined by multiplying the number of shares for which vesting is accelerated by our closing stock price on March 26, 2010 ($23.44 per share).

(b) Amounts determined by multiplying the number of option shares for which vesting is accelerated by our closing stock price on March 26, 2010 ($23.44 per share) and subtracting the exercise price of such option shares.

On June 2, 2010, we entered into a Retention Bonus Agreement with John R. Hawkins, our Chief Executive Officer. The Retention Bonus Agreement provides that we will pay to Mr. Hawkins a retention bonus in the amount of $680,000 so long as: (1) Mr. Hawkins remains actively employed with the Company from the date of the agreement through June 2, 2013, (2) Mr. Hawkins s separation from service occurs thereafter for any reason other than for Cause; and (3) Mr. Hawkins signs and does not rescind a release of claims in a form prescribed by the Company.

Cause is defined in the Retention Bonus Agreement as Mr. Hawkins s: (1) willful and material failure or refusal to carry out any reasonable directive of the Board, (2) any willful and material failure during his employment to comply with any material policy, rule or code of conduct generally applicable to employees of the Company or to management employees of the Company, which failure is materially and demonstratively injurious to the financial condition or business reputation of the Company, (3) embezzlement or misappropriation of Company funds or any other willful act or omission which is materially injurious to the financial condition or business reputation of the Company, or (4) conviction or confession of an act or acts constituting a felony related to the business of the Company or which is materially injurious to the financial condition or business reputation of the Company. The circumstances in items (1) or (2) will only constitute Cause if the Company provides written notice to Mr. Hawkins and he does not cure within 30 days following the notice.

In the event Mr. Hawkins s employment terminates prior to June 2, 2013 due to termination initiated by the Company without Cause or due to Mr. Hawkins s death, the retention bonus will become fully vested and payable, provided the release condition set forth above has been satisfied. The retention bonus will be paid in substantially equal installments over a period of three years.

Director Compensation for Fiscal 2010

During fiscal 2010, we paid each non-employee director an annual retainer of $20,000. We paid a supplemental annual retainer of $10,000 to our Chairman of the Board. We also paid supplemental annual retainers of $5,000 to the chairs of the Audit and Compensation committees and $2,500 to the chairs of our Governance and Nominating committees. Additionally, our non-employee directors received a meeting fee of $1,000 for each Board and committee meeting attended.

The Compensation Committee oversees our non-employee director compensation program, under which each non-employee director is entitled to receive a grant of 1,000 shares of restricted common stock on the date of our annual meeting of shareholders following the director s election or reelection to the Board by our shareholders. The restricted stock vests one year from the date of issuance, subject to acceleration in the event of the director s death or disability. For service during fiscal 2010, each non-employee director was granted 1,000 shares of restricted common stock on August 5, 2009 and these shares will vest in their entirety one year from their date of issuance.

During fiscal 2006, we entered into a consulting agreement with John S. McKeon, our Chairman of the Board, which was amended in fiscal 2010, to provide consulting services for certain strategic projects. Mr. McKeon received consulting fees of $70,000 under this arrangement in fiscal 2010.

The following table shows, for each of our current and former non-employee directors, information concerning annual compensation earned for services in all capacities during fiscal 2010:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(a)	All Other Compensation ($)(b)	Total ($)
Eapen Chacko (c)	5,000	--	260	5,260
James A. Faulconbridge	42,000	16,680	640	59,320
G. Robert Gey (c)	1,000	--	260	1,260
Howard M. Hawkins (c)	4,000	--	260	4,260
Duane M. Jergenson	42,000	16,680	640	59,320
John S. McKeon	54,500	16,680	70,640 (d)	141,820
Daryl I. Skaar	37,000	16,680	640	54,320
James T. Thompson	35,000	16,680	380	52,060
Jeffrey L. Wright	38,000	16,680	380	55,060

(a) Each member of the Board received 1,000 shares of restricted stock as part of his retainer on August 5, 2009 pursuant to the 2004 Plan. The grant-date fair value of each of the awards were computed in accordance with FASB ASC Topic 718. All of these shares vest in full on August 5, 2010, are eligible to receive dividends paid on our common stock and were the only shares of restricted stock held by each director at the end of our most recently completed fiscal year.

(b) Includes dividends paid on unvested restricted stock grants.

(c) Term as a director expired on August 5, 2009.

(d) Consists of $70,000 in consulting fees.

Compensation Committee Interlocks and Insider Participation

All decisions regarding compensation of our executive officers during fiscal 2010 were made by the Compensation Committee of our Board of Directors. During fiscal 2010, the following directors served on the Compensation Committee: Duane M. Jergenson, James T. Thompson, Daryl I. Skaar and Jeffrey L. Wright. None of our executive officers participates in any Board or committee vote setting his or her annual salary or non-equity cash incentive payments. None of the members of the Compensation Committee is a current or former officer or employee of our Company, and there were no interlocking relationships as defined by the SEC, involving our executive officers, our directors, and other entities with which our directors or executive officers are associated.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information about shares that may be issued under the 2004 Plan as of March 28, 2010. We do not have any other equity compensation plans required to be included in this table.

Plan Category	**Number of Securities to Be Issued upon Exercise of Outstanding Options, Warrants and Rights**	**Weighted Average Exercise Price of Outstanding Options, Warrants and Rights ($)**