

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-K  
(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended December 31, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934 [NO FEE REQUIRED]

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-18761

HANSEN NATURAL CORPORATION  
(Exact name of Registrant as specified in its charter)

Delaware 39-1679918  
State or other jurisdiction of (I.R.S. Employer  
incorporation or organization Identification No.)

1010 Railroad Street, Corona, California 92882  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (909) 739 - 6200

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

Title of each class -----	Name of each exchange on which registered -----
Not Applicable	Not Applicable

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

Title of class  
Common Stock, \$0.005 par value per share

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

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

The aggregate market value of the voting stock held by nonaffiliates of the Registrant was approximately \$22,834,760 computed by reference to the sale price for such stock on the NASDAQ Small-Cap Market on March 11, 2002.

The number of shares of the Registrant's common stock, \$0.005 par value per share (being the only class of common stock of the Registrant), outstanding on March 11, 2002 was 10,053,003 shares.

HANSEN NATURAL CORPORATION

FORM 10-K

TABLE OF CONTENTS

Item Number		Page Number
PART I		
1.	Business	3
2.	Properties	16
3.	Legal Proceedings	16
4.	Submission of Matters to a Vote of Security Holders	17
PART II		
5.	Market for the Registrant's Common Equity and Related Shareholder Matters	17
6.	Selected Consolidated Financial Data	18
7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	19
7a.	Qualitative and Quantitative Disclosures about Market Risks	29
8.	Financial Statements and Supplementary Data	29
9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	29
PART III		
10.	Directors and Executive Officers of the Registrant	30

11.	Executive Compensation	31
12.	Security Ownership of Certain Beneficial Owners and Management	36
13.	Certain Relationships and Related Transactions	38

PART IV

14.	Exhibits, Financial Statement Schedules and Reports on Form 8-K	39
	Signatures	40

## ITEM 1. BUSINESS

## Background of the Company and Subsidiaries

Hansen Natural Corporation ("Hansen" or the "Company"), which was incorporated in Delaware on April 25, 1990, maintains its principal place of business at 1010 Railroad Street, Corona, California 92882, and its telephone number is (909) 739-6200.

The Company is a holding company and carries on no operating business except through its direct wholly-owned subsidiaries, Hansen Beverage Company ("HBC") which was incorporated in Delaware on June 8, 1992 and Hard e Beverage Company ("HEB") which was incorporated in Delaware on April 30, 1990. HBC conducts the vast majority of the Company's operating business and generates substantially all of the Company's operating revenues. During the third quarter of 2000, the Company, through HEB, introduced a malt-based drink under the name Hard e which contains up to five-percent alcohol. The Hard e product is not marketed under the Hansen's name. References herein to "Hansen" or the "Company" when used to describe the operating business of the Company are references to the business of HBC unless otherwise indicated and references herein to HEB when used to describe the operating business of HEB, are references to the Hard e brand business of HEB unless otherwise indicated.

HBC, in 2000, through its wholly-owned subsidiary, Blue Sky Natural Beverage Co., ("Blue Sky"), which was incorporated in Delaware on September 8, 2000, acquired full ownership of and operates the natural soda business previously conducted by Blue Sky Natural Beverage Co., a New Mexico corporation ("BSNBC"), under the Blue Sky(R) trademark. In 2001, HBC, through its wholly-owned subsidiary Hansen Junior Juice Company, ("Junior Juice"), which was incorporated in Delaware on May 7, 2001, acquired full ownership of and operates the Junior Juice business previously conducted by Pasco Juices, Inc. ("Pasco") under the Junior Juice(R) trademark.

## Background of the Hansen Business

In the 1930's, Hubert Hansen and his three sons started a business to sell fresh non-pasteurized juices in Los Angeles, California. This business eventually became Hansen's Juices, Inc., which subsequently became known as The Fresh Juice Company of California, Inc. ("FJC"). In 1977, Tim Hansen, one of the grandsons of Hubert Hansen, perceived a demand for pasteurized natural juices and juice blends that are shelf stable and formed Hansen Foods, Inc. ("HFI"), which was also based in the Los Angeles area. HFI expanded its product line from juices to include Hansen's(R) Natural Sodas. California Co-packers Corporation (d/b/a/ Hansen Beverage Company) ("CCC") acquired certain assets of HFI including the right to market the Hansen's(R) brand name, in January 1990. On July 27, 1992, the Company, through HBC, acquired the Hansen's(R) brand natural soda and apple juice business (the "Hansen Business") from CCC. Under the Company's ownership, the Hansen Business has been significantly expanded to include a wide range of beverages within the growing "alternative" beverage category. On September 20, 2000, HBC acquired the Blue Sky Natural Soda business, through its wholly owned subsidiary Blue Sky, from BSNBC and on May 25, 2001, HBC acquired the Junior Juice business, through its wholly owned subsidiary Junior Juice, from Pasco.

## Products

Hansen is engaged in the business of marketing, selling and distributing so-called "alternative" beverage category natural sodas, fruit juices, fruit juice and soy Smoothies, energy drinks, "functional drinks", sparkling lemonades and orangeades, non-carbonated ready-to-drink iced teas, lemonades, juice cocktails and energy sports drinks, children's multi-vitamin juice drinks and non-carbonated lightly flavored energy waters under the Hansen's(R) brand name as well as nutrition bars and cereals also under the Hansen's(R) brand name, natural sodas, premium natural sodas with supplements, organic natural sodas,

seltzer waters and energy drinks under the Blue Sky(R) brand name, fruit juices for toddlers under the Junior Juice(R) brand name and malt based drinks under the Hard e (TM) brand name.

The alternative beverage category combines non-carbonated ready-to-drink iced teas, lemonades, juice cocktails, single serve juices, ready-to-drink iced coffees, energy drinks, sports drinks, soy drinks and single-serve still water (flavored and unflavored) with "new age" beverages, including sodas that are considered natural, sparkling juices and flavored sparkling waters. The alternative beverage category is the fastest growing segment of the beverage marketplace. (Source: Beverage Marketing Corporation). Sales for the alternative beverage category of the market are estimated to have reached approximately \$11.7 billion at wholesale in 2001 with a growth rate of approximately 14% over Beverage Marketing's revised estimate for 2000 of \$10.3 billion. (Source: Beverage Marketing Corporation).

Hansen's(R) Natural Sodas are classified as "new age" beverages and have been a leading natural soda brand in Southern California for the past 24 years. In 2001, Hansen's(R) Natural Sodas had the highest sales among comparable carbonated new age category beverages measured by unit volume in the Southern California market (Source: Information Resources, Inc.'s Analyzer Reports for Southern California). Hansen's(R) Natural Sodas are currently available in thirteen regular flavors consisting of Mandarin Lime, Key Lime, Grapefruit, Raspberry, Creamy Root Beer, Vanilla Cola, Cherry Vanilla Creme, Orange Mango, Kiwi Strawberry, Tropical Passion, Black Cherry, Ginger Ale and Tangerine. Hansen discontinued its low calorie sodas in Wildberry and Cola flavors and at the end of 2000/beginning of 2001, introduced a new line of diet sodas with Splenda(R) sweetener as the primary sweetener. This line was introduced in four flavors: Peach, Black Cherry, Tangerine Lime, and Kiwi Strawberry. A fifth flavor, Ginger Ale, was introduced recently. Hansen's(R) Natural Sodas contain no preservatives, sodium, caffeine or artificial coloring and are made with high quality natural flavors, citric acid and high fructose corn syrup or, in the case of its diet sodas, with Splenda(R) and Acesulfame K. Hansen's(R) Natural Sodas are currently packaged in 12-ounce aluminum cans.

In January 1999, Hansen's introduced its new premium line of Signature Sodas in unique proprietary 14-ounce glass bottles. Signature Sodas are currently available in six flavors consisting of Orange Creme, Vanilla Creme, Ginger Beer, Sasparilla, Black Cherry and Sangria. Signature Sodas are being marketed in certain areas through the Company's existing distributor network and in others directly through its warehouse division.

During September 2000, the Company acquired the Blue Sky Natural Soda business from BSNBC. The Blue Sky product line comprises natural sodas in cans, which are available in thirteen regular flavors consisting of Lemon Lime, Grapefruit, Cola, Root Beer, Raspberry, Cherry Vanilla Creme, Truly Orange, Jamaican Ginger Ale, Black Cherry, Orange Creme, Dr. Becker, Grape and Private Reserve Cream Soda. Blue Sky also has a premium line of natural sodas, which contain supplements such as Ginseng. This line is currently available in six flavors consisting of Ginseng Creme, Ginseng Cola, Ginseng Root Beer, Ginseng Very Berry Creme, Ginseng Ginger Ale, and Ginseng Cranberry-Raspberry. During 1999, Blue Sky introduced a line of organic natural sodas, which are currently available in six flavors consisting of Prime Lime Cream, New Century Cola, Orange Divine, Ginger Gale, Black Cherry Cherish, and Root Beer. The Company also markets a seltzer water under the Blue Sky label. In 2002, Blue Sky introduced a lightly carbonated energy drink in an 8.3-ounce slim can. The Blue Sky products contain no preservatives, sodium or caffeine (other than its energy drink) or artificial coloring and are made with high quality natural flavors. All Blue Sky Natural Sodas and seltzer waters are currently packaged in 12-ounce aluminum cans.

During April 1997, the Company introduced a lightly carbonated citrus flavored Hansen's(R) energy drink in an 8.3-ounce slim can. The Company's energy drink falls within the category that has generally been described as the "functional" beverage category, namely, beverages that provide a real or perceived benefit in addition to simply delivering refreshment. Management believes that the "functional" beverage category has good growth potential. During the first quarter of 1998, the Company extended its functional product line by introducing three additional functional drinks in 8.3-ounce slim cans, namely, a ginger flavored d-stress(R) drink, an orange flavored anti-ox(R) drink

(since renamed b-well(TM)), and a guarana berry flavored stamina(R) drink. During the fourth quarter of 1998, the Company introduced its power(TM) functional drink in 8.3-ounce slim cans, which is currently marketed in a grape flavor. During 2000, the Company introduced slim-down(TM), its sixth functional drink. slim-down(TM) is a berry-flavored drink that has no calories. Each of the Company's functional drinks contains different combinations of vitamins, minerals, nutrients, herbs and supplements ("supplements"). In 2001, the Company introduced its original energy drink in 8.3-ounce glass bottles as well as two additional lightly carbonated Energy drinks in 8.3-ounce slim cans in a Tropical and Wild Berry flavor. Also in 2001 the Company introduced Energade(R), a non-carbonated Energy sports drink in 23.5-ounce cans in two flavors, citrus and orange, and E20 Energy Water(TM), a non-carbonated lightly flavored water, in 24-ounce P.E.T. plastic bottles, in four flavors, Tangerine, Apple, Berry and Lemon. Each of the above new drinks contain different combinations and levels of supplements.

The Company has concentrated on marketing its carbonated functional drinks and, in particular, its energy drinks including Energade(R), as well as Signature Sodas and Smoothies in glass bottles, through its distributor network.

During 2001, the Company launched its new premium line of alternative healthy iced teas and drinks under the "Medicine Man(R)" label in proprietary glass bottles. Response from customers and consumers to the Medicine Man(R) line was disappointing and, in consequence, the Company is presently re-evaluating this line.

The Company's fruit juice product line currently includes Hansen's(R) Natural Old Fashioned Apple Juice which is packaged in 64-ounce polyethylene terephthalate ("P.E.T.") plastic bottles and 128-ounce polypropylene/lamicon bottles and Apple Strawberry and Apple Grape juice blends in 64-ounce P.E.T. plastic bottles. These juice blends were introduced in the second quarter of 1998. These Hansen's(R) juice products contain 100% juice as well as 100% (120% in the case of Apple Juice) of the recommended daily intake for adults of Vitamin C. Certain of these products also contain added calcium. Hansen's(R) juice products compete in the shelf-stable juice category. During 2001, the Company introduced an Apple-Cranberry juice blend, a Cranberry juice cocktail and an Orange-Carrot juice blend in 64-ounce P.E.T. plastic bottles. These products do not contain 100% juice.

In March 1995, the Company expanded its juice product line by introducing a line of fruit juice Smoothies. The Company's fruit juice Smoothies have a smooth texture that is thick but lighter than a nectar and contain approximately 35% juice (the juice levels of the Company's Smoothies in glass and P.E.T. plastic bottles is 25%). The Company's fruit juice Smoothies provide 100% of the recommended daily intake for adults of Vitamins A, C & E (the antioxidant triad) and represented Hansen's entry into what is commonly referred to as the "functional" beverage category. The Company's fruit juice Smoothies are packaged in 11.5-ounce cans and in unique proprietary 12-ounce glass bottles designed by the Company, as well as in 64-ounce and 16-ounce P.E.T. plastic bottles. Hansen's(R) fruit juice Smoothies are available in eleven flavors: Strawberry Banana, Peach Berry, Mango Pineapple, Guava Strawberry, Pineapple Coconut, Apricot Nectar, Tropical Passion, Whipped Orange, Cranberry Twist, a Cranberry Raspberry lite as well as an Energy Smoothie with a unique formula. The Company extended its Smoothie line in 64-ounce P.E.T. plastic bottles from two flavors to six flavors during 2000 but reduced this line in 64-ounce P.E.T. plastic bottles back to two flavors in 2001. In 2001, the Company extended its Smoothie line by introducing four flavors in 16-ounce P.E.T. plastic bottles.

During the second half of 1999, the Company introduced a new line of premium functional Smoothies in 11.5-ounce cans: Energy, Power, Protein and Vita. Each of these products contained different combinations of supplements. Energy had a tropical fruit flavor. Power had a berry flavor. Protein had a banana citrus flavor. Vita had an orange carrot flavor. The juice levels of these products were higher than the juice levels of the regular Smoothie line. During the fourth quarter of 1999, the Company introduced reformulated versions of certain of these products with lower juice levels as line extensions to its regular Smoothie line in 12-ounce glass bottles. In 2001, the Company repositioned these products as line extensions to its regular Smoothie line in 11.5-ounce cans, by reformulating these products with lower juice levels.

During the second quarter of 1998, the Company launched its first Healthy Start product, Dyna Juice(R), a shelf stable 100% juice blend with 15 vitamins and minerals added. Dyna Juice(R) was renamed VITAMAX-JUICE during the fourth quarter of 1998 to more directly communicate its attributes to consumers. During the fourth quarter of 1998, the Company expanded its Healthy Start product line with three new Healthy Start 100% juices namely, ANTIOXJUICE(R), IMMUNEJUICE(R) and INTELLIJUICE(R). ANTIOXJUICE(R) is a carrot and tropical juice blend, IMMUNEJUICE(R) is an aronia and cranberry juice blend and INTELLIJUICE(R) is an orange and tomato juice blend. Each of the Healthy Start products contain different combinations of supplements. The Healthy Start line was originally launched in 46-ounce P.E.T. plastic bottles and at the end of 1998 the Company expanded this line into 64-ounce P.E.T. plastic bottles as well. Early in 2000, the Company entered into a licensing agreement with the Silver Foxes Network for the licensing to the Company of the Silver Foxes(TM) brand and trademark, which is positioned towards consumers in the 50+ age group, for and in connection with certain of the Company's products. The Company determined to use that trademark for and in connection with its Healthy Start 100% juice line in P.E.T. plastic bottles. The Company redesigned the labels for its Silver Foxes(TM)/Healthy Start juice line and relaunched the re-named line during 2000. However, sales from such relaunched line were disappointing and the Company is discontinuing the entire line.

In the first quarter of 2000, the Company introduced its Healthy Start 100% juice line in single-serve glass bottles, which was marketed through its distributor network. However, response from distributors and consumers was disappointing and the Company is discontinuing this line.

Hansen's(R) ready-to-drink iced teas and lemonades were introduced in 1993. Hansen's(R) ready-to-drink iced teas and juice cocktails are currently available in three flavors: Original with Lemon, Tropical Peach and Wildberry. Lemonades are currently available in one flavor: Original Old Fashioned Lemonade. Hansen's(R) juice cocktails were introduced in 1994 and are currently available in four flavors: Kiwi Strawberry Melon, Tangerine Pineapple with Passion Fruit, California Paradise Punch and Mango Magic. The Company introduced a new 12-pack variety pack of iced teas during the first half of 2001, which experienced limited success. The Company will continue to market this package in 2002. Hansen's ready-to-drink iced teas, lemonades and juice cocktails are currently packaged in 16-ounce wide-mouth glass bottles.

Hansen's(R) ready-to-drink iced teas are made with decaffeinated tea. The Company's other non-carbonated products are made with high quality juices. Hansen's(R) non-carbonated products (other than its 100% juice products) are also made with natural flavors, high fructose corn syrup, citric acid and other ingredients.

After offering a ready-to-drink green tea in a 20-ounce glass bottle, the Company introduced a full line of Specialty teas in 20-ounce glass bottles, which it named its "Gold Standard" line. This line was introduced in the 20-ounce glass bottles that were being used by the Company at the time, while the Company proceeded with the design and manufacture of a new unique proprietary 20-ounce glass bottle for the line, which was introduced towards the end of 1999. During 2000, the Company introduced two additional green tea flavors, as well as two diet green flavors, and six juice cocktails in 20-ounce bottles. All of the products in the Gold Standard line contain different combinations of supplements, but at lower levels than in the Company's functional drinks.

In the third quarter of 1999, the Company introduced two new lines of children's multi-vitamin juice drinks in 8.45-ounce aseptic packages. Each drink contains eleven essential vitamins and six essential minerals. Each line was introduced in three flavors. The Company has, since that time, introduced additional flavors and intends to continue to introduce new flavors in the place of existing flavors from time to time. One of these two lines is a dual-branded 100% juice line named "Juice Blast(R)" that was launched in conjunction with Costco Wholesale Corporation ("Costco") under the "Kirkland Signature(TM)/Hansen's(R) Natural" brand name and is sold nationally through Costco stores. The other line was a 10% juice line named "Juice Slam(TM)" that was available to all of Hansen's customers. During 2000, the Company repositioned that line as a 100% juice line under the Juice Slam(TM) name and is

currently marketing that line to grocery store chain customers, the health food trade, and other customers.

In 2000, the Company introduced a new line of nutrition food bars under the Hansen's(R) brand name. This line is made from grains and fruit. In addition, the Company introduced a new line of premium G.M.O. free (free from genetically modified organisms) cereals under the Hansen's(R) brand name. During the first half of 2001, the Company introduced a line of functional food bars, and towards the end of the year introduced a line of active nutrition bars, which are specially formulated for adults 50+.

In 2001, the Company introduced a new line of sparkling lemonades (regular and pink) and orangeades in 1-liter glass bottles and a new line of Soy-Smoothies in 1-liter and 11-ounce aseptic packaging in five flavors: Berry Splash, Tropical Breeze, Orange Dream, Lemon Chiffon and Peach Passion. The sparkling lemonades and orangeades contain real juice and pulp and the Soy Smoothies contain soy protein and fruit juices.

On May 25, 2001, the Company acquired the Junior Juice(R) beverage business. The Junior Juice product line comprises seven flavors of 100% juices in 4.23-ounce aseptic packages and is targeted at toddlers. The Junior Juice line has calcium and vitamin C added (excluding White Grape which only has vitamin C added).

During the third quarter of 2000, the Company introduced a malt-based drink under the name Hard e, which contains up to five-percent alcohol. The Hard e product is not marketed under the Hansen's name.

Hansen's(R) still water products were introduced in 1993. Hansen's(R) still water products are primarily sold in 0.5-liter plastic bottles to the food service trade.

The Company continues to evaluate and, where considered appropriate, introduce additional flavors and other types of beverages to complement its existing product lines. The Company will also evaluate, and where considered appropriate, introduce functional foods/snack foods that utilize similar channels of distribution and/or are complimentary to the Company's existing products and/or to which the Hansen's(R) brand name is able to add value.

#### Manufacture, Production and Distribution

The concentrates for Hansen's(R) Natural Soda, Signature Soda and Blue Sky Natural Soda products are blended at independent production facilities. In each case, the concentrate is delivered by independent trucking companies to Hansen's various co-packers, each of which adds filtered water, high fructose corn syrup or cane sugar or, in the case of the diet sodas, Splenda(R) brand sweetener, Acesulfame K, citric acid, and carbonation and, where appropriate, supplements, and packages the products in approved containers. Hansen's most significant co-packing arrangement is with Southwest Canning and Packaging, Inc. ("Southwest") pursuant to a contract under which Southwest packages Hansen's(R) Natural Sodas. This arrangement continues indefinitely and is subject to termination on 60 days written notice from either party.

The Company purchases juices, concentrates, flavors, vitamins, minerals, nutrients, herbs, supplements and other ingredients for its remaining beverage products including, but not limited to, juice products, ready-to-drink iced tea, lemonade and juice cocktail products, Gold Standard specialty tea and juice cocktail line, fruit juice and soy Smoothie products, Energy drinks, functional drinks, Energade energy sports drinks, E2O Energy Water, sparkling lemonades and orangeades, children's multi-vitamin juice drinks and Junior Juice products from various producers and manufacturers. Such materials are then delivered to the Company's various co-packers, who add water and/or high fructose corn syrup and/or sucrose, for manufacture and packaging of the finished products.

The ingredients for the Company's fruit and grain nutrition food bars, functional food bars and active nutrition bars are purchased by the Company's co-packers for manufacturing and packaging of the finished bars. The Company's cereal products are manufactured for the Company by an overseas supplier who supplies all of the ingredients therefor.

All of the Company's beverage products are co-packed by various co-packers situated throughout the United States and Canada under separate arrangements, each of which continue on a month-to-month basis, except for the arrangements with Southwest, which is described above, and Reflo, Inc., which is described below.

The Company has secured arrangements with certain co-packers and suppliers in respect of equipment purchased by the Company and installed at the facilities of such co-packers and suppliers for the specific purpose of facilitating the production of certain of the Company's products.

The Company's natural sodas, juice products, iced tea, lemonade, and juice cocktail products and Gold Standard Specialty tea and juice cocktail line, fruit juice and soy Smoothie products in cans, aseptic packaging and P.E.T. bottles, sparkling lemonades and orangeades, children's multi-vitamin juice drinks, Junior Juice products, Blue Sky products and nutrition bars and cereals are primarily sold to major grocery chain stores and, in certain instances, to mass merchandisers through food brokers; to club stores, specialty chain stores and, in certain instances, mass merchandisers directly by Hansen; and to the health food trade through specialty health food distributors. In Colorado, a licensed distributor is responsible for sales of certain of the above products. The Company's fruit juice Smoothie products in glass bottles, Energy drinks, functional drinks, Energade energy sports drinks, E2O Energy Water and Signature Sodas are distributed almost exclusively by bottlers and/or distributors that do not distribute other products of the Company. However, from 2001, Signature Sodas have also been sold to major grocery chain stores, mass merchandisers and club stores, in certain states and/or counties directly by Hansen's.

Management has secured limited additional co-packing arrangements outside the West to enable the Company to produce certain of its products closer to the markets where they are sold and thereby reduce freight costs. As volumes in markets outside California grow, the Company will secure additional co-packing arrangements to further reduce freight costs.

The Company's ability to estimate demand is imprecise, particularly with new products, and may be less precise during periods of rapid growth, particularly in new markets. If the Company materially underestimates demand for its products or is unable to secure sufficient ingredients or raw materials including, but not limited to, glass, cans or labels, or co-packing arrangements, it might not be able to satisfy demand on a short-term basis. See also "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations."

Although the Company's arrangements for production of its products are generally of short duration or are terminable upon request, management believes that, subject to what is stated herein, a short disruption or delay would not significantly affect the Company's revenues since alternative co-packing facilities in the United States with adequate capacity can usually be obtained for many of its products at commercially reasonable rates and/or within a reasonably short time period. However, there are limited co-packing facilities in the United States with adequate capacity for many of the Company's newer products, including its Energy drinks, functional drinks, Energade products, E2O Energy Water, soy Smoothies, fruit juice Smoothies in glass bottles, sparkling lemonades and orangeades, Gold Standard line and aseptic juice products. There are also limited shrink sleeve labeling facilities available in the United States with adequate capacity for the Company's Signature Soda line, Energy drinks in glass bottles and E2O Energy Water. A disruption or delay in production of any of such products could significantly affect the Company's revenues from such products as alternative co-packing facilities in the United States with adequate capacity may not be available for such products either at commercially reasonable rates, and/or within a reasonably short time period, if at all. In addition, with regard to the Hard e product, while there are many co-packing facilities in the United States with adequate capacity that could

produce such product, due to regulatory issues it may not be feasible for such product to be co-packed at alternative co-packaging facilities on short notice. Consequently, a disruption in production of such products could affect the Company's revenues from such products. The Company continues to seek alternative co-packing facilities in the United States or Canada with adequate capacity for the production of certain of its products to minimize the risk of any disruption in production.

The Company itself is primarily responsible for marketing its products in the United States. The Company has entered into distribution agreements with distributors to distribute Smoothies in glass bottles and/or Energy drinks and/or functional drinks and/or Energade energy sports drinks and/or E20 Energy Waters and/or Signature Sodas in 49 states. In many of such states, however, distribution is only on a limited scale. Certain of the Company's products, particularly, Energy drinks, Signature Sodas and the Gold Standard line are also marketed in Canada. Certain Hansen products are also marketed on a limited basis in other countries outside of the United States, including the United Kingdom, Mexico, Philippines, Germany, Japan, Guam, the Caribbean, and the United Arab Emirates. During 2001, sales by the Company to distributors outside the United States amounted to approximately \$1,233,000.

The Company intends to aggressively expand the distribution of its products into new markets, both within the United States and abroad.

The Company has developed a separate network of brokers and distributors to support the introduction, sale and distribution of the Company's nutrition bars and cereals, sparkling lemonades and orangeades and soy Smoothies to the health food trade, convenience and drug store chains, grocery chain stores and mass merchandisers.

The Company is continuing to expand distribution of its products by seeking to enter into agreements with regional bottlers or other direct store delivery distributors having established sales, marketing and distribution organizations. Hansen's licensed bottlers and distributors are affiliated with and manufacture and/or distribute other soda and non-carbonated brands and other beverage products. In many cases, such products are directly competitive with the Company's products. The Company's previous strategy of licensing regional bottlers to produce Hansen's(R) Natural Sodas from concentrate provided by the Company, did not fulfill management's expectations, partly because bottlers preferred to focus on alternative beverage products having higher margins than sodas.

During 2001, the Company continued to expand the distribution of its Natural Sodas and Smoothies in cans into Oregon and Washington. In these states, the Company has retained responsibility for securing sales and providing marketing support. To this end, the Company appointed a regional sales manager for the northwestern states during 2000.

In 2001, the Company continued to expand its national sales force to support and grow sales primarily of Energy drinks, functional drinks, Energade(R), E20 Energy Water, Smoothies in glass bottles and Signature Sodas and intends to continue to build such sales force during 2002.

The Blue Sky(R) products are sold primarily to the health food trade through specialty health food distributors.

Hard e malt based drinks are manufactured for HEB by Reflo, Inc. ("Reflo"), pursuant to a manufacturing and distribution agreement dated as of March 23, 2000 ("Reflo Agreement"). Either party may elect to terminate the Reflo Agreement at any time on 90 days notice. Under the terms of the Reflo Agreement, Reflo administers the sales and distribution of such products throughout the United States, excluding Arizona, California, Nevada and Oregon where HEB is itself responsible for the sales and distribution of such products. Hard e is currently being distributed in 14 states. However, in many of such states, distribution is on an extremely limited scale.

Management continues to evaluate various alternatives to expand the distribution of its products into selected new markets.

The principal warehouse and distribution center and corporate offices of the Company relocated to the Company's current facility in October 2000. The Company is continuing to take steps to reduce its inventory levels in an endeavor to lower its warehouse and distribution costs. See also "ITEM 2 - PROPERTIES."

#### Source and Availability of Raw Materials

The Company purchases beverage flavors, concentrates, juices and supplements from independent suppliers located in the United States, Mexico and abroad, bars and other ingredients from independent suppliers in the United States and abroad, and cereals from an independent supplier located abroad.

Suppliers regard flavors as proprietary to them. Consequently, Hansen does not currently have the list of ingredients or formulae for its flavors and certain of its concentrates readily available to it and may be unable to obtain these flavors or concentrates from alternative suppliers on short notice. The Company has identified alternative suppliers of many of the supplements contained in many of its beverages and bars. However, industry-wide shortages of certain supplements and sweeteners have been and could, from time to time in the future, be experienced, which could interfere with production of certain of the Company's products.

Management is continuing with its attempts to develop back-up sources of supply for certain of its flavors and concentrates from other suppliers as well as to conclude arrangements with suppliers which would enable it to obtain access to certain concentrates or product formulae in certain circumstances. The Company has been partially successful in these endeavors.

Hansen's goal is to ensure that the raw materials used in the manufacture and packaging of the Company's products, including natural sodas, Energy drinks, Energade energy sport drinks, E20 Energy Water, Blue Sky natural sodas, Signature sodas, functional drinks and non-carbonated drinks and juices, including, but not limited to, concentrates and juices, high fructose corn syrup, cane sugar, citric acid, caps, cans, glass bottles, P.E.T. plastic bottles, aseptic packaging and labels, are readily available from two or more sources and is continuing its efforts to achieve this goal, although each of such raw materials are, in practice, usually obtained from single sources. However, the cans for the Company's Energy and functional drinks are only manufactured by one company in the United States. Additionally, the ability of HEB to have its Hard e products manufactured and/or distributed by other parties may be restricted by HEB's agreement with Reflo, Inc. and/or the necessity to obtain certain regulatory approvals and licenses.

In connection with the development of new products and flavors, the Company works with independent suppliers who bear a large portion of the expense of product development, thereby enabling the Company to develop new products and flavors at relatively low cost. The Company has historically developed and successfully introduced new products and flavors and packaging for its products and currently anticipates developing and introducing additional new beverages and food products and flavors.

#### Competition

The beverage industry is highly competitive. The principal areas of competition are pricing, packaging, development of new products and flavors and marketing campaigns. The Company's products compete with traditional soft drinks (cola and non-cola), and alternative beverages, including new age beverages and ready-to-drink iced teas, lemonades and juice cocktails and energy drinks as well as juices and juice drinks and nectars produced by a relatively large number of manufacturers, most of which have substantially greater financial, marketing and distribution resources than Hansen.

The Company's Energy drinks compete directly with Red Bull, Red Devil, Lipovitan, MET-Rx, Hype, XTC, Adrenaline Rush, 180, KMX, Amp, Venom, Extreeme Energy Shot and many other brands and its other functional drinks compete directly with Elix, Lipovitan, MET-Rx, Think, Sobe Essentials and other brands.

Over the past year or so the Company has experienced substantial competition from new entrants in the Energy drink category. A number of companies who market and distribute iced teas and juice cocktails in larger volume packages, such as 16- and 20-ounce glass bottles, including Sobe, Snapple Elements and Arizona, have added supplements to their products with a view to marketing their products as "functional" or "Energy" beverages or as having functional benefits. However, many of those products are believed to contain low levels of supplements and principally deliver refreshment. In addition, many competitive products are positioned differently than the Company's functional drinks. The Company's "functional" Smoothies and Gold Standard lines are positioned more closely against those products.

For its Natural Sodas, Smoothies, Energy drinks, Energade energy sports drinks, E20 Energy Water, functional drinks and Signature sodas as well as other products, Hansen competes not only for consumer acceptance, but also for maximum marketing efforts by multi-brand licensed bottlers, brokers and distributors, many of which have a principal affiliation with competing companies and brands. The Company's products compete with all liquid refreshments and with products of much larger and substantially better financed competitors, including the products of numerous nationally and internationally known producers such as The Coca Cola Company, PepsiCo, Inc., Cadbury Schweppes, which includes Dr. Pepper/Seven-up, RC Cola, Snapple, Mystic and Stewart's brands, Nestle Beverage Company, Anheuser Busch and Ocean Spray. More specifically, the Company's products compete with other alternative beverages, including new age beverages, such as Snapple, Mystic, Arizona, Clearly Canadian, Sobe, Stewart's, Everfresh, Nantucket Nectars, Kerns Nectars, Mystic, VeryFine, V8 Splash, Calistoga, Red Bull, Adrenaline Rush, Amp, 180, KMX, MET Rx, Venom, Extreeme Energy Shot and Crystal Geysers brands. Due to the rapid growth of the alternative beverage segment of the beverage marketplace, certain large companies such as The Coca Cola Company and PepsiCo, Inc. have introduced products in that market segment which compete directly with the Company's products such as Nestea, Fruitopia, Lipton and Dole. The Company's products also compete with private label brands such as those carried by grocery store chains and club stores.

The Company's fruit juice Smoothies compete with Kern's and Jumex nectars in the Western states and Libby's in the Eastern states and Whipper Snapple, Mystic and Nantucket Nectars nationally and also with single serve juice products produced by many competitors. Such competitive products are packaged in glass and P.E.T. bottles ranging from 8- to 20-ounces in size and in 11.5-ounce aluminum cans. The juice content of such competitive products ranges from 1% to 100%.

The Company's apple and other juice products compete directly with Tree Top, Mott's, Martinelli's, Welsh's, Ocean Spray, Minute Maid, Langers, Apple and Eve, Seneca, Northland and also with other brands of apple juice and juice blends, especially store brands. The Company's Healthy Start line competes with Langer's, V8 Splash, Knudsen, Nantucket Nectars, Wildland and other juice products. The Company's E20 Energy Water and still water products compete directly with Vitamin Water, Reebok, Propel, Evian, Crystal Geysers, Naya, Palomar Mountain, Sahara, Arrowhead, Aquafina, Dannon, Dasani and other brands of still water especially store brands.

The nutrition food bar and cereal categories as well as flavored malt-based drink categories are also highly competitive. Principal areas of competition are pricing, packaging, development of new products and flavors and marketing campaigns. The Company's cereals compete with traditional cereals of companies such as Kellogg's, General Mills, Kashi and Nature Valley, and the Company's nutrition food bars compete with products of other independent bar companies such as Power Bar, Balance Bar, Gatorade, Kashi, Cliff Bar, MET-Rx, and numerous other bars.

HEB's Hard e product competes with wine coolers, such as Seagram's and Bartles and James and flavored low alcohol beverages such as Mike's Hard Lemonade, Hooper's Hooch, Doc Otis Hard Lemonade, Smirnoff Ice, Zima and Rick's Spiked Lemonade and other flavored malt and alcohol based drinks. Many of these products are produced by large national and international manufacturers, most of which have substantially greater financial, marketing and distribution resources than Hansen. Such companies include Anheuser Busch, Miller Brewing Company, Coors, Gallo Winery, Diageo plc, etc.

Important factors affecting Hansen's ability to compete successfully include taste and flavor of products, trade and consumer promotions, rapid and effective development of new, unique cutting edge products, attractive and different packaging, branded product advertising and pricing. Hansen also competes for distributors who will concentrate on marketing the Company's products over those of Hansen's competitors, provide stable and reliable distribution and secure adequate shelf space in retail outlets. Competitive pressures in the alternative, energy and functional beverage categories as well as in the cereal, nutrition food bar and flavored malt beverage categories could cause the Company's products to be unable to gain or to lose market share or experience price erosion, which could have a material adverse affect on Hansen's business and results.

#### Marketing

Hansen's marketing strategy is to focus on consumers who seek products that are perceived to be natural and healthy. To attract these consumers, the Company emphasizes the natural ingredients and the absence of preservatives, sodium, artificial coloring and caffeine in the Company's beverages (other than the Company's Energy drinks, Energade energy sports drinks, functional stamina(R) and power drinks which contain caffeine and/or sodium) and the addition to most of its products, of one or more supplements. This message is reinforced in the product packaging, the majority of which was redesigned from 2000. The regular wholesale price of Hansen's(R) Natural Sodas in cans is slightly higher than mainstream soft drinks such as Coca-Cola and Pepsi, although generally lower than the prices of the products of many competitors in the new age category. In its marketing, Hansen emphasizes its high quality "natural" image and the fact that its soda products contain no preservatives, sodium, caffeine or artificial coloring. The regular wholesale price of the Company's iced teas, lemonades and juice cocktails, including its Gold Standard line, is comparable to or slightly lower than that of competitive non-carbonated beverages marketed under the Snapple, Sobe, Arizona, Mystic, Lipton, Nestea, Fruitopia, Ocean Spray and Nantucket Nectar brands. In its marketing, Hansen emphasizes the high quality natural and healthy image of its products. The regular wholesale price of the Company's fruit juice Smoothie products is similar to that of Kern's nectars. Without abandoning its natural and healthy image, the Company launched a lightly carbonated energy drink in 8.3-ounce slim cans, containing certain supplements, to appeal to the young and active segment of the beverage market that desires an energy boost from its beverage selection. The Company subsequently launched five additional lightly carbonated functional drinks, namely, stamina(R), d-stress(R), anti-ox(R) (since renamed b-well(TM)), power(TM) and slim-down(TM) as well as two new energy drinks and in addition recently launched Energade(R) energy sports drinks and E20 Energy Water. The supplements contained in each of those drinks are intended to provide specific but different functional benefits to the consumers of each of such products. Hansen's marketing strategy with respect to its nutrition food bars and cereals is similarly to focus on consumers who seek bars and cereals that are perceived to be natural and healthy. To attract these consumers, the Company emphasizes the natural ingredients and the absence of preservatives and, in the case of the cereals, the fact that they are G.M.O.-free. HEB's marketing strategy with respect to its Hard e product is to focus on adult consumers who seek an alcohol-based beverage that is good tasting, fashionable and meets consumers' needs.

To cater to consumers who purchase juices in multi-serve sizes and perceive the inclusion of supplements therein to be of added value, the Company launched its Healthy Start line of 100% juices in 1998. Although marketed in larger multi-serve packages that are appropriate for grocery store chains, club stores, specialty chains and health food stores, the positioning of these products is similar to the Company's lightly carbonated functional drinks in 8.3-ounce slim cans. To distinguish these products from those of competitors, each label indicates the function of the product, in addition to listing the supplements contained therein. As stated above, following the conclusion of a licensing agreement by the Company with the Silver Foxes Network, the Company had the labels for its Silver Foxes(TM)/Healthy Start 100% juice line redesigned. The new renamed line, which was targeted at the 50+ age group, was relaunched during 2000. However, sales of this line were disappointing and the Company is discontinuing this line. During the year, the Company also introduced its Healthy Start 100% line in single serve 12-ounce glass bottles, through its distributor network. Sales of this line did not meet expectations and the Company is also discontinuing this line.

According to Roche Vitamins, very few American children meet all of the recommendations of the Food Guide Pyramid. In 1999, the Company introduced a new line of children's multi-vitamin juice drinks in 8.45-ounce aseptic packaging. These products are positioned to assist parents improve the daily intake by their children of essential vitamins and minerals. In this regard, the Junior Juice line, which is aimed at toddlers, contains calcium and vitamin C (excluding White Grape which only has vitamin C added).

The Company's sales and marketing strategy is to focus its efforts on developing brand awareness and trial through sampling both in stores and at events in respect of all its beverage, food and alcoholic beverage products. The Company intends to continue to place increased emphasis on product sampling and participating in direct promotions. The Company proposes to continue to use its branded vehicles, PT Cruisers and other promotional vehicles at events at which the Company's products, including its fruit juice smoothies, natural sodas and Energy drinks, Energade(R) energy sports drinks and E20 Energy Water will be distributed to consumers for sampling. Hansen utilizes "push-pull" tactics to achieve maximum shelf and display space exposure in sales outlets and maximum demand from consumers for its products including advertising, in store promotions and point of sale materials, prize promotions, price promotions, competitions, endorsements from selected public figures, coupons, sampling and sponsorship of selected causes such as breast cancer research as well as sports figures and sporting events such as marathons, 10k runs, bicycle races, volleyball tournaments and other health- and sports-related activities, including extreme sports, and also participates in product demonstrations, food tasting and other related events. Posters, print, radio and television advertising together with price promotions and coupons are also used extensively to promote the Hansen's(R) brand.

Management increased expenditures for its sales and marketing programs by approximately 20% in 2001 compared to 2000.

While the Company retains responsibility for the marketing of the Juice Slam(TM) line of children's multi-vitamin juice drinks, Costco has undertaken sole responsibility for the marketing of the co-branded Juice Blast(R) line.

The Company intends to support its planned expansion of distribution and sale of its Energy drinks, Energade(R) energy sports drinks, E20 Energy Water, Smoothies in glass bottles and Signature Sodas, through the in-store placement of point-of-sale materials, use of glide racks, suction cup racks and a proprietary rolling rack for its Energy drinks, co-operative trade marketing with customers and by attending and sponsoring many sporting events, including extreme sports and selected sports figures and through endorsements from selected public and sports figures, through focused radio campaigns and by developing local marketing programs in conjunction with its distributors in their respective markets. By enlisting its distributors as participants in its marketing and advertising programs, Hansen intends to create an environment conducive to the growth of both the Hansen's(R) brand and the businesses of its distributors.

Management continues to believe that one of the keys to success in the beverage industry is differentiation; making Hansen's(R) products clearly distinctive from other beverages on the shelves of retailers. Management is of the view that the same keys to success apply to its nutrition food bars and cereals and Hard e products. The Company reviews its products and packaging on an ongoing basis and, where practical, endeavors to make them different, better and unique. The labels and graphics for the Company's juice products, Natural Sodas and Smoothie products were redesigned in an endeavor to develop a new system to maximize their visibility and identification, wherever they may be placed in stores.

## Customers

Retail and specialty chains, and club stores represented 52% of Hansen's sales in the year ended December 31, 2001 and 56% in the year ended December 31, 2000, while the percentage of sales to distributors (primarily of Hansens(R) Energy drinks, Energade(R) energy sports drinks, Smoothies in glass bottles and Signature Sodas) in the year ended December 31, 2001, was 25%, compared to 33% in the previous year. Sales to health food distributors increased from 5% in the year ended December 31, 2000 to 11% in the year ended December 31, 2001.

Hansen's major customers in 2001 included Costco, Trader Joe's, Sam's Club, Vons, Ralph's, Wal-Mart, Safeway and Albertson's. One customer accounted for approximately 18%, 23% and 25% of the Company's sales for the years ended December 31, 2001, 2000 and 1999, respectively. A decision by that or any other major customer to decrease the amount purchased from the Company or to cease carrying the Company's products could have a material adverse effect on the Company's financial condition and consolidated results of operations.

## Seasonality

Hansen normally experiences greater sales and profitability during its second and third fiscal quarters (April through September). The consumption of beverage products fluctuates in part due to temperature changes with the greatest consumption occurring during the warm months. During months where temperatures are abnormally warm or cold, consumption goes up or down accordingly. Similarly, consumption is affected in those regions where temperature and other weather conditions undergo dramatic changes with the seasons. Management anticipates that the sale of the Company's products may become increasingly subject to seasonal fluctuations as more sales occur outside of California in areas where weather conditions are intemperate. Sales of the Company's juice products, Energy drinks, children's multi-vitamin juice drinks and Junior Juice drinks are likely to be less affected by such factors, although school calendars do have an impact on sales of the children's multi-vitamin juice drinks and Junior Juice drinks. Similarly, sales of the Company's nutrition food bars and cereals are likely to be less affected by such factors. However, as the Company has not had sufficient experience with such products, it is unable to predict the likely sales trend of such products with any degree of accuracy.

## Trademark

The Hansen's(R) trademark is crucial to the Company's business. This trademark is registered in the U.S. Patent and Trademark Office and in various countries throughout the world. The Hansen's(R) trademark is owned by the Company which acquired it from a trust (the "Trust") which was created by an agreement between HBC and the predecessor company of Fresh Juice Company of California ("FJC") (the "Agreement of Trust"). The Trust licensed to HBC in perpetuity on an exclusive world-wide royalty-free basis the right to use the Hansen's(R) trademark in connection with the manufacture, sale and distribution of carbonated beverages and waters and shelf stable fruit juices and drinks containing fruit juices. In addition, the Trust licensed to HBC, in perpetuity, on an exclusive world-wide basis, the right to use the Hansen's(R) trademark in connection with the manufacture, sale and distribution of certain non-carbonated beverages and water in consideration of royalty payments. There was a similar license agreement between the Trust and HBC with regard to non-beverage products. No royalties were payable on sodas, Energy drinks, juices, lemonades, juice cocktails, fruit juice Smoothies, the Signature Soda line or on the children's multi-vitamin juice drinks. Royalty expenses of \$12,000 were incurred in 1999. As explained below, no royalty expenses were incurred during 2001 or 2000.

HBC, FJC's predecessor and the Trust also entered into a Royalty Sharing Agreement pursuant to which royalties payable by third parties procured by FJC or its predecessor or HBC are initially shared between the Trust and HBC and, after a specified amount of royalties have been received, are shared equally between HBC and FJC. Under the terms of the Agreement of Trust, FJC receives royalty income paid to the Trust in excess of Trust expenses and a reserve therefor.

Effective September 22, 1999, HBC entered into an Assignment and Agreement with FJC pursuant to which HBC acquired exclusive ownership of the Hansen's(R) trademark and trade names. Under the Assignment and Agreement, among other matters, HBC acquired all FJC's rights as grantor and beneficiary of the Trust, all FJC's rights as licensee under certain license agreement pursuant to which FJC has the right to manufacture, sell and distribute fresh juice products under the Hansen's(R) trademark and all FJC's rights under the Royalty Sharing Agreement referred to above, as well as certain additional rights, for a total consideration of \$775,010, payable over three years. FJC is permitted to continue to manufacture, sell and distribute fresh juice products under the Hansen's(R) trademark for a period of five years. Consequently, HBC now has full ownership of the Hansen's(R) trademark and its obligation to pay royalties to, and to share royalties with, FJC has been terminated. As of December 31, 2001, a balance of \$143,750 was payable to FJC.

The Company has applied to register a number of trademarks in the United States including, but not limited to, Hansen's energy(TM), Hansen's Natural Multi-Vitamin Juice Slam(TM), Powerpack(TM), Hard e(TM), A New Kind a Buzz(TM), Monster(TM), E2O Energy Water(TM), slim-down(TM).

The Company owns in its own right, a number of trademarks including, but not limited to, Hansen's(R), Energade(R), THE REAL DEAL(R), LIQUIDFRUIT(R), Imported from Nature(R), California's Natural Choice(R), California's Choice(R), Medicine Man(R), Dyna Juice(R), Equator(R), Hansen's power(R), bewell(R), anti-ox(R), d-stress(R), stamina(R), Aqua Blast(R), Antioxjuice(R) Intellijuice(R), Defense(R), Immunejuice(R), and Juice Blast(R) in the United States and the Hansen's(R) and "Smoothie(R)" trademarks in a number of countries around the world.

In September 2000, in connection with the acquisition of the Blue Sky Natural Beverage business, the Company, through its wholly owned subsidiary Blue Sky, acquired the Blue Sky(R) trademark, which is registered in the United States and Canada.

In May 2001, in connection with the acquisition of the Junior Juice Beverage business, the Company, through its wholly owned subsidiary Junior Juice, acquired the Junior Juice(R) trademark, which is registered in the United States.

On April 4, 2000, the United States Patent and Trademark Office issued a patent to the Company for an invention related to a shelf structure (rolling rack) and, more particularly, a shelf structure for a walk-in cooler. Such shelf structure is utilized by the Company to secure shelf space for and to merchandise its Energy and functional drinks in 8.3-ounce slim cans in refrigerated Visi coolers and walk-in coolers in retail stores.

#### Government Regulation

The production and marketing of beverages and supplements is subject to the rules and regulations of the United States Food and Drug Administration (the "FDA") and other federal, state and local health agencies. The FDA also regulates the labeling of containers including, without limitation, statements concerning product ingredients and claims.

In connection with Hard e, the production and marketing of alcoholic beverages is subject to the rules and regulations of the Bureau of Alcohol, Tobacco and Firearms and in each state, are also subject to the rules and regulations of state regulatory agencies. The Bureau of Alcohol, Tobacco and Firearms and state regulatory agencies also regulate the labeling of containers containing alcoholic beverages including, without limitation, statements concerning product name and ingredients as well as advertising and marketing, in connection therewith.

## Employees

As of February 28, 2002, Hansen employed a total of 108 employees, 104 of whom are employed on a full-time basis. Of Hansen's 108 employees, 42 are employed in administrative and quality control capacities and 66 are employed in sales and marketing capacities.

## Compliance with Environmental Laws

The operation of Hansen's business is not materially affected by compliance with federal, state or local environmental laws and regulations. In California, Hansen's is required to collect deposits from its customers and to remit such deposits to the State of California Department of Conservation based upon the number of cans and bottles of certain of its carbonated and non-carbonated products sold. In certain other states and Canada where Hansen(R) products are sold, the Company is also required to collect deposits from its customers and to remit such deposits to the respective conservation agencies based upon the number of cans and bottles of certain of its carbonated and non-carbonated products, sold in such states.

## ITEM 2. PROPERTIES

Hansen's corporate offices and main warehouse are located in a single building at 1010 Railroad Street, Corona, California 92882. This facility is leased by HBC for a period of ten years commencing October 20, 2000. The gross area of the facility is approximately 113,600 square feet. The monthly rental payments, according to the terms of the lease, are subject to increase during the third, sixth and eighth years. HBC also rents additional warehouse space on a short term basis from time to time as well as public warehouses situated throughout the United States and Canada.

## ITEM 3. LEGAL PROCEEDINGS

During 2000, the Company commenced arbitration proceedings against Sammy Sosa before the American Arbitration Association in Orange County, for the repayment by Mr. Sosa to the Company of the sum of \$175,000 which was paid to Mr. Sosa, by virtue of Mr. Sosa's failure to perform his obligations in terms of his agreement with the Company. Mr. Sosa filed a counter claim against the Company seeking damages approximating \$2.8 million. The claims by and against the Company were settled in January 2002 on the basis that each of the parties withdrew their respective claims against each other.

Late in 2000, Rhonda Morris filed a complaint in the Superior Court for the State of California, County of San Francisco against the Company, in which she claimed sexual harassment by an employee of the Company in connection with an alleged denial of employment to her and in which she seeks unspecified monetary damages. The Company removed the complaint to the United States District Court for the Northern District of California. In March 2002, the Company entered into a settlement agreement with Morris in terms of which the Company, without admission of wrongdoing, agreed to pay the sum of \$60,000 in full settlement of Morris' claim.

In March 2001, the Company filed a complaint in Federal Court for the Central District of California against South Beach Beverage Company LLC ("Sobe"), for patent infringement, violation of trademark rights, false advertising, unfair competition, trespass to chattels and tortious interference with business relations arising from Sobe's unlawful conduct and unauthorized use of the Company's property and the patent held by the Company in respect of its rolling rack shelf structure, Sobe's improper business practices, interference with the Company's right to conduct its business, injunctive relief and unspecified monetary damages.

The Company is subject to, and involved in, claims and contingencies related to lawsuits, arbitration proceedings, and other matters arising out of the normal course of business. The ultimate liability associated with such

claims and contingencies, including those mentioned above, is not likely to have a material adverse effect on the financial condition of the Company.

Except as described above, there are no material pending legal proceedings to which the Company or any of its subsidiaries is a party or to which any of the properties is subject, other than ordinary and routine litigation incidental to the Company's business.

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

The annual meeting of stockholders of the Company was held on October 26, 2001. At the meeting, the following individuals were elected as directors of the Company and received the number of votes set opposite their respective names:

	Votes For
Rodney C. Sacks	8,993,861
Hilton H. Schlosberg	8,993,861
Benjamin M. Polk	8,993,861
Norman C. Epstein	8,993,861
Harold C. Taber, Jr.	8,993,861
Mark S. Vidergauz	8,993,861

In addition, at the meeting the stockholders of the Company ratified the adoption of the Hansen Natural Corporation 2001 Stock Option Plan by a vote of 6,292,081 for, 230,714 against and 38,370 abstaining. The stockholders of the Company also ratified the appointment of Deloitte & Touche LLP as independent auditors of the Company for the year ended December 31, 2001, by a vote of 9,032,580 for, 4,727 against and 8,482 abstaining.

#### PART II

#### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

##### Principal Market

The Company's Common Stock began trading in the over-the-counter market on November 8, 1990 and is quoted on the NASDAQ Small-Cap Market under the symbol "HANS". As of March 11, 2002, there were 10,053,003 shares of the Company's Common Stock outstanding held by approximately 649 holders of record.

## Stock Price and Dividend Information

The following table sets forth high and low bid closing quotations for the Common Stock, on a quarterly basis from January 1, 1999 to December 31, 2001:

	Common Stock	
	High Bid	Low Bid
Year Ended December 31, 2001		
First Quarter	\$ 4.31	\$ 3.25
Second Quarter	\$ 3.68	\$ 2.93
Third Quarter	\$ 3.98	\$ 3.20
Fourth Quarter	\$ 4.25	\$ 3.30
Year Ended December 31, 2000		
First Quarter	\$ 4.63	\$ 4.00
Second Quarter	\$ 4.50	\$ 3.41
Third Quarter	\$ 5.91	\$ 4.13
Fourth Quarter	\$ 5.38	\$ 3.25
Year Ended December 31, 1999		
First Quarter	\$ 5.63	\$ 3.44
Second Quarter	\$ 5.50	\$ 3.63
Third Quarter	\$ 5.63	\$ 4.31
Fourth Quarter	\$ 5.13	\$ 3.88

The quotations for the Common Stock set forth above represent bid quotations between dealers, do not include retail markups, mark-downs or commissions and bid quotations may not necessarily represent actual transactions and "real time" sale prices. The source of the bid information is the NASDAQ Stock Market, Inc.

Hansen has not paid dividends to its stockholders since its inception and does not anticipate paying dividends in the foreseeable future.

## ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The consolidated statements of operations data set forth below with respect to each of the years ended December 31, 1997 through 2001 and the balance sheet data as of December 31, for the years indicated, are derived from the consolidated financial statements audited by Deloitte & Touche LLP, independent certified public accountants, and should be read in conjunction with those financial statements and notes thereto included elsewhere in this and in the 1997, 1998, 1999 and 2000 Forms 10-K.

(in thousands, except per share information)

	2001	2000	1999	1998	1997
Net sales	\$92,280	\$79,733	\$72,303	\$53,866	\$43,057
Net income	\$ 3,019	\$ 3,915	\$ 4,478	\$ 3,563	\$ 1,250
Net income per common share					
Basic	\$ 0.30	\$ 0.39	\$ 0.45	\$ 0.38	\$ 0.14
Diluted	\$ 0.29	\$ 0.38	\$ 0.43	\$ 0.34	\$ 0.13
Total assets	\$38,561	\$38,958	\$28,709	\$22,557	\$16,933
Long-term debt	\$ 5,851	\$ 9,732	\$ 903	\$ 1,335	\$ 3,408

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

General

During 2001, the Company continued to expand its existing product lines and further develop its markets. In particular, the Company continues to focus on developing and marketing beverages that fall within the category generally described as the "functional" beverage category with particular emphasis on Energy type drinks.

The Company achieved record sales in 2001. The increase in sales in 2001 was primarily attributable to the growth in sales of the Company's Natural Sodas, Blue Sky Natural Sodas and apple juice, as well as sales of Junior Juice drinks since the acquisition by the Company of that brand and Energade(R) and E20 Energy Water since their respective introductions during the year. The increase in sales was partially offset by decreased sales of Smoothies in P.E.T. and glass bottles, and the Healthy Start/Silver Foxes juice line as well as lower sales of iced teas, lemonades and juice cocktails, Signature Sodas and the children's multi vitamin juice drinks in 8.45-ounce aseptic packaging. As a result of the change in the Company's product and customer mix, the gross profit percentage achieved by the Company in 2001 decreased to 44.2% from 46.5% in 2000.

During 2001, sales outside of California represented 39% of the aggregate sales of the Company, as compared to approximately 37% of the aggregate sales of the Company in 2000. Sales to distributors outside the United States during 2001 amounted to \$1,233,000 compared to \$753,000 in 2000.

The Company introduced a line of diet Natural Sodas in 12-ounce cans at the end of 2000/beginning of 2001 and an additional flavor, Ginger Ale, to its regular Natural Soda line in 2001. In addition, the Company also introduced its original Energy drink in 8.3-ounce glass bottles, two additional energy drinks in 8.3-ounce slim-cans, Sparkling Lemonades and Orangeades in 1-liter glass bottles, Medicine Man(R) in glass bottles, Energade(R) in 23.5-ounce cans, E20 Energy Water in 24-ounce P.E.T. bottles, Soy Smoothies in 1-liter and 11-ounce aseptic packaging, additional juice blends in 64-ounce P.E.T. bottles, fruit juice Smoothies in 16-ounce P.E.T. bottles, functional nutrition bars and active nutrition bars. The Company reduced its Smoothie line in 64-ounce P.E.T. bottles from six flavors to two flavors. The Company is discontinuing its entire Healthy Start/Silver Foxes 100% juice lines in glass and P.E.T. bottles. Response from customers and consumers to the Medicine Man(R) line was disappointing and, in consequence, the Company is presently reevaluating that line.

Sales of the Company's dual-branded 100% juice line named "Juice Blast(R)", which was launched in conjunction with Costco under the "Kirkland Signature(TM)/Hansen's(R) Natural" brand name and is sold nationally through Costco stores, were slightly lower than in 2000. The Company has, in conjunction with Costco, introduced new flavors in place of certain of the existing flavors and will continue to introduce new flavors in an effort to ensure that its variety pack remains fresh and different for consumers.

On September 20, 2000 the Company, through its wholly owned subsidiary Blue Sky, acquired the Blue Sky Natural Soda business. The Blue Sky Natural Soda brand is the leading natural soda in the health food trade. Blue Sky offers natural sodas, premium natural sodas with added ingredients such as Ginseng and anti-oxidant vitamins, organic sodas and seltzers in 12-ounce cans.

On May 25, 2001 the Company, through its wholly owned subsidiary Junior Juice, acquired the Junior Juice beverage business. The Junior Juice product line is comprised of a line of 100% juices packed in 4.23-ounce aseptic packages and is targeted at toddlers.

During 2001, the Company entered into several new distribution agreements for the sale of its products, both within and outside the United States. As discussed under "ITEM 1 BUSINESS - MANUFACTURE, PRODUCTION and DISTRIBUTION", it is anticipated that the Company will continue building its national sales force in 2002 to support and grow the sales of its products.

Further, during 2001, the Company, through its wholly owned subsidiary, HEB, continued to market a malt-based beverage called Hard e, which contains up to 5% alcohol. The Hard e product is not marketed under the Hansen's name.

The Company continues to incur expenditures in connection with the development and introduction of new products and flavors.

Results of Operations for the Year Ended December 31, 2001 Compared to the Year Ended December 31, 2000

Net Sales. For the year ended December 31, 2001, net sales were \$92.3 million, an increase of \$12.6 million or 15.7% over the \$79.7 million net sales for the year ended December 31, 2000. The increase in net sales was primarily attributable to increased sales of natural sodas, Blue Sky Natural Sodas, which trademark was acquired in September 2000, and apple juice and sales of Junior Juice, which trademark was acquired in May 2001 and Energade(R), which was introduced in July 2001. To a lesser extent, the increase in net sales was also attributable to the introduction of E20 Energy Water in June 2001, increased sales of Hard e, which was introduced in August 2000, natural bars, which were introduced in August 2000, smoothies in 11.5-ounce cans and juice blends. The increase in net sales was partially offset by decreases in sales of smoothies in glass and P.E.T. bottles, Signature Sodas, children's multi-vitamin juice drinks, Healthy Start/Silver Foxes in glass and P.E.T. bottles and teas, lemonade and juice cocktails.

Gross Profit. Gross profit was \$40.8 million for the year ended December 31, 2001, an increase of \$3.7 million or 10.0% over the \$37.1 million gross profit for the year ended December 31, 2000. Gross profit as a percentage of net sales decreased to 44.2% for the year ended December 31, 2001 from 46.5% for the year ended December 31, 2000. The increase in gross profit was primarily attributable to increased net sales. The decrease in gross profit as a percentage of net sales is primarily attributable to slightly lower margins achieved as a result of a change in the Company's product and customer mix.

Total Operating Expenses. Total operating expenses were \$35.3 million for the year ended December 31, 2001, an increase of \$5.1 million or 16.9% over total operating expenses of \$30.2 million for the year ended December 31, 2000.

Total operating expenses as a percentage of net sales increased to 38.2% for the year ended December 31, 2001, from 37.9% for the year ended December 31, 2000. The increase in total operating expenses was primarily attributable to increased selling, general and administrative expenses. The increase in total operating expenses as a percentage of net sales was primarily attributable to the increase in net sales and the comparatively larger increase in selling, general and administrative expenses.

Selling, general and administrative expenses were \$34.8 million for the year ended December 31, 2001 an increase of \$5.0 million or 16.5% over selling, general and administrative expenses of \$29.8 million for the year ended December 31, 2000. Selling, general and administrative expenses as a percentage of net sales increased to 37.7% for the year ended December 31, 2001 from 37.4% for the year ended December 31, 2000. Selling expenses were \$24.3 million for the year ended December 31, 2001, an increase of \$3.6 million or 17.1% over selling expenses of \$20.8 million for the year ended December 31, 2000. Selling expenses as a percentage of net sales increased to 26.4% for the year ended December 31, 2001 from 26.0% for the year ended December 31, 2000. The increase in selling expenses was primarily attributable to increased promotional expenditures, distribution (freight) expenses, commissions, expenditures for graphic design and premiums as well as fees paid for slotting. The increase in selling expenses was partially offset by a decrease in expenditures for advertising, merchandise displays, point of sale and in-store demonstrations. General and administrative expenses were \$10.4 million for the year ended December 31, 2001, an increase of \$1.4 million or 15% over general and administrative expenses of \$9.0 million for the year ended December 31, 2000. General and administrative expenses as a percentage of net sales was 11.3% for the year ended December 31, 2001 from 11.4% for the year ended December 31, 2000. The increase in general and administrative expenses was attributable to an increase in payroll costs, which was partially offset by a decrease in other general and administrative costs. The increase in payroll costs was partially attributable to noncash compensation expense related to the exercise of stock options of \$231,000.

Amortization of trademark license and trademarks was \$507,000 for the year ended December 31, 2001, an increase of \$136,000 over amortization of trademark license and trademarks of \$371,000 for the year ended December 31, 2000. The increase in amortization of trademark license and trademarks was primarily attributable to the amortization of the Blue Sky trademark for a full year since the trademark was acquired in September 2000. To a lesser extent, the increase in amortization of trademark license and trademarks was due to the acquisition of the Junior Juice trademark in May 2001.

Operating Income. Operating income was \$5.6 million for the year ended December 31, 2001, compared to \$6.9 million for the year ended December 31, 2000. The \$1.3 million decrease in operating income was primarily attributable to increased operating expenses, which was partially offset by increased gross profit.

Net Non-operating Expense. Net non-operating expense was \$519,000 for the year ended December 31, 2001, which was \$150,000 higher than net non-operating expense of \$369,000 for the year ended December 31, 2000. Net non-operating expense consists of interest and financing expense and interest income. Interest and financing expense for the year ended December 31, 2001 was \$528,000, as compared to \$382,000 for the year ended December 31, 2000. The increase in interest and financing expense was primarily attributable to the increase in long-term debt, primarily related to the acquisition of the Blue Sky business in 2000. See also "Liquidity and Capital Resources" below. Interest income for the year ended December 31, 2001 was \$9,000, as compared to interest income of \$13,000 for the year ended December 31, 2000. The decrease in interest income was primarily attributable to a reduction in the cash available for investment during the year ended December 31, 2001.

Provision for Income Taxes. Provision for income taxes for the year ended December 31, 2001 was \$2.0 million as compared to provision for income taxes of \$2.6 million for the year ended December 31, 2000. The effective combined federal and state tax rate for 2001 was 40.0% as compared to 40.1% for 2000. The decrease in the provision for income taxes was primarily attributable to decreased operating income.

Net Income. Net income was \$3.0 million for the year ended December 31, 2001, compared to \$3.9 million for the year ended December 31, 2000. The \$896,000 decrease in net income was attributable to decreased operating income of \$1.3 million and increased non-operating expense of \$150,000, which was partially offset by decreased provision for income taxes of \$603,000.

#### Results of Operations for the Year Ended December 31, 2000 Compared to the Year Ended December 31, 1999

Net Sales. For the year ended December 31, 2000, net sales were \$79.7 million, an increase of \$7.4 million or 10.3% over the \$72.3 million net sales for the year ended December 31, 1999. The increase in net sales was primarily attributable to increased sales of the Company's energy and other functional drinks in 8.2-ounce slim cans and increased sales of the Company's new children's multi-vitamin juice drinks. To a lesser extent, the increase in net sales was also attributable to increased sales of apple juice and Natural Sodas and sales of Healthy Start in glass bottles as well as Blue Sky Natural Sodas since the acquisition by the Company of that brand in September 2000. The increase in net sales was partially offset by decreases in sales of the Silver Foxes juice line, Smoothies in cans, glass and P.E.T. bottles, Signature Sodas and iced teas, lemonades and juice cocktails.

Gross Profit. Gross profit was \$37.1 million for the year ended December 31, 2000, an increase of \$3.6 million or 10.6% over the \$33.5 million gross profit for the year ended December 31, 1999. Gross profit as a percentage of net sales increased marginally to 46.5% for the year ended December 31, 2000 from 46.4% for the year ended December 31, 1999. The increase in gross profit was primarily attributable to increased net sales. The increase in gross profit as a percentage of net sales is primarily attributable to slightly higher margins achieved as a result of a change in the Company's product mix.

Total Operating Expenses. Total operating expenses were \$30.2 million for the year ended December 31, 2000, an increase of \$4.2 million or 16.0% over total operating expenses of \$26.0 million for the year ended December 31, 1999. Total operating expenses as a percentage of net sales increased to 37.9% for the year ended December 31, 2000, from 36.0% for the year ended December 31, 1999. The increase in total operating expenses was primarily attributable to increased selling, general and administrative expenses and was partially offset by a decrease in other operating expenses. The increase in total operating expenses as a percentage of net sales was primarily attributable to the increase in net sales and the comparatively larger increase in selling, general and administrative expenses.

Selling, general and administrative expenses were \$29.8 million for the year ended December 31, 2000 an increase of \$4.5 million or 17.7% over selling, general and administrative expenses of \$25.3 million for the year ended December 31, 1999. Selling, general and administrative expenses as a percentage of net sales increased to 37.4% for the year ended December 31, 2000 from 35.0% for the year ended December 31, 1999. Selling expenses were \$20.8 million for the year ended December 31, 2000, an increase of \$3.0 million or 16.7% over selling expenses of \$17.8 million for the year ended December 31, 1999. Selling expenses as a percentage of net sales increased to 26.0% for the year ended December 31, 2000 from 24.6% for the year ended December 31, 1999. The increase in selling expenses was primarily attributable to increased promotional expenditures, distribution (freight) expenses, expenditures for merchandise displays and point of sale materials, as well as fees paid for slotting. The increase in selling expenses was partially offset by a decrease in expenditures for in-store demonstrations. General and administrative expenses were \$9.0 million for the year ended December 31, 2000, an increase of \$1.5 million or 19.9% over general and administrative expenses of \$7.5 million for the year ended December 31, 1999. General and administrative expenses as a percentage of net sales increased to 11.4% for the year ended December 31, 2000 from 10.4% for the year ended December 31, 1999. The increase in general and administrative expenses was primarily attributable to increased payroll costs and certain other expenses incurred in connection with product development and expansion activities into additional states.

Amortization of trademark license and trademarks was \$371,000 for the year ended December 31, 2000, an increase of \$63,000 over amortization of trademark license and trademarks of \$308,000 for the year ended December 31, 1999. The increase in amortization of trademark license and trademarks was primarily

attributable to the acquisition of the Blue Sky trademark, which was acquired during 2000 and is being amortized over a period of 40 years.

No other operating expenses were incurred for the year ended December 31, 2000 as compared with \$380,000 in other operating expenses incurred for the year ended December 31, 1999. Other operating expenses incurred in 1999 were primarily attributable to expenses incurred in connection with a proposed business combination that was not completed.

**Operating Income.** Operating income was \$6.9 million for the year ended December 31, 2000, compared to \$7.5 million for the year ended December 31, 1999. The \$601,000 decrease in operating income was primarily attributable to increased operating expenses, which was partially offset by increased gross profit.

**Net Non-operating Expense.** Net non-operating expense was \$369,000 for the year ended December 31, 2000, which was \$317,000 higher than net non-operating expense of \$52,000 for the year ended December 31, 1999. Net non-operating expense consists of interest and financing expense and interest income. Interest and financing expense for the year ended December 31, 2000 was \$382,000, as compared to \$171,000 for the year ended December 31, 1999. The increase in interest and financing expense was primarily attributable to the increase in long-term debt, primarily related to the acquisition of the Blue Sky business. See also "Liquidity and Capital Resources" below. Interest income for the year ended December 31, 2000 was \$13,000, as compared to interest income of \$118,000 for the year ended December 31, 1999. The decrease in interest income was primarily attributable to a reduction in the cash available for investment during the year ended December 31, 2000.

**Provision for Income Taxes.** Provision for income taxes for the year ended December 31, 2000 was \$2.6 million as compared to provision for income taxes of \$3.0 million for the year ended December 31, 1999. The effective combined federal and state tax rate for 2000 was 40.1% as compared to 39.9% for 1999. The decrease in the provision for income taxes was primarily attributable to decreased operating income.

**Net Income.** Net income was \$3.9 million for the year ended December 31, 2000, compared to \$4.5 million for the year ended December 31, 1999. The \$563,000 decrease in net income was attributable to decreased operating income of \$601,000 and increased non-operating expense of \$317,000, which was partially offset by decreased provision for income taxes of \$355,000.

#### Liquidity and Capital Resources

As of December 31, 2001, the Company had working capital of \$12,978,000 compared to working capital of \$13,644,000 as of December 31, 2000. The decrease in working capital was primarily attributable to payments made on long-term debt and increased expenditures for the acquisition of property, trademark license and trademarks, and deposits and other assets. The decrease was offset by working capital provided by net income earned after adjustments for certain non-cash expenses, primarily amortization of trademark license and trademarks, depreciation and other amortization, the increase in deferred income taxes and compensation expense related to the issuance of stock options.

The Company's cash was used for certain working capital items, such as acquisition of increased inventories and to reduce accounts payable, as well as the acquisition of the Blue Sky and Junior Juice businesses, trademark licenses and trademarks, purchases of property and equipment. The acquisition of increased inventories, increases in accounts receivable, increases in deposits and other assets, acquisition of property and equipment, acquisition of trademark licenses and trademarks, and repayment of the Company's line of credit are expected to remain the Company's principal recurring use of cash and working capital funds.

Net cash used in investing activities for the year ended December 31, 2001 was \$682,000, as compared to net cash used in investment activities of \$7.9 million in 2000. The decrease in net cash used in investing activities was

primarily attributable to lower levels of trademark acquisitions, purchases of property and equipment and deposits and other assets in 2001. Management, from time to time, considers the acquisition of capital equipment, particularly, merchandise display racks, vans and promotional vehicles, coolers and other promotional equipment and businesses compatible with the image of the Hansen's(R) brand, as well as the introduction of new product lines.

Net cash used in financing activities was \$4.4 million for the year ending December 31, 2001, as compared to net cash provided by financing activities of \$7.1 million in 2000. The increase in net cash used in financing activities as compared to the prior year was primarily attributable to increased principal payments of long-term debt, the reduction of short-term borrowings and decreased proceeds from the issuance of common stock during 2001. During 2000, the Company purchased common stock to be held in treasury, whereas no such purchases occurred in 2001.

In 1997, HBC obtained a credit facility from Comerica Bank-California ("Comerica"), consisting of a revolving line of credit of up to \$3.0 million in aggregate at any time outstanding and a term loan of \$4.0 million. The utilization of the revolving line of credit by HBC was dependent upon certain levels of eligible accounts receivable and inventory from time to time. Such revolving line of credit and term loans were secured by substantially all of HBC's assets, including accounts receivable, inventory, trademarks, trademark licenses and certain equipment. That facility was subsequently modified from time to time, and on September 19, 2000, HBC entered into modification agreement with Comerica which amended certain provisions under the above facility in order to finance the acquisition of the Blue Sky business, repay the term loan, and provide additional working capital ("Modification Agreement"). Pursuant to the Modification Agreement, the revolving line of credit was increased to \$12.0 million, reducing to \$6.0 million by September 2004. The revolving line of credit remains in full force and effect through September 2005. Interest on borrowings under the line of credit is based on bank's base (prime) rate, plus an additional percentage of up to 0.5% or the LIBOR rate, plus an additional percentage of up to 2.5%, depending upon certain financial ratios of HBC from time to time.

The following represents a summary of the Company's contractual obligations and related scheduled maturities as of December 31, 2001:

	Long Term Debt & Capital Lease Obligations	Operating Lease	Total
Year ending December 31:			
2002	\$ 337,872	\$ 623,729	\$ 961,601
2003	235,241	644,918	880,159
2004	250,463	647,726	898,189
2005	5,218,641	645,266	5,863,907
2006	146,760	660,468	807,228
Thereafter		2,539,485	2,539,485
	\$ 6,188,977	\$ 5,761,592	\$ 11,950,569

The terms of the Company's line of credit contain certain financial covenants including certain financial ratios and annual net income requirements. The line of credit contains provisions under which applicable interest rates will be adjusted in increments based on the achievement of certain financial ratios. The Company was in compliance with the financial covenants at December 31, 2001.

If any event of default shall occur for any reason, whether voluntary or involuntary, Comerica may declare any or all of portions outstanding on the line of credit immediately due and payable, exercise rights and remedies available to secured parties under the Uniform Commercial Code, institute legal proceedings to foreclose upon the lien and security interest granted or for the sale of any or all collateral.

Management believes that cash available from operations, including cash resources and the revolving line of credit, will be sufficient for its working capital needs, including purchase commitments for raw materials, payments of tax liabilities, debt servicing, expansion and development needs, purchases of

shares of common stock of the Company, as well as any purchases of capital assets or equipment through December 31, 2002.

#### European Monetary Union

Within Europe, the European Economic and Monetary Union (the "EMU") introduced a new currency, the Euro, on January 1, 1999. The new currency is in response to the EMU's policy of economic convergence to harmonize trade policy, eliminate business costs associated with currency exchange and to promote the free flow of capital, goods and services.

On January 1, 2000, the participating countries adopted the Euro as their local currency, initially available for currency trading on currency exchanges and non-cash transactions such as banking. The existing local currencies, or legacy currencies, will remain legal tender through January 1, 2002. Beginning January 1, 2002, Euro-denominated bills and coins will be used for cash transactions. For a period of up to six months from this date, both legacy currencies and the Euro will be legal tender. On or before July 1, 2002, the participating countries will withdraw all legacy currencies and exclusively use the Euro.

The Company's transactions are recorded in U.S. Dollars and the Company does not currently anticipate future transactions being recorded in the Euro. Based on the lack of transactions recorded in the Euro, the Company does not believe that the Euro will have a material effect on the financial position, results of operations or cash flows of the Company. In addition, the Company has not incurred and does not expect to incur any significant costs from the continued implementation of the Euro, including any currency risk, which could materially affect the Company's business, financial condition or results of operations.

The Company has not experienced any significant operational disruptions to date and does not currently expect the continued implementation of the Euro to cause any significant operational disruptions.

#### Critical Accounting Policies

The following summarize the most significant accounting and reporting policies and practices of the Company.

**Trademark License and Trademarks** - Trademark license represents the Company's exclusive world-wide right to use the Hansen's(R) trademark in connection with the manufacture, sale and distribution of carbonated beverages and waters, shelf stable fruit juices and drinks containing fruit juices on a royalty free basis and other non-carbonated beverages and water and non-beverage products in consideration of royalty payments. In September 1999, HBC entered into an Assignment and Agreement with the Fresh Juice Company of California, Inc. ("FJC"), pursuant to which HBC acquired exclusive ownership of the Hansen's(R) trademark and trade names and its obligation to pay royalties on certain product lines fell away. The Company also owns in its own right, a number of other trademarks in the United States as well as in a number of countries around the world. The Company also owns the Blue Sky(R) trademark, which was acquired in September 2000, and the Junior Juice(R) trademark, which was acquired in May 2001. The Company amortizes its trademark license and trademarks over 40 years. The Company's adoption of SFAS No. 142, Goodwill and Other Intangible Assets, will affect the Company's method of amortizing its trademark license and trademarks.

**Long-Lived Assets** - The Company accounts for the impairment and disposition of long-lived assets in accordance with Statement of Financial Accounting Standard ("SFAS") No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. In accordance with SFAS No. 121, long-lived assets to be held are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. The Company periodically reviews the carrying value of long-lived assets to determine whether or not impairment to such value has occurred. As of December 31, 2001, management does not believe that the Company's long-lived assets have been

impaired. If the carrying value of the long-lived asset is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value.

**Advertising and Promotional Allowances** - The Company accounts for advertising production costs by expensing such production costs the first time the related advertising takes place. In addition, the Company supports its customers with promotional allowances, portion of which is utilized for marketing and indirect advertising by them. In certain instances, a portion of the promotional allowances payable to customers based on the levels of sales to such customers, promotion requirements or expected use of the allowances, are estimated by the Company. If the level of sales, promotion requirements or use of the allowances are different from such estimates, the promotional allowances could, to the extent it is based on estimates, be affected. The adoption of Emerging Issues Task Force ("EITF") No. 01-9, as described below, will affect the presentation of these advertising expenses and promotional allowances within the Company's Consolidated Statements of Income.

#### New Accounting Pronouncements

On January 1, 2001, the Company adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 137 and SFAS No. 138. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that the Company recognize all derivative instruments as either current or non-current assets or liabilities at fair value. The adoption of SFAS No. 133 did not have a significant impact on the financial position, results of operations or cash flows of the Company.

During 2000 and 2001, the Financial Accounting Standards Board's ("FASB") EITF addressed various issues related to the income statement classification of certain promotional payments, including consideration from a vendor to a reseller or another party that purchases the vendor's products. EITF No. 01-9, Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products, was issued in November 2001 and codified earlier pronouncements. The consensus requires certain sales promotions and customer allowances currently classified as selling, general and administrative expenses to be classified as a reduction of net sales. The Company is currently evaluating the impact of EITF No. 01-9 on its financial statements and will comply with its provisions beginning in the first quarter of 2002.

In June 2001, the FASB approved SFAS No. 141, Business Combinations, and SFAS No. 142. SFAS No. 141 prospectively prohibits the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001. SFAS No. 142 eliminates the current requirement to amortize goodwill and indefinite-lived intangible assets, addresses the amortization of intangible assets with a defined life and the impairment testing and recognition for goodwill and intangible assets on an annual basis or on an interim basis if an event occurs or circumstances change that would reduce the fair value of a reporting unit below its carrying value. SFAS No. 142 will apply to goodwill and intangible assets arising from transactions completed before and after the effective date of June 30, 2001. The adoption of SFAS No. 141 and SFAS No. 142 is required for the Company on January 1, 2002. The adoption of SFAS 142 is expected to reduce the trademark amortization expense currently recognized by the Company.

In December 1999, the Securities Exchange Commission staff issued Staff Accounting Bulletin ("SAB") No. 101, Revenue Recognition in Financial Statements. SAB No. 101 summarizes certain of the staff's views in applying accounting principles generally accepted in the United States of America to revenue recognition and accounting for deferred costs in the consolidated financial statements and is effective no later than the fourth quarter of fiscal years beginning after December 15, 1999. Based on the Company's revenue recognition policy, there was no material impact to the Company's financial position and consolidated statements of income from the adoption of SAB No. 101.

In accordance with EITF No. 00-10, Accounting for Shipping and Handling Fees and Costs, reimbursements of freight charges are recorded in net sales in the accompanying consolidated statements of income. For the years ended December 31, 2001, 2000 and 1999, freight-out costs amounted to \$4.2 million, \$4.1 million, and \$3.8 million, respectively, and have been recorded in selling, general and administrative expenses in the accompanying consolidated statements of income.

In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company believes that the adoption of SFAS No. 143 will not have a material impact on its results of operations or financial position and will adopt such standards on January 1, 2003, as required.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which supersedes previous guidance on financial accounting and reporting for the impairment or disposal of long-lived assets and for segments of a business to be disposed of. Adoption of SFAS No. 144 is required no later than the beginning of fiscal 2002. Management does not expect the adoption of SFAS No. 144 to have a significant impact on the Company's financial position or results of operations. However, future impairment reviews may result in charges against earnings to write down the value of long-lived assets.

#### Year 2000 Compliance

Prior to January 1, 2000, the Company reviewed the readiness of its computer systems and business practices for handling Year 2000 issues. Since entering the Year 2000, the Company has not experienced any major disruptions to its business nor is it aware of any significant Year 2000 related disruptions impacting its customers and suppliers.

Cost incurred to achieve Year 2000 readiness, which include any contractor costs to modify existing systems and costs of internal resources dedicated to achieving Year 2000 compliance, were charged to expense as incurred and were not material in 2000.

#### Forward Looking Statements

The Private Security Litigation Reform Act of 1995 (the "Act") provides a safe harbor for forward looking statements made by or on behalf of the Company. The Company and its representatives may from time to time make written or oral forward looking statements, including statements contained in this report and other filings with the Securities and Exchange Commission and in reports to shareholders and announcements. Certain statements made in this report, including certain statements made in management's discussion and analysis, may constitute forward looking statements (within the meaning of Section 27.A of the Securities Act 1933 as amended and Section 21.E of the Securities Exchange Act of 1934, as amended) regarding the expectations of management with respect to revenues, profitability, adequacy of funds from operations and the Company's existing credit facility, among other things. All statements which address operating performance, events or developments that management expects or anticipates will or may occur in the future including statements related to new products, volume growth, revenues, profitability, adequacy of funds from operations, and/or the Company's existing credit facility, earnings per share growth, statements expressing general optimism about future operating results and non-historical information, are forward looking statements within the meaning of the Act.

Management cautions that these statements are qualified by their terms and/or important factors, many of which are outside the control of the Company that could cause actual results and events to differ materially from the statements made including, but not limited to, the following:

- o Company's ability to generate sufficient cash flows to support capital expansion plans and general operating activities;
- o Changes in consumer preferences;
- o Changes in demand that are weather related, particular in areas outside of California;
- o Competitive products and pricing pressures and the Company's ability to gain or maintain share of sales in the marketplace as a result of actions by competitors;
- o The introduction of new products;
- o Laws and regulations, and/or any changes therein, including changes in accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax law interpretations) and environmental laws as well as the Federal Food Drug and Cosmetic Act, the Dietary Supplement Health and Education Act, and regulations made thereunder or in connection therewith, especially those that may affect the way in which the Company's products are marketed as well as laws and regulations or rules made or enforced by the Food and Drug Administration and/or the Bureau of Alcohol, Tobacco and Firearms and/or certain state regulatory agencies;
- o Changes in the cost and availability of raw materials and the ability to maintain favorable supply arrangements and relationships and procure timely and/or adequate production of all or any of the Company's products;
- o The Company's ability to achieve earnings forecasts, which may be based on projected volumes and sales of many product types and/or new products, certain of which are more profitable than others and in respect of many which the Company's experience is limited. There can be no assurance that the Company will achieve projected levels or mixes of product sales;
- o The Company's ability to penetrate new markets;
- o The marketing efforts of distributors of the Company's products, most of which distribute products that are competitive with the products of the Company;
- o Unilateral decisions by distributors, grocery store chains, specialty chain stores, club stores, mass merchandisers and other customers to discontinue carrying all or any of the Company's products that they are carrying at any time;
- o The terms and/or availability of the Company's credit facility and the actions of its creditors;
- o The effectiveness of the Company's advertising, marketing and promotional programs;
- o Adverse weather conditions, which could reduce demand for the Company's products;
- o The Company's ability to make suitable arrangements for the co-packing of its Energy and functional drinks in 8.3-ounce slim cans, Smoothies in 11.5-ounce cans, E20 Energy Water, Energade and other products.

The foregoing list of important factors is not exhaustive.

#### Sales

The table set forth below discloses selected quarterly data regarding sales for the past five years. Data from any one or more quarters is not necessarily indicative of annual results or continuing trends.

Sales of beverages are expressed in unit case volume. A "unit case" means a unit of measurement equal to 192 U.S. fluid ounces of finished beverage (twenty-four 8-ounce servings) or concentrate sold that will yield 192 U.S. fluid ounces of finished beverage. Unit case volume of the Company means the number of unit cases (or unit case equivalents) of beverages directly or indirectly sold by the Company. Sales of food bars and cereals are expressed in actual cases. A case of food bars and cereals is defined as follows:

A fruit and grain bar and functional nutrition bar case equals ninety 1.76-ounce bars.

A natural cereal case equals ten 13-ounce boxes measured by volume.

An active nutrition bar case equals thirty two 1.4 ounce bars.

The Company's quarterly results of operations reflect seasonal trends that are primarily the result of increased demand in the warmer months of the year. It has been Hansen's experience that beverage sales tend to be lower during the first and fourth quarters of each fiscal year. Because the primary historical market for Hansen's products is California, which has a year-long temperate climate, the effect of seasonal fluctuations on quarterly results may have been

mitigated; however, such fluctuations may be more pronounced as the distribution of Hansen's products expands outside of California. The Company has not had sufficient experience with its food bars, cereal products and Hard e malt-based products and consequently has no knowledge of the trends which may occur with such products. Quarterly fluctuations may also be affected by other factors including the introduction of new products, the opening of new markets where temperature fluctuations are more pronounced, the addition of new bottlers and distributors, changes in the mix of the sales of its finished products, soda concentrates and food products and increased advertising and promotional expenses. See also "ITEM 1. BUSINESS - SEASONALITY."

Unit Case Volume / Case Sales (in Thousands)

	2001	2000	1999	1998	1997
Quarter 1	3,091	2,451	2,287	1,733	1,281
Quarter 2	4,171	3,323	2,817	2,159	2,058
Quarter 3	4,271	3,157	3,148	2,625	2,453
Quarter 4	3,583	2,859	2,645	1,796	1,913
Total	15,116	11,790	10,897	8,313	7,705

Net Revenues (in Thousands)

	2001	2000	1999	1998	1997
Quarter 1	\$18,769	\$15,978	\$15,229	\$11,265	\$ 7,120
Quarter 2	25,715	22,667	19,142	13,950	11,496
Quarter 3	26,180	22,702	20,491	16,589	13,439
Quarter 4	21,616	18,386	17,441	12,062	11,002
Total	\$92,280	\$79,733	\$72,303	\$53,866	\$43,057

Inflation

The Company does not believe that inflation had a significant impact on the Company's results of operations for the periods presented.

ITEM 7a. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISKS

The principal market risks (i.e., the risk of loss arising from adverse changes in market rates and prices) to which the Company is exposed to are fluctuations in commodity prices, affecting the cost of raw materials, and changes in interest rates on the Company's long term debt. The Company is subject to market risk with respect to the cost of commodities because its ability to recover increased costs through higher pricing may be limited by the competitive environment in which it operates.

At December 31, 2001, the majority of the Company's debt consisted of variable rate debt. The amount of variable rate debt fluctuates during the year based on the Company's cash requirements. If average interest rates were to increase one percent for the year ended December 31, 2001, the net impact on the Company's pre-tax earnings would have been approximately \$71,000.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required to be furnished in response to this item is submitted hereinafter following the signature page hereto at pages F-1 through F-20.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

General

Directors of the Company are elected annually by the holders of the common stock and executive officers are elected annually by the Board of Directors, to serve until the next annual meeting of stockholders or the Board of Directors, as the case may be, or until their successors are elected and qualified. It is anticipated that the next annual meeting of stockholders will be held in November 2002.

Set forth below are the names, ages and principal occupations for the last five years of the directors and/or executive officers of the Company:

Rodney C. Sacks (52) - Chairman of the Board of Directors of the Company, Chief Executive Officer and director of the Company from November 1990 to the present. Member of the Executive Committee of the Board of Directors of the Company since October 1992. Chairman and a director of HBC from June 1992 to the present. Mr. Sacks resigned from his position as Chief Financial Officer of the Company in July 1996, which office he had held from November 1990 to July 1996.

Hilton H. Schlosberg (49) - Vice Chairman of the Board of Directors of the Company, President, Chief Operating Officer, Secretary, and a director of the Company from November 1990 to the present. Chief Financial Officer of the Company since July 1996. Member of the Executive Committee of the Board of Directors of the Company since October 1992. Member of the Audit Committee of the Board of Directors from September 1997 to April 2000. Vice Chairman of the Board of Directors, Secretary and a director of HBC from July 1992 to the present. Director and/or Deputy Chairman of AAF Industries PLC, a United Kingdom publicly quoted industrial group, from June 1990 until April 1995.

Benjamin M. Polk (51) - Director of the Company from November 1990 to the present. Assistant Secretary of HBC since October 1992 and a director of HBC since July 1992. Member of the Audit Committee of the Board of Directors of the Company from September 1997 to November 2000. Member of the Compensation Committee of the Board of Directors of the Company from April 1991 until September 1997. Partner with Winston & Strawn (New York, New York) where Mr. Polk has practiced law with that firm and its predecessors, Whitman Breed Abbott & Morgan LLP and Whitman & Ransom, from August 1976 to the present. 1

Norman C. Epstein (61) - Director of the Company and member of the Compensation Committee of the Board of Directors of the Company since June 1992. Member and Chairman of the Audit Committee of the Board of Directors of the Company since September 1997. Director of HBC since July 1992. Director of Integrated Asset Management Limited, a company listed on the London Stock Exchange since June 1998. Managing Director of Cheval Acceptances, a mortgage finance company based in London, England. Partner with Moore Stephens, an international accounting firm, from 1974 to December 1996 (senior partner beginning 1989 and the managing partner of Moore Stephens, New York from 1993 until 1995).

Harold C. Taber, Jr. (62) - Director of the Company since July 1992. Member of the Audit Committee of the Board of Directors since April 2000. Consultant to the Company from July 1, 1997 to June 30, 2000. Consultant to The Joseph Company from September 1997 to March 1999. President and Chief Executive Officer and a director of HBC from July 1992 to June 1997. On June 30, 1997, Mr. Taber

resigned from his employment as well as director, President and Chief Executive Officer of HBC. In addition, effective June 30, 1997, Mr. Taber resigned as a member of the Executive Committee on which he served since October 1992.

Mark S. Vidergauz (48) - Director of the Company and member of the Compensation Committee of the Board of Directors of the Company since June 1998. Member of the Audit Committee of the Board of Directors since April 2000. Managing Director and Chief Executive Officer of Sage Group LLC from April 2000 to present. Managing director at the Los Angeles office of ING Barings LLC, a diversified financial service institution headquartered in the Netherlands from April 1995 to April 2000. Prior to joining ING Barings LLC in April 1995, Mr. Vidergauz was a managing director at Wedbush Morgan Securities, an investment banking firm in Los Angeles, from 1991 to 1995. Prior to joining Wedbush, Mr. Vidergauz was a corporate finance attorney in the Los Angeles office of O'Melveny & Meyers.

1 Mr. Polk and his law firm, Winston & Strawn, serve as counsel to the Company.

#### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file by specific dates with the SEC initial reports of ownership and reports of changes in ownership of equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms that they file. The Company is required to report in this annual report on Form 10-K any failure of its directors and executive officers and greater than ten percent stockholders to file by the relevant due date any of these reports during the most recent fiscal year or prior fiscal years.

To the Company's knowledge, based solely on review of copies of such reports furnished to the Company during the year ended December 31, 2001, all Section 16(a) filing requirements applicable to the Company's officers, directors and greater than ten percent stockholders were in compliance.

#### ITEM 11. EXECUTIVE COMPENSATION

The following tables set forth certain information regarding the total remuneration earned and grants of options/stock appreciation rights ("SARs") made to the chief executive officer and each of the four most highly compensated executive officers of the Company and its subsidiaries who earned total cash compensation in excess of \$100,000 during the year ended December 31, 2001. These amounts reflect total cash compensation paid by the Company and its subsidiaries to these individuals during the years December 31, 1999 through 2001.

SUMMARY COMPENSATION TABLE

Name and Principal Positions	Year	ANNUAL COMPENSATION			Long Term Compensation (4)
		Salary (1) (\$)	Bonus (2) (\$)	Other Annual Compensation (\$)	Awards (5)
					Securities underlying Options/SARs (#)
Rodney C. Sacks Chairman, CEO and Director	2001	194,400	8,000	7,314 (3)	
	2000	194,400	10,000	6,262 (3)	
	1999	180,000	25,000	6,088 (3)	100,000
Hilton H. Schlosberg Vice-Chairman, CFO President, Secretary and Director	2001	194,400	8,000	7,314 (3)	
	2000	194,400	10,000	6,263 (3)	
	1999	180,000	25,000	6,088 (3)	100,000
Mark J. Hall Senior Vice President Distributor Division	2001	160,000	8,000	7,349 (3)	
	2000	160,000	20,000	8,061 (3)	
	1999	150,000	40,000	7,551 (3)	30,000
Kirk S. Blower Senior Vice President Juice Division	2001	115,000	3,000	7,364 (3)	
	2000	115,000	4,000	7,316 (3)	
	1999	110,000	16,800	7,099 (3)	12,500
Steven B. Edgar Vice President Sales	2001	107,000	21,400	86,160 (6)	
	2000	102,250	8,000	10,114 (3)	
	1999	98,000	20,000	2,593 (3)	10,000

1 SALARY - Pursuant to employment agreement, Messrs. Sacks and Schlosberg are entitled to an annual base salary of \$209,952, \$194,400 and \$180,000 for 2001, 2000 and 1999 respectively. During 2001, Messrs. Sacks and Schlosberg received salaries of \$194,400 respectively.

2 BONUS - Payments made in 2002, 2001 and 2000 are for bonuses accrued in 2001, 2000 and 1999 respectively.

3 OTHER ANNUAL COMPENSATION - The cash value of perquisites of the named persons did not total \$50,000 or 10% of payments of salary and bonus for the years shown.

4 LONG-TERM INCENTIVE PLAN PAYOUTS - None paid. No plan in place.

5 RESTRICTED STOCK AWARDS - The Company does not have a plan for restricted stock awards.

6 Includes \$75,257 representing the dollar value of the difference between the price paid for common stock of the Company through the exercise of stock options and the fair market value of the common stock on the date of exercise; and \$10,903 for automobile expense reimbursement.

ALL OTHER COMPENSATION - none paid

OPTION/SAR GRANTS FOR THE YEAR ENDED DECEMBER 31, 2001

None.

AGGREGATED OPTION/SAR EXERCISES DURING THE YEAR ENDED  
DECEMBER 31, 2001 AND OPTION/SAR VALUES AT DECEMBER 31, 2001

Name	Shares acquired on exercise (#)	Value Realized (\$)	Number of underlying unexercised options/SARs at December 31, 2001 (#)	Value of unexercised in-the-money options/SARs at December 31, 2001 (\$)
			Exercisable/ Unexercisable	Exercisable/ Unexercisable
Rodney C. Sacks	-	-	94,000/43,500 (1)	97,875/0
Hilton H. Schlosberg	-	-	94,000/43,500 (1)	97,875/0
Mark J. Hall	-	-	92,000/24,000 (2)	278,280/75,360
Kirk S. Blower	-	-	5,000/7,500 (3)	0/0
Steven B. Edgar	47,332	128,743	4,000/6,000 (4)	0/0

1 Includes options to purchase 37,500 shares of common stock at \$1.59 per share of which all are exercisable at December 31, 2001, granted pursuant to a Stock Option Agreement dated January 30, 1998 between the Company and Messrs. Sacks and Schlosberg, respectively; and options to purchase 100,000 shares of common stock at \$4.25 per share of which 56,500 are exercisable at December 31, 2001, granted pursuant to Stock Option Agreements dated February 2, 1999 between the Company and Messrs. Sacks and Schlosberg, respectively.

2 Includes options to purchase 96,000 shares of common stock at \$1.06 per share of which 72,000 are exercisable at December 31, 2001, granted pursuant to a Stock Option Agreement dated February 10, 1997 between the Company and Mr. Hall; options to purchase 20,000 shares of common stock at \$1.59 per share of which 20,000 are exercisable at December 31, 2001, granted pursuant to a Stock Option Agreement dated January 30, 1998 between the Company and Mr. Hall.

3 Includes options to purchase 12,500 shares of common stock at \$4.25 per share of which 5,000 are exercisable at December 31, 2001, granted pursuant to a Stock Option Agreement dated February 2, 1999 between the Company and Mr. Blower.

4 Includes options to purchase 10,000 shares of common stock at \$4.25 per share of which 4,000 are exercisable at December 31, 2001, granted pursuant to a Stock Option Agreement dated February 1, 1999 between the Company and Mr. Edgar.

Performance Graph

The following graph shows a five-year comparison of cumulative total returns: (1)

TOTAL SHAREHOLDER RETURNS

ANNUAL RETURN PERCENTAGES

For the years ended December 31,

Company Name/Index	1997	1998	1999	2000	2001
HANSEN NAT CORP	70.62	196.63	(19.77)	(10.14)	8.39
S&P SMALLCAP 600 INDEX	25.58	(1.31)	12.40	11.80	6.54
PEER GROUP	34.05	(43.03)	9.15	17.06	47.15

INDEXED RETURNS

For the years ended December 31,

Company Name/Index	Base Period 1996	1997	1998	1999	2000	2001
HANSEN NAT CORP	100	170.62	506.12	406.07	364.88	395.48
S&P SMALLCAP 600 INDEX	100	125.58	123.95	139.32	155.76	165.94
PEER GROUP	100	134.05	76.37	83.36	97.58	143.58

1 Annual return assumes reinvestment of dividends. Cumulative total return assumes an initial investment of \$100 on December 31, 1996. The Company's self-selected peer group is comprised of Saratoga Beverage Group, National Beverage Corporation, Clearly Canadian Beverage Company, Triarc Companies, Inc., Leading Brands, Inc., Cott Corporation, Northland Cranberries and Jones Soda Co. All of the companies in the peer group traded during the entire five-year period with the exception of Saratoga Beverage Group, which traded through 1999, Triarc Companies, Inc., which sold their beverage business in October 2000 and Jones Soda Co., which started trading in August 2000.

Employment Agreements

The Company entered into an employment agreement dated as of January 1, 1999, with Rodney C. Sacks pursuant to which Mr. Sacks renders services to the Company as its Chairman and Chief Executive Officer for an annual base salary of \$180,000, for the twelve-month period ended December 31, 1999, increasing by a minimum of 8% for each subsequent twelve-month period during the employment period, plus an annual bonus in an amount determined at the discretion of the Board of Directors and certain fringe benefits. The employment period commenced on January 1, 1999 and ends on December 31, 2003.

The Company also entered into an employment agreement dated as of January 1, 1999, with Hilton H. Schlosberg pursuant to which Mr. Schlosberg renders services to the Company as its Vice Chairman, President, Chief Operating Officer, Chief Financial Officer and Secretary for an annual base salary of

\$180,000, for the twelve-month period ended December 31, 1999, increasing by a minimum of 8% for each subsequent twelve-month period during the employment period, plus an annual bonus in an amount determined at the discretion of the Board of Directors and certain fringe benefits. The employment period commenced on January 1, 2000 and ends on December 31, 2003.

The preceding descriptions of the employment agreements for Messrs. Sacks and Schlosberg are qualified in their entirety by reference to such agreements, which have been filed or incorporated, by reference as exhibits to this report.

#### Directors' Compensation

The Company's current policy is to pay outside directors (non-executive officers) who are not contractually entitled to be nominated to serve as directors, annual fees of \$7,000 plus \$500 for each meeting attended of the Board of Directors or any committee thereof. Norman E. Epstein, Harold C. Taber, Jr. and Mark S. Vidergauz earned director's fees of \$8,000 and Benjamin M. Polk earned director's fees of \$7,500 for the one-year period ended December 31, 2001.

#### Employee Stock Option Plan

The Company has a stock option plan (the "Plan") that provided for the grant of options to purchase up to 3,000,000 shares of the common stock of the Company to certain key employees of the Company and its subsidiaries. Options granted under the Plan may either be incentive stock options qualified under Section 422 of the Internal Revenue Code of 1986, as amended or non-qualified options. Such options are exercisable at fair market value on the date of grant for a period of up to ten years. Under the Plan, shares subject to options may be purchased for cash, for shares of common stock valued at fair market value on the date of purchase or in consideration of the cancellation of options valued at the difference between the exercise price thereof and the fair market value of the common stock on the date of exercise.

During 2001, the Company adopted the Hansen Natural Corporation 2001 Stock Option Plan ("2001 Option Plan"). The 2001 Option Plan provides for the grant of options to purchase up to 2,000,000 shares of the common stock of the Company to certain key employees of the Company and its subsidiaries. Options granted under the 2001 Stock Option Plan may be incentive stock options under Section 422 of the Internal Revenue Code, as amended (the "Code"), nonqualified stock options, or stock appreciation rights.

The Plan and the 2001 Option Plan are administered by the Compensation Committee of the Board of Directors of the Company, comprised of directors who satisfy the "non-employee" director requirements of Rule 16b-3 under the Securities Exchange Act of 1934 and the "outside director" provision of Section 162(m) of the Code. Grants under the Plan and the 2001 Option Plan are made pursuant to individual agreements between the Company and each grantee that specifies the terms of the grant, including the exercise price, exercise period, vesting and other terms thereof.

#### Outside Directors Stock Option Plan

The Company has an option plan for its outside directors (the "Directors Plan") that provides for the grant of options to purchase up to an aggregate of 100,000 shares of common stock of the Company to directors of the Company who are not and have not been employed by or acted as consultants to the Company and its subsidiaries or affiliates and who are not and have not been nominated to the Board of Directors of the Company pursuant to a contractual arrangement. On the date of the annual meeting of stockholders at which an eligible director is initially elected, each eligible director is entitled to receive a one-time grant of an option to purchase 6,000 shares (12,000 shares if the director is serving on a committee of the Board) of the Company's Common Stock exercisable at the closing price for a share of common stock on the date of grant. Options become exercisable one-third each on the first, second and third anniversary of the date of grant; provided, however, that options granted as of February 14, 1995 are exercisable 66 2/3% on the date of grant and 100% on July 8, 1995;

provided further, that all options held by an eligible director become fully and immediately exercisable upon a change in control of the Company. Options granted under the Directors Plan that are not exercised generally expire ten years after the date of grant. Option grants may be made under the Directors Plan for ten years from the effective date of the Directors Plan. The Directors Plan is a "formula plan" so that a non-employee director's participation in the Directors Plan does not affect his status as a "disinterested person" (as defined in Rule 16b-3 under the Securities Exchange Act of 1934).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) The following table sets forth information, as of March 11, 2002, of the only persons known to the Company who beneficially own more than 5% of the outstanding common stock of the Company:

Title Of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	Brandon Limited Partnership No. 1 (1)	654,822	6.5%
	Brandon Limited Partnership No. 2 (2)	2,831,667	28.2%
	Rodney C. Sacks (3)	3,987,989 (4)	39.7%
	Hilton H. Schlosberg (5)	3,949,086 (6)	39.3%
	Kevin Douglas, Douglas Family Trust and James Douglas and Jean Douglas Irrevocable Descendents' Trust(7)	706,911 (8)	7.0%

1 The mailing address of Brandon No. 1 is P.O. Box 30749, Seven Mile Beach, Grand Cayman, British West Indies. The general partners of Brandon No. 1 are Rodney C. Sacks and Hilton H. Schlosberg.

2 The mailing address of Brandon No. 2 is P.O. Box 30749, Seven Mile Beach, Grand Cayman, British West Indies. The general partners of Brandon No. 2 are Rodney C. Sacks and Hilton H. Schlosberg.

3 The mailing address of Mr. Sacks is 1010 Railroad Street, Corona, California 92882.

4 Includes 387,500 shares of common stock owned by Mr. Sacks; 654,822 shares beneficially held by Brandon No. 1 because Mr. Sacks is one of Brandon No. 1's general partners; and 2,831,667 shares beneficially held by Brandon No. 2 because Mr. Sacks is one of Brandon No. 2's general partners. Also includes options to purchase 37,500 shares of common stock exercisable at \$1.59 per share granted pursuant to a Stock Option Agreement dated January 30, 1998; and options presently exercisable to purchase 76,500 shares of common stock, out of options to purchase a total of 100,000 shares, exercisable at \$4.25 per share, granted pursuant to a Stock Option Agreement dated February 2, 1999 between the Company and Mr. Sacks.

Mr. Sacks disclaims beneficial ownership of all shares deemed beneficially owned by him hereunder except: (i) 387,500 shares of common stock; (ii) the 114,000 shares presently exercisable under Stock Option Agreements; (iii) 243,546 shares held by Brandon No. 1 allocable to the limited partnership interests in Brandon No. 1 held by Mr. Sacks, his children, a trust for the benefit of his children and a limited partnership for the benefit of Mr. Sacks and his children and of which he is the general partner; and (iv) 250,000 shares held by Brandon No. 2 allocable to the limited partnership interests in Brandon No. 2 held by Mr. Sacks, his children, a trust for the benefit of his children and a limited partnership for the benefit of Mr. Sacks and his children and of which he is the general partner.

5 The mailing address of Mr. Schlosberg is 1010 Railroad Street, Corona, California 92882.

6 Includes 348,597 shares of common stock owned by Mr. Schlosberg, of which 2,000 shares are jointly owned by Mr. Schlosberg and his wife, 654,822 shares beneficially held by Brandon No. 1 because Mr. Schlosberg is one of Brandon No. 1's general partners; and 2,831,667 shares beneficially held by Brandon No. 2 because Mr. Schlosberg is one of Brandon No. 2's general partners. Also includes options to purchase 37,500 shares of common stock exercisable at \$1.59 per share granted pursuant to a Stock Option Agreement dated January 30, 1998 between the

Company and Mr. Schlosberg; and options presently exercisable to purchase 76,500 shares of common stock, out of options to purchase a total of 100,000 shares, exercisable at \$4.25 per share, granted pursuant to a Stock Option Agreement dated February 2, 1999 between the Company and Mr. Schlosberg.

Mr. Schlosberg disclaims beneficial ownership of all shares deemed beneficially owned by him hereunder except: (i) 348,597 shares of common stock, (ii) the 114,000 shares presently exercisable under Stock Option Agreements; (iii) 247,911 shares held by Brandon No. 1 allocable to the limited partnership interests in Brandon No. 1 held by Mr. Schlosberg and his children; and (iv) 250,000 shares held by Brandon No. 2 allocable to the limited partnership interests in Brandon No. 2 held by Mr. Schlosberg and his children.

7 The mailing address of this reporting person is 1101 Fifth Avenue, Suite 360, San Rafael, California 94906.

8 Includes 252,682 shares of common stock owned by Kevin Douglas; 226,409 shares of common stock owned by James Douglas and Jean Douglas Irrevocable Descendants' Trust; and 227,820 shares of common stock owned by Douglas Family Trust. Kevin Douglas, Douglas Family Trust and James Douglas and Jean Douglas Irrevocable Descendants' Trust are deemed members of a group that shares voting and dispositive power over the shares.

(b) The following table sets forth information as to the ownership of shares of common stock, as of March 11, 2002, held by persons who are directors of the Company, naming them, and as to directors and officers of the Company as a group, without naming them:

Title of Class	Name	Amount Owned	Percent of Class
Common Stock	Rodney C. Sacks	3,987,989 (1)	39.2%
	Hilton H. Schlosberg	3,949,086 (2)	38.8%
	Harold C. Taber, Jr.	107,419 (3)	1.1%
	Mark S. Vidergauz	12,000 (4)	* %

Officers and Directors as a group (6 members: 4,570,005 shares or 44.4% in aggregate)

\*Less than 1%

1 Includes 387,500 shares of common stock owned by Mr. Sacks; 654,822 shares beneficially held by Brandon No. 1 because Mr. Sacks is one of Brandon No. 1's general partners; and 2,831,667 shares beneficially held by Brandon No. 2 because Mr. Sacks is one of Brandon No. 2's general partners. Also includes options to purchase 37,500 shares of common stock exercisable at \$1.59 per share granted pursuant to a Stock Option Agreement dated January 30, 1998; and options presently exercisable to purchase 76,500 shares of common stock, out of options to purchase a total of 100,000 shares, exercisable at \$4.25 per share, granted pursuant to a Stock Option Agreement dated February 2, 1999 between the Company and Mr. Sacks.

Mr. Sacks disclaims beneficial ownership of all shares deemed beneficially owned by him hereunder except: (i) 387,500 shares of common stock; (ii) the 114,000 shares presently exercisable under Stock Option Agreements; (iii) 243,546 share held by Brandon No. 1 allocable to the limited partnership interests in Brandon

No. 1 held by Mr. Sacks, his children, a trust for the benefit of his children and a limited partnership for the benefit of Mr. Sacks and his children and of which he is the general partner; and (iv) 250,000 shares held by Brandon No. 2 allocable to the limited partnership interests in Brandon No. 2 held by Mr. Sacks, his children, a trust for the benefit of his children and a limited partnership for the benefit of Mr. Sacks and his children and of which he is the general partner.

2 Includes 348,597 shares of common stock owned by Mr. Schlosberg, of which 2,000 shares are owned jointly by Mr. Schlosberg and his wife; 654,822 shares beneficially held by Brandon No. 1 because Mr. Schlosberg is one of Brandon No. 1's general partners; and 2,831,667 shares beneficially held by Brandon No. 2 because Mr. Schlosberg is one of Brandon No. 2's general partners. Also includes options to purchase 37,500 shares of common stock exercisable at \$1.59 per share granted pursuant to a Stock Option Agreement dated January 30, 1998 between the Company and Mr. Schlosberg; and options presently exercisable to purchase 76,500 shares of common stock, out of options to purchase a total of 100,000 shares, exercisable at \$4.25 per share, granted pursuant to a Stock Option Agreement dated February 2, 1999 between the Company and Mr. Schlosberg.

Mr. Schlosberg disclaims beneficial ownership of all shares deemed beneficially owned by him hereunder except: (i) 348,597 shares of common stock, (ii) the 114,000 shares presently exercisable under Stock Option Agreements; (iii) 247,911 shares held by Brandon No. 1 allocable to the limited partnership interests in Brandon No. 1 held by Mr. Schlosberg and his children; and (iv) 250,000 shares held by Brandon No. 2 allocable to the limited partnership interests in Brandon No. 2 held by Mr. Schlosberg and his children.

3 Includes 71,137 shares of common stock owned by Mr. Taber; and 36,281.7 shares of common stock owned by the Taber Family Trust of which Mr. Taber and his wife are trustees.

4 Includes options presently exercisable to purchase 12,000 shares of common stock exercisable at \$3.72 per share, granted under a Stock Option Agreement with the Company dated as of June 18, 1998 pursuant to the Directors Plan.

There are no arrangements known to the Company, the operation of which, may at a subsequent date result in a change of control of the Company.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Benjamin M. Polk is a partner in Winston & Strawn, a law firm (together with its predecessors) that has been retained by the Company since 1992.

Rodney C. Sacks is currently acting as the sole Trustee of a trust formed pursuant to an Agreement of Trust dated July 27, 1992 for the purpose of holding the Hansen's (R) trademark. The Company and HBC have agreed to indemnify Mr. Sacks and hold him harmless from any claims, loss or liability arising out of his acting as Trustee.

During 2001, the Company purchased promotional items from IFM Group, Inc. ("IFM"). Rodney C. Sacks, together with members of his family, own approximately 27% of the issued shares in IFM. Hilton H. Schlosberg, together with members of his family, own approximately 43% of the issued shares in IFM. Purchases from IFM of promotional items in 2001, 2000 and 1999 were \$164,638, \$115,520 and \$121,289 respectively. The Company continues to purchase promotional items from IFM Group, Inc. in 2002.

The preceding descriptions of agreements are qualified in their entirety by reference to such agreements, which have been filed as exhibits to this Report.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Exhibits

See the Index to Exhibits included hereinafter.

2. Index to Financial Statements filed as part of this Report

Independent Auditors' Report	F-2
Consolidated Balance Sheets as of December 31, 2001 and 2000	F-3
Consolidated Statements of Income for the years ended December 31, 2001, 2000 and 1999	F-4
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2001, 2000 and 1999	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999	F-6
Notes to Consolidated Financial Statements for the years ended December 31, 2001, 2000 and 1999	F-8

(b) Financial Statement Schedules

Valuation and Qualifying Accounts for the years ended December 31, 2001, 2000 and 1999	F-20
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(c) Reports on Form 8-K

None



INDEX TO EXHIBITS

The following designated exhibits, as indicated below, are either filed herewith or have heretofore been filed with the Securities and Exchange Commission under the Securities Act of 1933 or the Securities Exchange Act of 1934 as indicated by footnote.

Exhibit No.	Document Description
2.1	Asset Purchase Agreement among Blue Sky Natural Beverage Co., a Delaware Corporation, as Purchaser and Blue Sky Natural Beverage Co., a New Mexico Corporation as Seller and Robert Black dated as of September 20, 2000.19
3(a)	Certificate of Incorporation. 1
3(b)	Amendment to Certificate of Incorporation dated October 21, 1992. 2
3(c)	By-Laws. 2
10(c)	Asset Purchase Agreement dated June 8, 1992 ("Asset Purchase Agreement"), by and among Unipac Corporation ("Unipac"), Hansen Beverage Company ("Hansen"), California Co-Packers Corporation ("Co-Packers"), South Pacific Beverages, Ltd. ("SPB"), Harold C. Taber, Jr. ("Taber"), Raimana Martin ("R. Martin"), Charles Martin ("C. Martin"), and Marcus I. Bender ("Bender"), and with respect to certain provisions, ERLY Industries, Inc. ("ERLY"), Bender Consulting Incorporated ("Bender Consulting") and Black Pearl International, Ltd. ("Blank Pear"). 2
10(d)	First Amendment to Asset Purchase Agreement dated as of July 10, 1992. 2
10(e)	Second Amendment to Asset Purchase Agreement dated as of July 16, 1992. 2
10(f)	Third Amendment to Asset Purchase Agreement dated as of July 17, 1992. 2
10(g)	Fourth Amendment to Asset Purchase Agreement dated as of July 24, 1992. 2
10(h)	Subordinated Secured Promissory Note of Hansen in favor of ERLY dated July 27, 1992 in the principal amount of \$4,000,000. 2
10(i)	Security Agreement dated July 27, 1992 by and between Hansen and ERLY. 2
10(j)	Stock Option Agreement by and between SPB and Unipac dated July 27, 1992 for an option price of \$4.75 per share. 2
10(k)	Stock Option Agreement by and between Taber and Unipac dated July 27, 1992 for an option price of \$4.75 per share. 2
10(l)	Stock Option Agreement by and between Co-Packers and Unipac dated July 27, 1992 for an option price of \$4.75 per share. 2
10(n)	Stock Option Agreement by and between SPB and Unipac dated July 27, 1992 for an option price of \$2.50 per share. 2
10(o)	Stock Option Agreement by and between Co-Packers and Unipac dated July 27, 1992 for an option price of \$2.50 per share. 2
10(p)	Assignment Agreement re: Trademarks by and between Hansen's Juices, Inc. ("FJC"), and Hansen, dated July 27, 1992. 8
10(q)	Assignment of Trademarks dated July 27, 1992 by FJC to Gary Hansen, Anthony Kane and Burton S. Rosky, as trustees under that certain trust agreement dated July 27, 1992 (the "Trust"). 8
10(r)	Assignment of License by Co-Packers to Hansen dated as of July 27, 1992. 8
10(s)	Employment Agreement between Hansen and Taber dated as of July 27, 1992. 3
10(t)	Consulting Agreement by and between Hansen and Black Pearl dated July 27, 1992. 3
10(u)	Consulting Agreement by and between Hansen and C. Martin dated July 27, 1992. 3
10(w)	Registration Rights Agreement by and among Unipac, SPB, Co-Packers, Taber, Wedbush Morgan Securities ("Wedbush"), Rodney C. Sacks, and Hilton H. Schlosberg, dated July 27, 1992. 3
10(z)	Soda Side Letter Agreement dated June 8, 1992 by and among Unipac, Hansen, SPB, Black Pearl, Tahiti Beverages, S.A.R.L., R. Martin and C. Martin. 4
10(bb)	Hansen/Taber Agreement dated July 27, 1992 by and among Hansen and Taber. 8

10(cc) Other Beverage License Agreement dated July 27, 1992 by and between Hansen and the Trust. 8

10(dd) Non-Beverage License Agreement dated July 27, 1992 by and between Hansen and the Trust. 8

10(ee) Agreement of Trust dated July 27, 1992 by and among FJC and Hansen and Gary Hansen, Anthony Kane and Burton S. Rosky. 8

10(ff) Carbonated Beverage License Agreement dated July 27, 1992 by and between Hansen and the Trust. 8

10(gg) Royalty Sharing Agreement dated July 27, 1992 by and between Hansen and the Trust. 8

10(hh) Fresh Juices License Agreement dated as of July 27, 1992 by and between Hansen and the Trust. 8

10(ii) Incentive Stock Option Agreement dated July 27, 1992 by and between Unipac and Taber at the option price of \$2.00 per share. 2

10(jj) Co-Packing Agreement dated November 24, 1992 by and between Tropicana Products Sales, Inc. and Hansen. 4

10(kk) Office Lease, dated December 16, 1992 by and between Lest C. Smull as Trustee, and his Successors under Declaration of Trust for the Smull family, dated December 7, 1984, and Hansen. 5

10(ll) Stock Option Agreement dated as of June 15, 1992 by and between Unipac and Rodney C. Sacks. 5

10(mm) Stock Option Agreement dated as of June 15, 1992 by and between Unipac and Hilton H. Schlosberg. 5

10(nn) Stock Option Agreement dated as of February 14, 1995 between Hansen Natural Corporation and Benjamin M. Polk. 7

10(oo) Stock Option Agreement dated as of February 14, 1995 between Hansen Natural Corporation and Norman C. Epstein. 7

10(pp) Employment Agreement dated as of January 1, 1994 between Hansen Natural Corporation and Hilton H. Schlosberg. 6

10(qq) Employment Agreement dated as of January 1, 1994 between Hansen Natural Corporation and Rodney C. Sacks. 6

10(rr) Stock Option Agreement dated as of July 3, 1995 between Hansen Natural Corporation and Rodney C. Sacks. 8

10(ss) Stock Option Agreement dated as of July 3, 1995 between Hansen Natural Corporation and Hilton H. Schlosberg. 8

10(tt) Stock Option Agreement dated as of June 30, 1995 between Hansen Natural Corporation and Harold C. Taber, Jr. 8

10(uu) Standard Industrial Lease Agreement dated as of April 25, 1997 between Hansen Beverage Company and 27 Railroad Partnership L.P. 9

10(vv) Sublease Agreement dated as of April 25, 1997 between Hansen Beverage Company and U.S. Continental Packaging, Inc. 9

10(ww) Packaging Agreement dated April 14, 1997 between Hansen Beverage Company and U.S. Continental Packaging, Inc. 10

10(xx) Revolving Credit Loan and Security Agreement dated May 15, 1997 between Comerica Bank - California and Hansen Beverage Company. 10

10(yy) Severance and Consulting Agreement dated as of June 20, 1997 by and among Hansen Beverage Company, Hansen Natural Corporation and Harold C. Taber, Jr. 10

10(zz) Stock Option Agreement dated as of June 20, 1997 by and between Hansen Natural Corporation and Harold C. Taber, Jr. 10

10 (aaa) Variable Rate Installment Note dated October 14, 1997 between Comerica Bank - California and Hansen Beverage Company. 10

10 (bbb) Stock Option Agreement dated as of January 30, 1998 by and between Hansen Natural Corporation and Rodney C. Sacks.11

10 (ccc) Stock Option Agreement dated as of January 30, 1998 by and between Hansen Natural Corporation and Hilton S. Schlosberg.11

10 (ddd) Warrant Agreement made as of April 23, 1998 by and between Hansen Natural Corporation and Rick Dees.12

10 (eee) Modification to Revolving Credit Loan and Security Agreement as of December 31, 1998 by and between Hansen Beverage Company and Comerica Bank - California.13

10 (fff) Employment Agreement as of January 1, 2000 by and between Hansen Natural Corporation and Rodney C. Sacks.13

10 (ggg) Employment Agreement as of January 1, 2000 by and between Hansen Natural Corporation and Hilton S. Schlosberg.13

10 (hhh) Stock Option Agreement dated as of February 2, 2000 by and between Hansen Natural Corporation and Rodney C. Sacks.13

10 (iii) Stock Option Agreement dated as of February 2, 2000 by and between Hansen Natural Corporation and Hilton S. Schlosberg.13

10 (jjj) Stock Repurchase Agreement dated as of August 3, 1998, by and between Hansen Natural Corporation and Rodney C. Sacks.14

10 (kkk) Stock Repurchase Agreement dated as of August 3, 1998, by and between Hansen Natural Corporation and Hilton H. Schlosberg.14

10 (lll) Assignment and Agreement dated as of September 22, 2000 by the Fresh Juice Company of California, Inc. and Hansen Beverage Company. 15

10 (mmm) Settlement Agreement dated as of September 2000 by and between and among Rodney C. Sacks, as sole Trustee of The Hansen's Trust and Hansen Beverage Company The Fresh Juice Company of California, Inc. 15

10 (nnn) Trademark Assignment dated as of September 24, 2000 by and between The Fresh Juice Company of California, Inc. (Assignor) and Rodney C. Sacks as sole Trustee of The Hansen's Trust (Assignee). 15

10 (ooo) Settlement Agreement dated as of September 3, 2000 by and between The Fresh Juice Company of California, Inc., The Fresh Smoothie Company, LLC, Barry Lublin, Hansen's Juice Creations, LLC, Harvey Laderman and Hansen Beverage Company and Rodney C. Sacks, as Trustee of The Hansen's Trust. 15

10 (ppp) Royalty Agreement dated as of April 26, 1996 by and between Hansen's Juices, Inc. and Hansen's Juice Creations, Limited Liability Company. 15

10 (qqq) Royalty Agreement dated as of April 26, 2000 by and between Gary Hansen, Anthony Kane and Burton S. Rosky, as trustees of Hansen's Trust and Hansen's Juice Creations, a limited liability company. 15

10 (rrr) Letter Agreement dated May 14, 1996. 15

10 (sss) Amendment to Royalty Agreement as of May 9, 1997 by and between The Fresh Juice Company of California and Hansen's Juice Creations, Limited Liability Company. 15

10 (ttt) Assignment of License Agreements dated as of February 2000 by Hansen's Juice Creations, LLC (Assignor) to Fresh Smoothie, LLC (Assignee). 15

10 (uuu) Amendment to Revolving Credit Loan and Security Agreement between Comerica Bank - California and Hansen Beverage Company dated March 28, 2000. 16

10 (vvv) Endorsement and Spokesman Arrangement dated as of February 18, 2000 by and between Hansen Beverage Company and Sammy Sosa. 16

10 (www) Standard Industrial Lease Agreement dated as of February 23, 2000 between Hansen Beverage Company and 43 Railroad Partnership L.P. 16

10 (xxx) Amended and Restated Variable Rate Installment Note by and between Comerica Bank - California and Hansen Beverage Company. 17

10 (yyy) Sixth Modification to Revolving Credit Loan & Security Agreement by and between Hansen Beverage Company and Comerica Bank - California, dated May 23, 2000. 18

10 (zzz)	Contract Brewing agreement by and between Hard e Beverage Company and Reflo, Inc. dated March 23, 2000. 18
10.1	Modification dated as of September 19, 2000, to Revolving Credit Loan and Security Agreement by and between Hansen Beverage Company and Comerica Bank California. 19
10.2	Asset Purchase Agreement among Hansen Junior Juice Company, as Purchaser and Pasco Juices, Inc. as Seller and Hansen Beverage Company dated as of May 25, 2001.
21	Subsidiaries 5
23	Independent Auditors' Consent
99.1	Audited Financial Statements of Blue Sky Natural Beverage Co., a New Mexico corporation ("BSNB-NM") for 1999 and 1998. 20
99.2	Unaudited Balance Sheet at September 30, 2000 for BSNB-NM and Unaudited Statement of Operations for the nine-months then ended. 20

- 1 Filed previously as an exhibit to the Registration Statement on Form S-3 (no. 33-35796) (the "Registration Statement").
- 2 Filed previously as an exhibit to the Company's proxy statement dated October 21, 1992.
- 3 Filed previously as an exhibit to Form 8-K dated July 27, 1992.
- 4 Filed previously as an exhibit to Post-Effective Amendment No. 8 to the Registration Statement.
- 5 Filed previously as an exhibit to Form 10-KSB for the year ended December 31, 1992.
- 6 Filed previously as an exhibit to Form 10-KSB for the year ended December 31, 1993.
- 7 Filed previously as an exhibit to Form 10-KSB for the year ended December 31, 1994.
- 8 Filed previously as an exhibit to Form 10-K for the year ended December 31, 1995.
- 9 Filed previously as an exhibit to Form 10-Q for the period ended June 30, 1997.
- 10 Filed previously as an exhibit to Form 10-Q for the period ended September 30, 1997.
- 11 Filed previously as an exhibit to Form 10-Q for the period ended March 31, 1998.
- 12 Filed previously as an exhibit to Form 10-Q for the period ended June 30, 1998.
- 13 Filed previously as an exhibit to Form 10-K for the year ended December 31, 1998.
- 14 Filed previously as an exhibit to Form 10-Q for the period ended June 30, 1999.
- 15 Filed previously as an exhibit to Form 10-Q for the period ended September 30, 1999.
- 16 Filed previously as an exhibit to Form 10-K for the year ended December 31, 1999.
- 17 Filed previously as an exhibit to Form 10-Q for the period ended March 31, 2000.
- 18 Filed previously as an exhibit to Form 10-Q for the period ended June 30, 2000.
- 19 Filed previously as an exhibit to Form 8-K dated September 20, 2000.
- 20 Filed previously as an exhibit to Form 8-K/A dated September 20, 2000.

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

	Page
HANSEN NATURAL CORPORATION AND SUBSIDIARIES	
Independent Auditors' Report	F-2
Consolidated Balance Sheets as of December 31, 2001 and 2000	F-3
Consolidated Statements of Income for the years ended December 31, 2001, 2000 and 1999	F-4
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2001, 2000 and 1999	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999	F-6
Notes to Consolidated Financial Statements for the years ended December 31, 2001, 2000 and 1999	F-8
Valuation and Qualifying Accounts for the years ended December 31, 2001, 2000 and 1999	F-20

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Hansen Natural Corporation  
Corona, California

We have audited the accompanying consolidated balance sheets of Hansen Natural Corporation and subsidiaries (the "Company") as of December 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for the years ended December 31, 2001, 2000, and 1999. Our audits also included the financial statement schedule listed in Item 14. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and this financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Hansen Natural Corporation and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for the years ended December 31, 2001, 2000, and 1999 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California  
March 22, 2002

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31, 2001 AND 2000

ASSETS	2001 ----	2000 ----
CURRENT ASSETS:		
Cash and cash equivalents	\$ 247,657	\$ 130,665
Accounts receivable (net of allowance for doubtful accounts, sales returns and cash discounts of \$625,270 in 2001 and \$486,462 in 2000 and promotional allowances of \$2,981,556 in 2001 and \$2,370,260 in 2000)	4,412,422	6,797,314
Inventories, net (Note 3)	11,956,680	10,907,895
Prepaid expenses and other current assets	974,155	823,387
Deferred income tax asset (Note 7)	949,176	881,618
Total current assets	----- 18,540,090	----- 19,540,879
PROPERTY AND EQUIPMENT, net (Note 4)	1,945,146	1,863,044
INTANGIBLE AND OTHER ASSETS:		
Trademark license and trademarks (net of accumulated amortization of \$3,873,846 in 2001 and \$3,366,358 in 2000)	17,350,221	16,887,914
Deposits and other assets	725,825	665,731
	----- 18,076,046	----- 17,553,645
	----- \$ 38,561,282	----- \$ 38,957,568
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,919,741	\$ 3,894,784
Accrued liabilities	871,841	607,443
Accrued compensation	432,896	281,629
Current portion of long-term debt (Note 5)	337,872	234,655
Income taxes payable (Note 7)		878,266
Total current liabilities	----- 5,562,350	----- 5,896,777
LONG-TERM DEBT, less current portion (Note 5)	5,851,105	9,731,956
DEFERRED INCOME TAX LIABILITY (Note 7)	1,814,278	1,274,139
COMMITMENTS AND CONTINGENCIES (Note 6)		
STOCKHOLDERS' EQUITY: (Note 8)		
Common stock - \$0.005 par value; 30,000,000 shares authorized; 10,251,764 shares issued, 10,045,003 outstanding in 2001; 10,148,882 shares issued, 9,942,121 outstanding in 2000	51,259	50,744
Additional paid-in capital	11,926,604	11,667,619
Retained earnings	14,170,231	11,150,878
Common stock in treasury, at cost; 206,761 in 2001 and 2000	(814,545)	(814,545)
Total shareholders' equity	----- 25,333,549	----- 22,054,696
	----- \$ 38,561,282	----- \$ 38,957,568
	=====	=====

See accompanying notes to consolidated financial statements.

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

	2001 ----	2000 ----	1999 ----
NET SALES	\$ 92,279,711	\$ 79,732,709	\$ 72,303,186
COST OF SALES	51,455,207	42,646,677	38,776,532
GROSS PROFIT	40,824,504	37,086,032	33,526,654
OPERATING EXPENSES:			
Selling, general and administrative	34,766,159	29,814,609	25,337,374
Amortization of trademark license and trademarks	507,488	371,073	307,823
Other operating expenses			380,378
Total operating expenses	35,273,647	30,185,682	26,025,575
OPERATING INCOME	5,550,857	6,900,350	7,501,079
NONOPERATING EXPENSE (INCOME):			
Interest and financing expense	527,594	382,152	170,506
Interest income	(8,992)	(12,914)	(118,413)
Net nonoperating expense	518,602	369,238	52,093
INCOME BEFORE PROVISION FOR INCOME TAXES	5,032,255	6,531,112	7,448,986
PROVISION FOR INCOME TAXES (Note 7)	2,012,902	2,615,986	2,971,118
NET INCOME	\$ 3,019,353	\$ 3,915,126	\$ 4,477,868
NET INCOME PER COMMON SHARE:			
Basic	\$ 0.30	\$ 0.39	\$ 0.45
Diluted	\$ 0.29	\$ 0.38	\$ 0.43
NUMBER OF COMMON SHARES USED IN PER SHARE COMPUTATIONS:			
Basic	10,036,547	9,957,743	9,964,778
Diluted	10,314,904	10,405,703	10,510,604

See accompanying notes to consolidated financial statements.

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

	Common stock		Additional paid-in capital	Retained earnings	Treasury stock		Total shareholders' equity
	Shares	Amount			Shares	Amount	
Balance, January 1, 1999	9,911,905	\$ 49,560	\$ 11,207,765	\$ 2,684,858	-	\$ -	\$ 13,942,183
Issuance of common stock	98,179	490	38,331				38,821
Compensation expense related to issuance of nonqualified stock options				73,026			73,026
Reduction of tax liability in connection with the exercise of certain stock options			93,978				93,978
Net income				4,477,868			4,477,868
Balance, December 31, 1999	10,010,084	50,050	11,340,074	7,235,752	-	-	18,625,876
Issuance of common stock	138,798	694	255,945				256,639
Purchase of treasury stock					(206,761)	(814,545)	(814,545)
Reduction of tax liability in connection with the exercise of certain stock options			71,600				71,600
Net income				3,915,126			3,915,126
Balance, December 31, 2000	10,148,882	50,744	11,667,619	11,150,878	(206,761)	(814,545)	22,054,696
Issuance of common stock	102,882	515	258,985				259,500
Net income				3,019,353			3,019,353
Balance, December 31, 2001	10,251,764	\$ 51,259	\$ 11,926,604	\$ 14,170,231	(206,761)	\$(814,545)	\$ 25,333,549

See accompanying notes to consolidated financial statements.

## HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

	2001 ----	2000 ----	1999 ----
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 3,019,353	\$ 3,915,126	\$ 4,477,868
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Amortization of trademark license and trademarks	507,488	371,073	307,824
Depreciation and other amortization	436,459	314,662	258,343
(Gain) / loss on disposal of plant and equipment	(15,072)	52,786	15,569
Compensation expense related to the exercise of stock options	230,879		73,026
Deferred income taxes	472,581	(89,386)	(75,554)
Effect on cash of changes in operating assets and liabilities:			
Accounts receivable	2,384,892	(3,046,056)	(1,912,674)
Inventories	(1,048,785)	(1,013,481)	(4,683,337)
Prepaid expenses and other current assets	(150,768)	(269,698)	(309,371)
Accounts payable	24,957	(2,042,089)	4,066,620
Accrued liabilities	67,721	261,649	(58,070)
Accrued compensation	151,267	(180,656)	(13,716)
Income taxes payable	(878,266)	603,230	(828,571)
Net cash provided by (used in) operating activities	5,202,706	(1,122,840)	1,317,957
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(529,905)	(1,191,762)	(258,543)
Proceeds from sale of property and equipment	26,416	12,433	81,963
Increase in trademark license and trademarks	(118,651)	(6,490,494)	(1,072,900)
Decrease in note receivable from director			20,861
Increase in deposits and other assets	(60,094)	(181,343)	(272,485)
Net cash used in investing activities	(682,234)	(7,851,166)	(1,501,104)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings on long-term debt		9,204,471	431,250
Principal payments on long-term debt	(4,432,101)	(1,551,049)	(2,072,818)
Issuance of common stock	28,621	256,639	27,781
Purchases of common stock, held in treasury		(814,545)	
Net cash (used in) provided by financing activities	(4,403,480)	7,095,516	(1,613,787)
NET INCREASE (DECREASE) IN CASH	116,992	(1,878,490)	(1,796,934)
CASH AND CASH EQUIVALENTS, beginning of year	130,665	2,009,155	3,806,089
CASH AND CASH EQUIVALENTS, end of year	\$ 247,657	\$ 130,665	\$ 2,009,155
	=====	=====	=====
SUPPLEMENTAL INFORMATION Cash paid during the year for:			
Interest	\$ 573,029	\$ 315,876	\$ 184,891
	=====	=====	=====
Income taxes	\$ 2,445,957	\$ 2,067,337	\$ 3,908,586
	=====	=====	=====

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

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NONCASH TRANSACTIONS:

During 2001, the Company assumed long-term debt of \$654,467, net of discount of \$95,533, and accrued liabilities of \$196,677 in connection with the acquisition of the Junior Juice trademark.

During 2000, the Company entered into capital leases of \$546,972 for the acquisition of promotional vehicles.

During 2000, the Company reduced its tax liability and increased additional paid-in capital in the amount of \$71,600 in connection with the exercise of certain stock options.

During 1999, the Company reduced its tax liability and increased additional paid-in capital in the amount of \$93,978 in connection with the exercise of certain stock options.

See accompanying notes to consolidated financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Hansen Natural Corporation (the "Company" or "Hansen") was incorporated in Delaware on April 25, 1990. The Company is a holding company and carries on no operating business except through its direct wholly-owned subsidiaries, Hansen Beverage Company ("HBC") which was incorporated in Delaware on June 8, 1992 and Hard e Beverage Company ("HEB") formerly known as Hard Energy Company, and previously known as CVI Ventures, Inc., which was incorporated in Delaware on April 30, 1990. HBC conducts the vast majority of the Company's operating business and generates substantially all of the Company's operating revenues. During the third quarter of 2000, the Company, through HEB, introduced a malt-based drink called Hard e which contains up to five-percent alcohol. The Hard e product is not marketed under the Hansen's name. References herein to "Hansen" or the "Company" when used to describe the operating business of the Company are references to the business of HBC unless otherwise indicated, and references herein to HEB when used to describe the operating business of HEB, are references to the Hard e brand business of HEB unless otherwise indicated.

In addition, HBC, through its wholly-owned subsidiary, Blue Sky Natural Beverage Co. ("Blue Sky"), which was incorporated in Delaware on September 8, 2000, acquired full ownership of and operates the natural soda business previously conducted by Blue Sky Natural Beverage Co., a New Mexico corporation ("BSNBC"), under the Blue Sky(R) trademark (Note 2).

During 2001, HBC, through its wholly-owned subsidiary, Hansen Junior Juice Company ("Junior Juice"), which was incorporated on May 7, 2001, acquired full ownership of the Junior Juice trademark. The Junior Juice trademark was previously owned by Pasco Juices, Inc.

Nature of Operations - Hansen is engaged in the business of marketing, selling and distributing so-called "alternative" beverage category natural sodas, fruit juices, fruit juice and soy Smoothies, Energy drinks, Energade energy sports drinks, E20 energy water, "functional drinks", non-carbonated ready-to-drink iced teas, lemonades and juice cocktails, sparkling lemonades and orangeades, children's multi-vitamin juice products and still water under the Hansen's(R) brand name, as well as nutrition bars and cereals also under the Hansen's(R) brand name, natural sodas under the Blue Sky(R) brand name, juices under the Junior Juice(R) brand name and malt based drinks under the Hard e brand name, primarily in certain Western states, as well as in other states and, on a limited basis, in other countries outside the United States.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Hansen and its wholly owned subsidiaries, HBC, HEB, Blue Sky and Junior Juice since their respective dates of incorporation. All intercompany balances and transactions have been eliminated in consolidation.

Reclassifications - Certain reclassifications have been made in the consolidated financial statements to conform to the 2001 presentation.

Cash and Cash Equivalents - The Company considers certificates of deposit with original maturities of three months or less to be cash and cash equivalents.

Inventories - Inventories are valued at the lower of first-in, first-out (FIFO) cost or market value (net realizable value).

Property and Equipment - Property and equipment are stated at cost. Depreciation of furniture, office equipment, equipment and vehicles is based on their estimated useful lives (three to ten years) and is calculated using the straight-line method. Amortization of leasehold improvements is based on the lesser of their estimated useful lives or the terms of the related leases and is calculated using the straight-line method.

Trademark License and Trademarks - Trademark license represents the Company's exclusive world-wide right to use the Hansen's(R) trademark in connection with the manufacture, sale and distribution of carbonated beverages and waters, shelf stable fruit juices and drinks containing fruit juices on a royalty free basis and other non-carbonated beverages and water and non-beverage products in consideration of royalty payments. In September 1999, HBC entered into an Assignment and Agreement with the Fresh Juice Company of California, Inc. ("FJC"), pursuant to which HBC acquired exclusive ownership of the Hansen's(R) trademark and trade names and its obligation to pay royalties on certain product lines fell away. The Company also owns in its own right, a number of other trademarks in the United States as well as in a number of countries around the world. The Company also owns the Blue Sky(R) trademark, which was acquired in September 2000, and the Junior Juice(R) trademark, which was acquired in May 2001 (Note 2). The Company amortizes its trademark license and trademarks over 40 years. The adoption of SFAS No. 142, as described below, is expected to reduce the trademark amortization expense currently recognized by the Company.

Long-Lived Assets - The Company accounts for the impairment and disposition of long-lived assets in accordance with Statement of Financial Accounting Standard ("SFAS") No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. In accordance with SFAS No. 121, long-lived assets to be held are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. The Company periodically reviews the carrying value of long-lived assets to determine whether or not impairment to such value has occurred. As of December 31, 2001, management does not believe that the Company's long-lived assets have been impaired.

Revenue Recognition - The Company records revenue at the time the related products are shipped. Management believes an adequate provision against net sales has been made for estimated returns, allowances and cash discounts.

Freight Costs And Reimbursement Of Freight Costs - In accordance with Emerging Issues Task Force ("EITF") No. 00-10, Accounting for Shipping and Handling Fees and Costs, reimbursements of freight charges are recorded in net sales in the accompanying consolidated statements of income. For the years ended December 31, 2001, 2000, and 1999, freight-out costs amounted to \$4.2 million, \$4.1 million, and \$3.8 million, respectively, and have been recorded in selling, general and administrative expenses in the accompanying consolidated statements of income.

Advertising and Promotional Allowances - The Company accounts for advertising production costs by expensing such production costs the first time the related advertising takes place. Advertising expenses included in selling, general and administrative expenses amounted to \$4.3 million, \$5.6 million and \$5.7 million for the years ended December 31, 2001, 2000 and 1999, respectively. In addition, the Company supports its customers, including distributors, with promotional allowances, a portion of which is utilized for marketing and indirect advertising by them. Promotional allowances amounted to \$12.2 million, \$8.3 million and \$6.3 million for the years ended December 31, 2001, 2000 and 1999, respectively.

The Company includes its promotional allowances in selling, general and administrative expenses. Effective the first quarter of 2002, the Company will comply with the provisions of the Financial Accounting Standards Board's ("FASB") EITF No. 01-9, which addresses various issues related to the income statement classification of certain promotional payments, including consideration from a vendor to a reseller or another party that purchases the

vendor's products. EITF No. 01-9 Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products, was issued in November 2001 and codified earlier pronouncements.

Net Income Per Common Share - In accordance with SFAS No. 128, Earnings per Share, net income per common share, on a basic and diluted basis, is presented for all periods. Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted net income per share is computed by dividing net income by the weighted average number of common and dilutive common equivalent shares outstanding, if dilutive. Weighted average common equivalent shares include stock options and purchases of the Company's common stock, held in treasury, using the treasury stock method.

Concentration Risk - Certain of the Company's products utilize components (raw materials and/or co-packing services) from a limited number of sources. A disruption in the supply of such components could significantly affect the Company's revenues from those products, as alternative sources of such components may not be available at commercially reasonable rates or within a reasonably short time period. The Company continues to take steps on an ongoing basis to secure the availability of alternative sources for such components and minimize the risk of any disruption in production.

One customer accounted for approximately 18%, 23% and 25% of the Company's sales for the years ended December 31, 2001, 2000 and 1999, respectively. A decision by that, or any other major customer, to decrease the amount purchased from the Company or to cease carrying the Company's products could have a material adverse effect on the Company's financial condition and consolidated results of operations.

Credit Risk - The Company sells its products nationally, primarily to retailers and beverage distributors. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. The Company maintains reserves for potential credit losses, and historically, such losses have been within management's expectations.

Fair Value of Financial Instruments - SFAS No. 107, Disclosures about Fair Value of Financial Instruments, requires management to disclose the estimated fair value of certain assets and liabilities defined by SFAS No. 107 as financial instruments. At December 31, 2001, management believes that the carrying amount of cash, accounts receivable and accounts payable approximate fair value because of the short maturity of these financial instruments. Long-term debt bears interest at a rate comparable to the prime rate; therefore, management believes the carrying amount for the outstanding borrowings at December 31, 2001 approximates fair value.

Use of Estimates - The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements - On January 1, 2001, the Company adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 137 and SFAS No. 138. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that the Company recognize all derivative instruments as either current or non-current assets or liabilities at fair value. The adoption of SFAS No. 133 did not have a significant impact on the financial position, results of operations or cash flows of the Company.

During 2000 and 2001, the EITF addressed various issues related to the income statement classification of certain promotional payments, including consideration from a vendor to a reseller or another party that purchases the vendor's products. EITF No. 01-9, Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products, was issued in November 2001 and codified earlier pronouncements. The consensus requires certain sales promotions and customer allowances currently classified as selling, general and administrative expenses to be classified as a reduction of net sales. The Company is currently evaluating the impact of EITF No. 01-9 on its financial statements and will comply with its provisions beginning in the first quarter of 2002.

In June 2001, the FASB approved SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 prospectively prohibits the pooling of interests method of accounting for business combinations initiated after June 30, 2001. SFAS No. 142 eliminates the current requirement to amortize goodwill and indefinite-lived intangible assets, addresses the amortization of intangible assets with a defined life and the impairment testing and recognition for goodwill and intangible assets on an annual basis or on an interim basis if and event occurs or circumstances change that would reduce the fair value of a reporting unit below its carrying value. SFAS No. 142 will apply to goodwill and intangible assets arising from transactions completed before and after the effective date of June 30, 2001. The adoption of SFAS No. 141 and SFAS No. 142 is required for the Company on January 1, 2002. The adoption of SFAS No. 142 is expected to reduce the trademark amortization expense currently recognized by the Company.

In December 1999, the Securities Exchange Commission staff issued Staff Accounting Bulletin ("SAB") No. 101, Revenue Recognition in Financial Statements. SAB No. 101 summarizes certain of the staff's views in applying accounting principles generally accepted in the United States of America to revenue recognition and accounting for deferred costs in the consolidated financial statements and is effective no later than the fourth quarter of fiscal years beginning after December 15, 1999. Based on the Company's revenue recognition policy, there was no material impact to the Company's financial position and consolidated statements of income from the adoption of SAB No. 101.

In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company believes that the adoption of SFAS No. 143 will not have a material impact on its results of operations or financial position and will adopt such standards on January 1, 2003, as required.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which supersedes previous guidance on financial accounting and reporting for the impairment or disposal of long-lived assets and for segments of a business to be disposed of. Adoption of SFAS No. 144 is required no later than the beginning of fiscal 2002. Management does not expect the adoption of SFAS No. 144 to have a significant impact on the Company's financial position or results of operations. However, future impairment reviews may result in charges against earnings to write down the value of long-lived assets.

## 2. ACQUISITIONS

On September 20, 2000, the Company acquired through its wholly-owned subsidiary, Blue Sky, the beverage business of BSNBC, including the Blue Sky(R) trademarks and certain other assets for a purchase price of \$6.5 million. The Blue Sky(R) products include a range of all-natural carbonated sodas and seltzers that are marketed throughout the United States and in certain international markets, principally to the health food trade. On May 25, 2001, the Company acquired through its subsidiary Junior Juice, the Junior Juice beverage business of Pasco Juices, Inc., including the Junior Juice(R) trademarks and assumption of certain

liabilities for a purchase price of \$946,677. The Junior Juice(R) products are comprised of 100% juices targeted at toddlers.

The acquisitions have been accounted for as purchases in accordance with Accounting Principles Board ("APB") Opinion No. 16, Business Combinations. Accordingly, the purchase prices, inclusive of certain acquisition costs, were allocated to the tangible and intangible assets acquired based on a valuation of their respective fair values at the date of acquisition. The purchase price for the acquisition of Blue Sky, inclusive of certain acquisition costs, was financed through the Company's credit facility (Note 5). The purchase price for the acquisition of Junior Juice was financed by the issuance of a note payable to Pasco Juice, Inc., payable over five years and the assumption of certain liabilities (Note 5).

Trademarks acquired are amortized on a straight-line basis over 40 years. The operating results of Blue Sky and Junior Juice have been included in the Company's results of operations since the respective dates of acquisition.

### 3. INVENTORIES

Inventories consist of the following at December 31:

	2001	2000
	-----	-----
Raw materials	\$ 4,742,102	\$ 4,704,363
Finished goods	7,615,345	6,371,941
	-----	-----
	12,357,447	11,076,304
Less inventory reserves	(400,767)	(468,409)
	-----	-----
	\$11,956,680	\$10,907,895
	=====	=====

### 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2001	2000
	-----	-----
Leasehold improvements	\$ 283,103	\$ 153,812
Furniture and office equipment	707,025	662,481
Equipment and vehicles	2,450,257	1,555,008
Machinery in progress		569,432
	-----	-----
	3,440,385	2,940,733
Less accumulated depreciation and amortization	(1,495,239)	(1,077,689)
	-----	-----
	\$ 1,945,146	\$ 1,863,044
	=====	=====

### 5. LONG-TERM DEBT

In 1997, HBC obtained a credit facility from Comerica Bank-California ("Comerica"), consisting of a revolving line of credit of up to \$3.0 million in aggregate at any time outstanding and a term loan of \$4.0 million. The utilization of the revolving line of credit by HBC was dependent upon certain levels of eligible accounts receivable and inventory from time to time. Such revolving line of credit and term loans were secured by substantially all of HBC's assets, including accounts receivable, inventory, trademarks, trademark licenses and certain equipment. On September 19, 2000, the Company entered into a modification agreement with Comerica to amend certain provisions under the above facility in order to finance the acquisition of the Blue Sky business, repay the term loan, and provide additional working capital ("Modification Agreement"). Pursuant to the Modification Agreement, the revolving line of credit was increased to \$12.0 million, reducing to \$6.0 million by September 2004. The revolving line of credit remains in full force and effect through September 2005. Interest on borrowings under the line of credit is based on the bank's base (prime) rate, plus an additional percentage of up to 0.5% or the

LIBOR rate, plus an additional percentage of up to 2.5%, depending upon certain financial ratios of the Company.

The initial use of proceeds under the Modification Agreement was to pay the seller in connection with the acquisition of the Blue Sky business, to repay the remaining \$807,000 balance due under the term loan and to provide additional working capital. The Company's outstanding borrowings on the line of credit at December 31, 2001 were \$5.0 million.

The credit facility contains financial covenants which require the Company to maintain certain financial ratios and achieve certain levels of annual income. The facility also contains certain non-financial covenants. At December 31, 2001, the Company was in compliance with all covenants.

During the year ended December 31, 2000, the Company entered into capital leases for acquisition of certain vehicles, payable over a five-year period and having an effective interest rate of 8.8%. At December 31, 2001 and 2000, the assets acquired under capital leases had a net book value of \$402,387 and \$519,688, net of accumulated depreciation of \$184,120 and \$66,819, respectively.

Long-term debt consists of the following at December 31:

	2001	2000
	-----	-----
Line of credit to Comerica, collateralized by substantially all of HBC's assets, at an effective interest rate of 4.5% as of December 31, 2001	\$4,978,000	\$9,164,884
Note payable to Pasco Juices, Inc., collateralized by the Junior Juice trademark, payable in quarterly installments of varying amounts through May 2006, net of unamortized discount based on imputed interest rate of 4.5% of \$77,976	643,806	
Note payable in connection with the acquisition of the Hansen's(R) trademark and trade name, payable in three equal annual installments of \$143,750 each, due between August 2, 2000 and August 2, 2002	143,750	287,500
Capital leases, collateralized by vehicles acquired, payable over 60 months in monthly installments at an effective interest rate of 8.8%, with final payments ending in 2005	423,421	514,227
	-----	-----
	6,188,977	9,966,611
Less: current portion of long-term debt	(337,872)	(234,655)
	-----	-----
	\$5,851,105	\$9,731,956
	=====	=====

Long-term debt is payable as follows:

Year ending December 31:	
2002	\$ 337,872
2003	235,241
2004	250,463
2005	5,218,641
2006	146,760
	-----
	\$6,188,977
	=====

Interest expense amounted to \$520,160, \$380,651 and \$168,131, for the years ended December 31, 2001, 2000 and 1999, respectively.

#### 6. COMMITMENTS AND CONTINGENCIES

Operating Leases - The Company leases its warehouse facility and corporate offices under a 10 year lease beginning October 2000, when the Company first occupied the facility. The facility lease and certain equipment and other non-cancelable operating leases expire through 2010. The facility lease has scheduled rent increases which are accounted for on a straight-line basis. Rent expense under such leases amounted to \$644,454, \$416,505 and \$391,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

Future minimum rental payments at December 31, 2001 under the leases referred to above are as follows:

Year ending December 31:	
2002	\$ 623,729
2003	644,918
2004	647,726
2005	645,266
2006	660,468
Thereafter	2,539,485
	-----
	\$5,761,592
	=====

Employment and Consulting Agreements - On January 1, 1999, the Company entered into an employment agreement with Rodney C. Sacks and Hilton H. Schlosberg pursuant to which Mr. Sacks and Mr. Schlosberg render services to the Company as its Chairman and Chief Executive Officer, and its Vice Chairman, President and Chief Financial Officer respectively. The agreements provide for an annual base salary of \$180,000 each, increasing by a minimum of 8% for each subsequent twelve-month period during the employment period, plus an annual bonus in an amount determined at the discretion of the Board of Directors of the Company as well as certain fringe benefits for the period commencing January 1, 1999 and ending December 31, 2003. After such date, such agreements provide for automatic annual renewals unless written notice is delivered to each of them by June 30, 2003 or any subsequent June 30 thereafter.

Litigation - The Company is subject to, and involved in, claims and contingencies related to lawsuits and other matters arising out of the normal course of business. The ultimate liability associated with such claims and contingencies, if any, is not likely to have a material adverse effect on the financial condition of the Company.

#### 7. INCOME TAXES

The Company accounts for income taxes under the provision of SFAS No. 109, Accounting for Income Taxes. This statement requires the recognition of deferred tax assets and liabilities for the future consequences of events that have been recognized in the Company's financial statements or tax returns. Measurement of the deferred items is based on enacted tax laws. In the event the future consequences of differences between financial reporting bases and tax bases of the Company's assets and liabilities result in a deferred tax asset, SFAS No. 109 requires an evaluation of the probability of being able to realize the future benefits indicated by such asset. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Components of the income tax provision are as follows:

	Year Ended December 31,		
	2001	2000	1999
	-----	-----	-----
Current income taxes:			
Federal	\$ 1,248,119	\$ 2,106,316	\$ 2,409,512
State	292,202	599,056	637,160
	-----	-----	-----
	1,540,321	2,705,372	3,046,672
Deferred income taxes:			
Federal	373,217	(57,309)	(97,681)
State	99,364	(32,077)	22,127
	-----	-----	-----
	472,581	(89,386)	(75,554)
	-----	-----	-----
	\$ 2,012,902	\$ 2,615,986	\$ 2,971,118
	=====	=====	=====

The differences between the income tax provision that would result from applying the 34% federal statutory rate to income before provision for income taxes and the reported provision for income taxes are as follows:

	Year Ended December 31,		
	2001	2000	1999
	-----	-----	-----
Income tax provision using the statutory rate	\$1,710,967	\$2,220,578	\$2,532,655
State taxes, net of federal tax benefit	293,602	380,945	434,604
Permanent differences	31,423	31,865	3,859
Other	(23,090)	(17,402)	
	-----	-----	-----
	\$2,012,902	\$2,615,986	\$2,971,118
	=====	=====	=====

Major components of the Company's deferred tax assets (liabilities) at December 31 are as follows:

	2001	2000
	-----	-----
Reserves for returns	\$ 180,048	\$ 130,642
Reserves for bad debts	65,885	51,910
Reserves for obsolescence	171,689	72,146
Reserves for marketing development fund	159,327	221,319
Capitalization of inventory costs	115,783	136,284
State franchise tax	230,343	243,328
Accrued compensation	26,101	25,989
Amortization of trademark license	(1,924,778)	(1,421,415)
Amortization of graphic design	229,094	151,844
Depreciation	(118,594)	(4,568)
	-----	-----
	\$ (865,102)	\$ (392,521)
	=====	=====

#### 8. STOCK OPTIONS AND WARRANTS

The Company has three stock option plans, the Hansen Natural Corporation 2001 Stock Option Plan ("2001 Option Plan"), the Employee Stock Option Plan ("the Plan") and the Outside Directors Stock Option Plan ("Directors Plan").

During 2001, the Company adopted the 2001 Stock Option Plan which provides for the grant of options to purchase up to 2,000,000 shares of the common stock of the Company to certain key employees of the Company and its subsidiaries.

Options granted under the 2001 Option Plan may be incentive stock options under Section 422 of the Internal Revenue Code, as amended (the "Code"), nonqualified stock options, or stock appreciation rights. Stock options are exercisable at such time and in such amounts as determined by the Compensation Committee of the Board of Directors of the Company up to a ten-year period after their date of grant. As of December 31, 2001, options to purchase 37,000 shares of Hansen common stock had been granted under the 2001 Option Plan and options to purchase 1,963,000 shares of Hansen common stock remain available for grant under the Plan.

The Plan, as amended, provided for the granting of options to purchase not more than 3,000,000 shares of Hansen common stock to key employees of the Company and its subsidiaries through July 1, 2001. Stock options are exercisable at such time and in such amounts as determined by the Compensation Committee of the Board of Directors of the Company up to a ten-year period after their date of grant, and no options may be granted after July 1, 2001. The option price will not be less than the fair market value at the date of grant. As of December 31, 2001, options to purchase 2,184,700 shares of Hansen common stock had been granted under the Plan, net of options that have expired.

The Directors Plan provides for the grant of options to purchase up to 100,000 shares of common stock of the Company to directors of the Company who are not and have not been employed by or acted as consultants to the Company and its subsidiaries or affiliates and who are not and have not been nominated to the Board of Directors of the Company pursuant to a contractual arrangement. On the date of the annual meeting of shareholders, at which an eligible director is initially elected, each eligible director is entitled to receive a one-time grant of an option to purchase 6,000 shares (12,000 shares if the director is serving on a committee of the Board) of the Company's common stock, exercisable one-third each on the first, second and third anniversary of the date of grant; provided, however, that options granted as of February 14, 1995, are exercisable 66 2/3% on the date of grant and 100% on July 8, 1995; provided, further, that all options held by an eligible director become fully and immediately exercisable upon a change in control of the Company. Options granted under the Directors Plan that are not exercised generally expire ten years after the date of grant. Option grants may be made under the Directors Plan for ten years from the effective date of the Directors Plan. The Directors Plan is a "formula" plan so that a non-employee director's participation in the Directors Plan does not affect his status as a "disinterested person" (as defined in Rule 16b-3 under the Securities Exchange Act of 1934). As of December 31, 2001, options to purchase 36,000 shares of Hansen common stock had been granted under the Directors Plan and options to purchase 64,000 shares of Hansen common stock remained available for grant.

For the years ended December 31, 2001, 2000, and 1999, the Company granted 122,500, 189,000, and 424,000 options to purchase shares under the Plan, the 2001 Option Plan, and Directors Plan at a weighted average grant date fair value of \$1.36, \$2.26, and \$2.52, respectively. Additional information regarding the plans is as follows:

	2001		2000		1999	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Options outstanding, beginning of year	1,134,400	\$2.84	1,093,327	\$2.60	833,900	\$1.49
Options granted	122,500	\$3.49	189,000	\$4.15	424,000	\$4.38
Options exercised	(152,500)	\$1.59	(38,327)	\$1.49	(93,573)	\$1.35
Options canceled or expired	(51,000)	\$4.06	(109,600)	\$3.17	(71,000)	\$1.82
Options outstanding, end of year	1,053,400	\$3.04	1,134,400	\$2.84	1,093,327	\$2.60
Option price range end of year		\$0.75 to \$5.25		\$0.75 to \$5.25		\$0.75 to \$5.25

The Company has adopted the disclosure-only provisions of SFAS No. 123, Accounting for Stock-Based Compensation. SFAS No. 123 encourages, but does not require, companies to record compensation cost for stock-based employee compensation at fair value. The Company has chosen to account for stock-based compensation using the intrinsic value method prescribed in APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretation. Had compensation cost for the Company's option plans been determined based on the fair value at the grant date for awards in the years 1999 through 2001 consistent with the provisions of SFAS No. 123, the Company's net income and net income per common share would have been reduced to the pro forma amounts indicated below:

	2001	2000	1999
Net income, as reported	\$3,019,353	\$3,915,126	\$4,477,868
Net income, pro forma	\$2,721,707	\$3,670,524	\$4,176,799
Net income per common share, as reported			
Basic	\$0.30	\$0.39	\$0.45
Diluted	\$0.29	\$0.38	\$0.43
Net income per common share, pro forma			
Basic	\$0.27	\$0.37	\$0.42
Diluted	\$0.26	\$0.35	\$0.40

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used:

	Dividend Yield	Expected Volatility	Risk-Free Interest Rate	Expected Lives
2001	0%	30%	4.6%	6 years
2000	0%	48%	6.0%	6 years
1999	0%	60%	4.8%	5 years

The following table summarizes information about fixed-price stock options outstanding at December 31, 2001:

Range of exercise prices	Options Outstanding			Options Exercisable	
	Weighted Number outstanding at December 31, 2001	average remaining contractual life (in years)	Weighted average exercise price	Number exercisable at December 31, 2001	Weighted average exercise price
\$0.75 to \$1.13	264,000	1	\$1.00	208,000	\$0.99
\$1.59 to \$1.79	127,900	4	\$1.63	125,400	\$1.63
\$3.02 to \$3.95	188,500	5	\$3.51	23,000	\$3.61
\$4.25 to \$4.38	314,000	3	\$4.26	155,000	\$4.26
\$4.44 to \$5.25	159,000	4	\$4.59	60,600	\$4.57
	----- 1,053,400 =====			----- 572,000 =====	

#### 9. EMPLOYEE BENEFIT PLAN

Employees of Hansen Natural Corporation may participate in the Hansen Natural Corporation 401(k) Plan, a defined contribution plan, which qualifies under Section 401(k) of the Internal Revenue Code. Participating employees may

contribute up to 15% of their pretax salary up to statutory limits. The Company contributes 25% of the employee contribution, up to 8% of each employee's earnings. Matching contributions were \$58,211, \$49,323, and \$37,274 for the years ended December 31, 2001, 2000 and 1999 respectively.

#### 10. RELATED PARTY TRANSACTIONS

A director of the Company is a partner in a law firm that serves as counsel to the Company. Expenses incurred to such firm in connection with services rendered to the Company during the years ended December 31, 2001, 2000 and 1999 were \$193,350, \$180,954 and \$414,932 respectively.

A director of the Company was a consultant to the Company from July 1997 through June 1999. Expenses incurred to such director in connection with consulting services rendered to the Company during the year ended December 31, 1999 were \$30,000.

Two directors of the Company are principal owners of a company that provides promotional materials to the Company. Expenses incurred to such company in connection with promotional materials purchased during the years ended December 31, 2001, 2000 and 1999 were \$164,638, \$115,520 and \$121,289, respectively.

11. QUARTERLY FINANCIAL DATA (Unaudited)

	Net Sales	Gross Profit	Net Income	Net Income Basic	per Common Share Diluted
	-----	-----	-----	-----	-----
Quarter ended:					
March 31, 2001	\$ 18,768,796	\$ 8,250,325	\$ 325,448	\$0.03	\$0.03
June 30, 2001	25,715,071	11,676,793	1,107,525	0.11	0.11
September 30, 2001	26,180,069	11,643,058	1,258,732	0.13	0.12
December 31, 2001	21,615,775	9,254,328	327,648	0.03	0.03
	-----	-----	-----	-----	-----
	\$ 92,279,711	\$ 40,824,504	\$ 3,019,353	\$0.30	\$0.29
	=====	=====	=====	=====	=====
Quarter ended:					
March 31, 2000	\$ 15,978,002	\$ 7,203,960	\$ 688,103	\$0.07	\$0.07
June 30, 2000	22,666,775	10,691,928	1,652,087	0.17	0.16
September 30, 2000	22,701,624	10,978,326	1,365,188	0.13	0.13
December 31, 2000	18,386,308	8,211,818	209,748	0.02	0.02
	-----	-----	-----	-----	-----
	\$ 79,732,709	\$ 37,086,032	\$ 3,915,126	\$0.39	\$0.38
	=====	=====	=====	=====	=====

Certain of the figures reported above may differ from previously reported figures for individual quarters due to rounding.

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS  
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

Description	Balance at beginning of period	Charged to cost and expenses	Deductions	Balance at end of period
-----				
Allowance for doubtful accounts, sales returns and cash discounts:				
2001	\$486,462	3,187,101	(3,048,293)	\$ 625,270
2000	\$415,305	2,171,731	(2,100,574)	\$ 486,462
1999	\$378,641	1,478,889	(1,442,225)	\$ 415,305
Promotional allowances:				
2001	\$2,370,260	12,167,783	(11,556,487)	\$2,981,556
2000	\$1,651,604	8,295,866	(7,577,210)	\$2,370,260
1999	\$1,608,123	6,337,903	(6,294,422)	\$1,651,604
Inventory reserves:				
2001	\$168,409	262,187	(29,829)	\$ 400,767
2000	\$163,048	249,067	(243,706)	\$ 168,409
1999	\$268,233	151,091	(256,276)	\$ 163,048

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements No. 33-92526, No. 333-41333 and No. 333-89123 of Hansen Natural Corporation on Form S-8 of our report dated March 22, 2002, appearing in the Annual Report on Form 10-K of Hansen Natural Corporation for the year ended December 31, 2001.

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California  
March 29, 2002

ASSET PURCHASE AGREEMENT

among  
HANSEN JUNIOR JUICE COMPANY,  
as Purchaser  
PASCO JUICES, INC.  
as Seller  
and  
HANSEN BEVERAGE COMPANY

Dated as of May 25, 2001

TABLE OF CONTENTS

1.	SALE AND PURCHASE OF ASSETS.....	1
1.1	Assets Transferred.....	1
2.	CONSIDERATION.....	3
2.1	Purchase Price.....	3
2.2	Assumption of Certain Liabilities and Obligations.....	4
2.3	Nonassumption of Other Liabilities.....	4
3.	EMPLOYEES.....	5
4.	THE CLOSING.....	5
4.1	The Closing.....	5
4.2	Certain Events at Closing.....	5
5.	REPRESENTATIONS OF SELLER.....	5
5.1	Organization.....	6
5.2	Authority Relative to This Agreement.....	6
5.3	Consents and Approvals; No Violations.....	6
5.4	Corporate Records.....	6
5.5	Financial Information.....	6
5.6	Compliance with Laws; Permits.....	7
5.7	Contracts.....	7
5.8	Absence of Undisclosed Liabilities.....	8
5.9	Operations of Seller; Absence of Certain Changes.....	8
5.10	Brokers and Finders.....	9
5.11	Litigation and Orders.....	9
5.12	Proprietary Rights.....	9
5.13	[RESERVED].....	11
5.14	Customers.....	11
5.15	Effect of Transaction.....	11
5.16	Accuracy of Information; Full Disclosure.....	11
5.17	No Other Representations or Warranties.....	12
6.	REPRESENTATIONS OF PURCHASER/HANSEN.....	12
6.1	Organization and Authority.....	12
6.2	Authorization of Agreement.....	12

6.3	Brokers and Finders.....	12
6.4	Due Diligence.....	13
6.5	Knowledge.....	13
6.6	Organization and Authority.....	13
6.7	Authorization of Agreement.....	13
6.8	Brokers and Finders.....	13
6.9	Due Diligence.....	13
6.10	Knowledge.....	13
7.	AGREEMENTS OF SELLER AND PURCHASER.....	14
7.1	No Solicitation of Transactions.....	14
7.2	Interim Operations.....	14
7.3	Access to Information.....	14
7.4	Certain Filings, Consents and Arrangements.....	15
7.5	Notice.....	15
7.6	Further Assurances.....	15
7.7	Estoppel; Infringement.....	16
7.8	Packing of Products.....	16
7.9	IRI Contract.....	16
8.	CONDITIONS TO OBLIGATIONS OF PURCHASER.....	16
8.1	Closing Actions.....	16
8.2	Continued Truth of Representations and Warranties.....	17
8.3	Consents of Third Parties.....	17
8.4	Absence of Challenge.....	17
8.5	Litigation.....	17
8.6	Absence of Material Adverse Change.....	17
9.	CONDITIONS TO OBLIGATIONS OF SELLER.....	17
9.1	Closing Actions.....	18
9.2	Continued Truth of Representations and Warranties.....	18
9.3	Litigation.....	18
10.	TERMINATION PRIOR TO THE CLOSING DATE.....	18
10.1	Termination.....	18
10.2	Effect on Obligations.....	18
11.	SURVIVAL OF REPRESENTATIONS AND WARRANTIES.....	18

12.	INDEMNIFICATION.....	19
12.1	Indemnification by Seller.....	19
12.2	Indemnification by Purchaser/Hansen.....	20
13.	EFFECTIVENESS OF THIS AGREEMENT.....	20
14.	EXPENSES.....	21
15.	SALES, USE, TRANSFER AND OTHER TAXES.....	21
16.	NOTICES.....	21
17.	SUCCESSORS.....	22
18.	PARAGRAPH HEADINGS.....	22
19.	GOVERNING LAW; ARBITRATION.....	22
19.1	Governing Law.....	22
19.2	Arbitration.....	22
20.	ANNOUNCEMENTS.....	23
21.	ENTIRE AGREEMENT.....	23
22.	COUNTERPARTS.....	23

LIST OF EXHIBITS

- Exhibit A - Trademark Assignment
- Exhibit B - Assignments
- Exhibit C - License Agreement
- Exhibit D - Seller's Certificate of Continued Truth of Representation
- Exhibit E - Purchaser's Certificate of Continued Truth of Representations

LIST OF SCHEDULES

Schedule 1.1(a)	-	Proprietary Rights
Schedule 1.1(b)	-	Contracts (Assumed)
Schedule 5.4	-	Delaware Certificate of Good Standing
Schedule 5.5	-	Financial Information
Schedule 5.6	-	Compliance; Permits
Schedule 5.7	-	Contracts (Not Assumed)
Schedule 5.9	-	Operation of Seller - Extraordinary Events
Schedule 5.11	-	Litigation and Administrative Investigations
Schedule 5.14	-	Customers
Schedule 5.15	-	Effect of Transaction
Schedule 7.8	-	Co-Packing Terms

ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT (the "Agreement"), dated as of May 25, 2001 by and among Hansen Junior Juice Company, a Delaware corporation ("Purchaser"), Pasco Juices, Inc., formerly known as McCain Citrus, Inc., a Delaware corporation ("Seller"), and solely for the limited purposes set forth below, Hansen Beverage Company, a Delaware corporation ("Hansen").

W I T N E S S E T H :

WHEREAS, Seller is the owner of and is in the business of marketing, selling and distributing the "Junior Juice" line of juice products (the "Business");

WHEREAS, Seller desires to sell to Purchaser certain of the assets comprising the Business;

WHEREAS, Purchaser desires to purchase certain of the assets comprising Business on the terms and conditions set forth herein;

WHEREAS, Purchaser is a wholly-owned subsidiary of Hansen;

NOW, THEREFORE, in consideration of the premises and the covenants and agreements herein contained and other good and valuable consideration, receipt of which is hereby acknowledged, it is hereby agreed as follows:

1. SALE AND PURCHASE OF ASSETS

1.1 Assets Transferred. Subject to the terms and conditions of this Agreement, and to the continued accuracy of the representations and warranties contained herein on the Closing Date (as hereinafter defined), Seller shall sell, convey, assign, transfer and deliver to Purchaser and Purchaser shall purchase, receive and accept delivery from Seller, at the Closing provided for in Article 5, the following assets relating to the Business (collectively, the "Purchased Assets"):

(a) All right, title and interest of Seller, now or hereafter known or existing and of every kind and nature, whether tangible or intangible and whether arising by statute, common law, operation of law, ownership, assignment, agreement, contract, lease, license, consent, permit or otherwise, and however designated, in and to:

(i) any and all trademarks, service marks, and trade names used by Seller solely in connection with the Business, including but not limited to those trademarks, service marks, and trade names listed on Schedule 1.1(a), together with the goodwill of the Business associated therewith and symbolized thereby;

(ii) any and all copyrighted and copyrightable works, works of authorship and expression, and literary property, whether or not copyrighted or copyrightable, including copyrights, author rights and moral rights (such as, without limitation, any right to identification of authorship or limitation on subsequent modification) used by Seller solely in connection with the Business, including but not limited to those copyrighted and copyrightable works listed on Schedule 1.1(a), together with the moral rights therein and the goodwill of the Business associated therewith and symbolized thereby;

(iii) any and all of the following used by Seller solely in connection with the Business, whether or not listed on Schedule 1.1(a):

(1) product formulas and formulations, production formulas and formulations, trade secrets, know-how and confidential information, customer lists and information, whether or not protectable by patent, copyright or trade secret laws;

(2) logos, trade dress (including, without limitation, configuration, design and packaging), goodwill, rights of publicity and privacy (including, without limitation, photographic and other releases, whether published or unpublished), marketing rights, franchise rights, rights against unfair competition, and any similar rights, together with the goodwill of the Business associated therewith and/or symbolized thereby;

(3) other intellectual property, intangible industrial property and proprietary rights, titles, interests and privileges, however designated, that are similar or analogous to any of the foregoing including, without limitation any and all rights in and to product configurations and designs, label designs, graphic and artistic designs; artwork; dyes; character rights; and UPC bar codes;

(iv) registrations, applications, renewals, and extensions with respect to each of the foregoing now or hereafter in force, in whole and/or in part;

(v) associated documentation, modifications, improvements and derivative works with respect to each of the foregoing;

(vi) rights of possession, ownership, use and enjoyment with respect to each of the foregoing, including, without limitation, the right to license, sublicense, assign, pledge sell, transfer, convey, grant, gift over, divide, partition or use (or not use) in any way any of the foregoing now or hereafter (including without limitation any claims, demands or causes of action of any kind with respect thereto);

(vii) claims, demands and causes of action of any kind with respect to, and any and all other rights relating to the enforcement of, any of the foregoing, including, without limitation, any claims, demands or causes of action for any infringement, conversion, misappropriation, dilution or other violation of or injury to any of them;

each and all of the foregoing being hereinafter referred to collectively as the "Proprietary Rights." To the extent, if any, that any moral rights of Seller or of the author of any work encompassed by the Proprietary Rights cannot be legally transferred by Seller, they shall be waived in a signed writing providing for same;

(b) All right, title and interest of Seller in: (i) all agreements, contracts and licenses relating to the Business listed on Schedule 1.1(b), including, without limitation that certain contract between Information Resources Inc. and Seller dated August 14, 1999 (the "IRI Contract"), (ii) written and/or oral contracts relating to the Business with retail establishments and brokers in respect of listing fees, it being understood, however, that, Purchaser is not assuming any obligations of Seller under agreements with any retail establishment or any of its brokers, (iii) the \$18,000 fee from Johnson O'Hare Co., Inc. to participate in the Albany-New England area "Sizzling Savings" promotion and all cost associated with redemption of "Sizzling Savings" coupons, including any handling or associated fees, and (iv) such portion only of any trade allowances to customers or brokers agreed to before Closing, as disclosed on "deal sheets," that relate to products sold by Purchaser after the Closing Date (collectively, the "Contracts"). Seller shall be responsible for the payment of any fees and commissions of brokers earned on sales of the Products (as defined in Section 2.1) that occur prior to the Closing Date. Purchaser shall be responsible for the payment of any fees and commissions of brokers earned on sales of the Products that occur on or after the Closing Date. Seller hereby represents and warrants to Purchaser that all of its agreements with brokers relating to the Business are terminable upon not more than thirty (30) days written notice.

## 2. CONSIDERATION.

2.1 Purchase Price. In consideration of the sale, conveyance, assignment, transfer and delivery of the Purchased Assets by Seller to Purchaser, Purchaser shall pay to Seller a royalty of 3% on all "Junior Juice" juice products sold by Purchaser in 125 ml tetrapak packages (or any other similar packing material of a volume of approximately 125 ml) (the "Products") for a period of five (5) years commencing on the Closing Date. The royalty shall be computed on the net selling prices of Products sold by Purchaser and its successors and assigns after adjustments for cash discounts, promotional allowances, freight charges, spoils and spoilage allowances, invoice allowances and billbacks. Purchaser covenants that the minimum royalty payments that will be paid by Purchaser to Seller over the aforesaid five-year period will not be less than \$750,000, in the aggregate. Royalties shall be payable by Purchaser to Seller quarterly in arrears and be paid within forty-five (45) days from the end of each quarter. Should the aggregate royalties paid by Purchaser to Seller after one (1) year from the Closing Date be less than \$150,000, in the aggregate, then the difference shall be paid by Purchaser to Seller as an advance against future royalties payable by Purchaser to Seller. Should the aggregate royalties paid by Purchaser to Seller after two (2) years from the Closing Date, including all payments made in respect of the first year (actual and by way of advance), be less than \$300,000, in the aggregate, then the difference shall be paid by Purchaser to Seller as an advance against future royalties payable by Purchaser to Seller. Should the aggregate royalties payable by Purchaser to Seller after three (3) years from the Closing Date, including all payments made in respect of

the first two (2) years (actual and by way of advance), be less than \$450,000, in the aggregate, then the difference shall be paid by Purchaser to Seller as an advance against future royalties payable by Purchaser to Seller. Should the aggregate royalties paid by Purchaser to Seller after four (4) years from the Closing Date, including all payments made in respect of the first three (3) years (actual and by way of advance), be less than \$600,000, in the aggregate, then the difference shall be paid by Purchaser to Seller as an advance against future royalties payable by Purchaser to Seller. Should the aggregate royalties paid by Purchaser to Seller after five (5) years from the Closing Date, including all payments made in respect of the first four years (actual and by way of advance), be less than \$750,000, in the aggregate, then the difference shall be paid by Purchaser to Seller in full satisfaction of Purchaser's payment obligations to Seller in respect of the royalty payments. Hansen guarantees to Seller the satisfaction of Purchaser's payment obligation pursuant to this Section 2.1, and if Purchaser fails to make any payment required under this Section 2.1, Hansen shall make such payment to Seller on behalf of Purchaser in the amount and within such time period as required of Purchaser. Hansen expressly waives any legal obligation, duty or necessity for Seller to proceed first against Purchaser or to exhaust any remedy Seller may have against Purchaser, it being agreed that in the event of failure of to make payment by Purchaser, Seller may proceed and have right of action solely against either Hansen or Purchaser or jointly against Hansen and Purchaser and nothing in this Section shall be construed to limit any of Seller's rights or remedies against Purchaser in the event of such default.

2.2 Assumption of Certain Liabilities and Obligations. In further consideration of the sale, conveyance, assignment, transfer and delivery of the Purchased Assets by Seller to Purchaser, on the Closing Date, Purchaser shall assume and comply with all obligations and liabilities of Seller whose performance or satisfaction first becomes due on or after the Closing Date under each Contract listed on Schedule 1.1(b) (Seller has furnished Purchaser with true copies of all such written Contracts). The foregoing liabilities being assumed by Purchaser are referred to hereinafter collectively as the "Assumed Liabilities". Hansen and Purchaser, jointly and severally, shall assume the IRI Contract.

2.3 Nonassumption of Other Liabilities. Other than the Assumed Liabilities, Purchaser does not assume and shall in no event be liable for any liabilities, debts or obligations of Seller or which otherwise relate to or are connected with the Business and/or any products relating to the Business manufactured and/or sold prior to the Closing Date, whether accrued, absolute, matured, contingent or otherwise, including, without limitation, trade accounts payable and accrued expenses, taxes of any kind, any liabilities for fees or expenses incident to the preparation of this Agreement or the consummation of the transactions contemplated hereby, including, without limitation, counsel, accountant's or finder's fees of Seller, or any other expenses, debt, contracts, agreements, leases or other obligations which are not specifically assumed hereunder. Without limiting the generality of the foregoing, Seller shall be solely responsible for all costs, expenses, claims and damages relating to or arising from the sale of any products of the Business manufactured and/or sold prior to the Closing Date, including without limitation, all billbacks, returns, coupon redemptions, rebates, promotional allowances or any similar charges; provided, however, that Purchaser shall be liable for any costs, expenses, claims or damages to the extent primarily caused by Purchaser's negligence, intentional wrongdoing or breach of its obligations.

3. EMPLOYEES.

It is not anticipated that Purchaser will offer employment to or employ any employees of Seller after the Closing Date. Seller shall be solely responsible for all severance or other payments due to its employees.

4. THE CLOSING.

4.1 The Closing. The "Closing" or "Closing Date" means the time at which Seller effects the transfer of the Purchased Assets to Purchaser. The Closing shall take at such place and at such time as the parties shall agree in writing, subject to paragraph 10.1(b).

4.2 Certain Events at Closing. In addition to such other actions as may be provided for herein, the following actions shall be taken at the Closing:

(a) Seller shall execute and deliver to Purchaser the Trademark Assignment in the form attached hereto as Exhibit A and all such other documents, certificates, agreements, releases and consents to cancellation necessary to transfer and assign to Purchaser, and for Purchaser to record, register and file with the U.S. Patent and Trademark Office and all other applicable registration authorities, all of Seller's right, title and interest in and to, the Proprietary Rights, free and clear of all Liens (as defined in paragraph 5.9(b)), in form and substance satisfactory to Purchaser.

(b) Seller shall deliver to Purchaser duly executed and acknowledged assignments in the form attached hereto as Exhibit B, and all such other executed endorsements, assignments, and other instruments of transfer and conveyance, in form and substance satisfactory to counsel for Purchaser, as Purchaser shall request, to effectively vest in Purchaser all right, title and interest in the Purchased Assets, free and clear of all Liens of any kind whatsoever.

(c) Purchaser and Vitality Foodservice, Inc. shall enter into a License Agreement in the form attached hereto as Exhibit C.

(d) Seller shall have delivered to Purchaser a certificate addressed to Purchaser and executed by an authorized officer of Seller dated the Closing Date in the form attached hereto as Exhibit D.

(e) Purchaser shall have delivered to Seller a certificate addressed to Seller and executed by an authorized officer of Purchaser dated the Closing Date in the form attached hereto as Exhibit E.

(f) Seller shall have delivered to Purchaser evidence reasonably acceptable to Purchaser that all Liens on the Purchased Assets have been released, including without limitation, liens held in favor of Cooperatieve Centrale Raiffeisen-Boereleenbank, B.A.

5. REPRESENTATIONS OF SELLER.

Seller represents and warrants to Purchaser:

5.1 Organization. Seller is a corporation validly existing and in good standing under the laws of the State of Delaware and has the requisite corporate power and authority to carry on its business as it is now being conducted. Seller is duly qualified and licensed as a foreign corporation to do business, and is in good standing (and has paid all relevant franchise or analogous taxes), in each jurisdiction where the character of its properties owned or held under lease or the nature of its activities makes such qualification necessary, except where the failure to be so qualified and in good standing would not, individually or in the aggregate, have a material adverse effect on the business, assets, properties, prospects, results of operations or financial condition of Seller taken as a whole (a "Material Adverse Effect")

5.2 Authority Relative to This Agreement. Seller has the requisite corporate power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by the Board of Directors [and the stockholders] of Seller. No other corporate proceedings on the part of Seller or its stockholders are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Seller and constitutes a valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, moratorium, reorganization and similar statutory and decisional law affecting creditors' rights and debtors' obligations generally, and to equitable principles.

5.3 Consents and Approvals; No Violations. To the Best of Seller's Knowledge, no filing or registration with, and no permit, authorization, consent or approval of, any domestic or foreign government or public body, agency or authority ("Governmental Entity") is necessary for the consummation by Seller of the transactions contemplated by this Agreement. "). To the Best of Seller's Knowledge, neither the execution and delivery of this Agreement by Seller nor the consummation by Seller of the transactions contemplated hereby nor compliance by Seller with any of the provisions hereof will (a) conflict with or violate any provision of the charter or by-laws or similar organizational documents of Seller, (b) conflict with or result in violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, contract, agreement or other instrument or obligation to which Seller is a party or by which Seller or any of its properties or assets may be bound, (c) violate any order, writ, injunction, decree, statute, treaty, rule or regulation applicable to Seller or any of its properties or assets, or (d) conflict with or constitute or result in a violation or breach (with or without due notice or lapse of time or both) of any legal or enforceable duty or obligation between Seller and any third party.

5.4 Corporate Records. Attached as Schedule 5.4 are true and complete copy of the Certificate of Good Standing of Seller issued by the Secretary of State of the State of Delaware.

5.5 Financial Information. Schedule 5.5 sets forth a list of the financial information relating to the operation of the Business provided by Seller to Purchaser (collectively, the "Financial Information"). The Financial Information is accordance with the books and records of Seller and is fairly presented. Seller has advised Purchaser and Purchaser hereby acknowledges that: (i) the Financial Information was prepared for internal management uses only and has not

prepared in accordance with GAAP; (ii) the Financial Information contains actual case volume and adjusted gross sales by customer; (iii) certain cost information presented is based on overall results of Seller and has been allocated to the product line Financial Information; and (iv) because the cost data presented therein is based upon a "standard cost" model in effect at the time of the report and Seller does not track variances to its standard cost model on a monthly basis, actual cost may vary significantly due to ingredient pricing changes, changes in other cost associated with the specific product and manufacturing capacity that affects the allocated costs to the products. Purchaser further understands that the Financial Information does not necessarily reflect the results that other companies would experience during the same period.

5.6 Compliance with Laws; Permits. To the Knowledge of Seller, Seller is in compliance with all orders, judgments, decrees, laws, statutes, ordinances, rules and regulations (collectively, "Laws") applicable the Business, except where any noncompliance, individually or in the aggregate, would not have a Material Adverse Effect. Seller has not received any notice of any alleged violation of Law applicable to the Business, except where such violation, individually or in the aggregate, would not have a Material Adverse Effect. Seller has all governmental permits, licenses, orders and authorizations, and has made all required filings and registrations with, Governmental Entities, required for the conduct of the Business as presently conducted, except where the failure to have obtained any such permit would not, individually or in the aggregate, have a Material Adverse Effect (the "Permits"). A complete and correct list of the Permits held by Seller is set forth on Schedule 5.6, and a true and complete copy of each such Permit has been previously delivered to Purchaser. All the Permits are valid and in full force and effect, and Seller has duly performed and is in compliance with all its obligations under the Permits, except where any noncompliance, individually or in the aggregate, would not have a Material Adverse Effect. No event has occurred with respect to the Permits which allows, or after notice or lapse of time or both would allow, the suspension, limitation, revocation or termination thereof or would result in any other material impairment of the rights of Seller in and under any of the Permits, except where the suspension, limitation, revocation or termination, individually or in the aggregate, would not have a Material Adverse Effect, and, to the knowledge of Seller, no terminations thereof or proceedings to suspend, limit, revoke or terminate any Permit have been threatened.

5.7 Contracts. (a) Except as set forth on Schedule 1.1(b) or as otherwise disclosed on Schedule 5.7, Seller is not a party to any written or oral contract or agreement in effect on the date of this Agreement related to the Purchased Assets: (i) containing non-competition or other limitations restricting the conduct of the Business of Seller in the United States of America; or (ii) with any manufacturer, supplier or customer with respect to discounts or allowances regarding the Purchased Assets or the Business. Seller has made available to Purchaser true and complete copies of all Contracts which are required to be disclosed pursuant to this Agreement.

(b) Except as set forth on Schedule 1.1(b) or as otherwise disclosed on Schedule 5.7, all purchase orders and commitments and all sales orders and commitments of Seller related to the Business have been entered into in the ordinary course of business.

(c) To the Knowledge of Seller: (i) no default or alleged default or any event which, with the lapse of time or the election of any person other than

Seller, will become a default exists under any of the Contracts listed in Schedule 1.1(b); (ii) each of the Contracts is now valid, in full force and effect and enforceable in accordance with its terms (subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, moratorium, reorganization and similar statutory and decisional law affecting creditors' rights and debtors' obligations generally, and to general equitable principles, and the discretion of courts in awarding equitable relief) and (iii) Seller has fulfilled in all material respects, all its obligations under the Contracts whose performance or satisfaction are due as of the date of this Agreement.

5.8 Absence of Undisclosed Liabilities. Seller is not subject to any debts, claims, liabilities or obligations relating to the Purchased Assets, accrued, absolute, contingent or otherwise and whether due or to become due ("Liabilities") other than Liabilities disclosed on Schedule 5.5 and Liabilities arising since December 31, 2000 in the ordinary course of business consistent (in amount and kind) with past practice and which do not, singly or in the aggregate, have a Material Adverse Effect. Seller has no knowledge of any circumstance, condition, event or arrangement that would hereafter give rise to any Liabilities of any successor to the Business except for the Assumed Liabilities.

5.9 Operations of Seller; Absence of Certain Changes. Except as set forth on Schedule 5.9, or pursuant to or as contemplated by this Agreement, since December 31, 2000, Seller has not with respect to the Business:

(a) suffered any change, event or series of changes or events which has or could reasonably be expected to have a Material Adverse Effect, whether or not covered by insurance;

(b) materially changed any of its business operations or business policies, including, without limitation, advertising, investment, marketing, pricing, purchasing, production, personnel, sales, returns, budget or other product acquisition policies;

(c) terminated or failed to renew, or received any written threat (that was not subsequently withdrawn) to terminate or fail to renew, any material Contract or other agreement to which it is or was a party except in the ordinary course of business;

(d) to the knowledge of Seller, been the subject of any investigation by a Governmental Entity or litigation which may have a Material Adverse Effect;

(e) offered any unusual or extraordinary promotions, discounts, price reductions or other inducements to purchase its products to any of its customers or prospective customers;

(f) notwithstanding the foregoing, Seller has advised Purchaser that promotional support for the Purchased Assets has declined over the past few years. Moreover, there has been minimal promotion support for the Purchased Assets during the last six (6) months; and

(g) notwithstanding the foregoing, Seller has advised Purchaser that there has been a substantial decline in the Business over the last several years, including the last twelve (12) month period.

(h) notwithstanding the foregoing, Seller has advised Purchaser that after the Closing Date, Vitality Food Services, Inc., will no longer be a customer of the Business.

5.10 Brokers and Finders. Neither Seller nor any of its stockholders or affiliates has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finders' fees in connection with the transactions contemplated hereby.

5.11 Litigation and Orders. Except as set forth on Schedule 5.11:

(a) There are no actions, suits or legal, administrative or arbitral proceedings, charges or investigations (collectively "Litigation") pending or, to the knowledge of Seller, threatened against, affecting or involving Seller with respect to the Purchased Assets, including without limitation the Proprietary Rights, or which seek to prevent or challenge the transactions contemplated hereby;

(b) There are no judgments, decrees, injunctions, rules or orders of any Governmental Entity (collectively, "Orders" and, Orders together with Litigation being referred to herein as "Claims") outstanding against Seller relating to the Purchased Assets;

(c) There are no product liability claims, or claims of warranty liability or field failure involving product recall, pending or, to the knowledge of Seller, threatened against or involving Seller relating to the Purchased Assets; and

(d) There are no Claims pending against Seller, or to the knowledge of Seller, threatened in respect of or for any deposits, containers, redemption or recycling of any products of Seller relating to the Purchased Assets.

5.12 Proprietary Rights. (a) Upon Closing and thereafter, Purchaser shall have and receive, by purchase and assignment from Seller, all Proprietary Rights necessary and sufficient to authorize and enable Purchaser to operate the Business for the uses and purposes and in the manner conducted by Seller on and immediately before the date of Seller's execution of this Agreement. Upon the execution of this Agreement and thereafter through and upon Closing, no right, title or interest of Seller in or to the Proprietary Rights will lapse or be sold, assigned, licensed, transferred or otherwise disposed of, in whole or in part, except pursuant to the purchase and sale, assignment and transfer to Purchaser of the Proprietary Rights prescribed by this Agreement. All rights to the Proprietary Rights, and all registrations and applications for registration thereof, that have heretofore been owned or held at any time by any employee of Seller and used in the Business of Seller in any manner have been duly, fully and effectively transferred to Seller. The consummation of the transactions contemplated hereby will result in the valid transfer by Seller to Purchaser of the rights and interests of Seller in all Proprietary Rights of Seller, including without limitation all of the items listed on Schedule 1.1(a). Except as is expressly disclosed on Schedule 1.1(a) or Schedule 5.12:

(i) Seller is, as of the date of its execution hereof, and will as of the Closing Date be, the sole and exclusive owner and possessor of all right, title and interest in and to the Proprietary Rights, including without limitation, all registrations and applications for registration listed on Schedule 1.1(a) for such Proprietary Rights or rights related thereto, in and with respect to the countries and jurisdictions set forth

therein; said right, title and interest of Seller in the Proprietary Rights, as well as the registrations and applications for registration with respect thereto, are valid and subsisting as of the date of Seller's execution hereof, and will be valid and subsisting as of the Closing Date and the assignment and transfer to Purchaser of the Proprietary Rights thereupon;

(ii) Seller owns, or possesses adequate licenses or other valid rights to use and to transfer to Purchaser the right to use (without Seller's or Purchaser's incurring any obligation to make any payment, or to grant any rights or other consideration, to any third party in exchange therefor), all Proprietary Rights necessary to the conduct of the Business as presently being conducted, except when the failure to have such licenses or rights would not singly or in the aggregate have a Material Adverse Effect;

(iii) none of the validity, ownership, enforceability or use of the Proprietary Rights, or any right, title or interest of Seller therein, is being questioned in any Claim to which Seller is a party or subject, nor, does Seller know, or have reason to know, that any such Claim is threatened or would have any merit if asserted, irrespective of whether Seller is or is not made a party or subject thereto;

(iv) to the Knowledge of Seller, neither the conduct of the Business as now conducted, nor the use of the Proprietary Rights in connection therewith, does or will infringe, convert, misappropriate, dilute, violate, injure or conflict with any rights of others, including without limitation any intellectual property rights of others (as comprised by the categories of rights included among the Proprietary Rights);

(v) none of the Proprietary Rights is as of the date of execution hereof, or will upon Closing be, subject to any license, sublicense, transfer, conveyance, assignment, agreement, commitment, instrument, arrangement, understanding, undertaking, indenture, duty, obligation, indemnification, pledge, hypothecation, security interest, Liens, or any other encumbrance of any kind (collectively, "Impairments"), Seller is not aware of any use of any of the Proprietary Rights that is now being made, except by Seller; and none of the Proprietary Rights is as of the date of execution hereof, or will upon Closing be, subject to any other Impairments, or any requirements, limitations or restrictions, that would singly or in aggregate have a Material Adverse Effect;

(vi) Seller has no knowledge of any infringement by others of any of the Proprietary Rights;

(vii) neither Seller nor any of Seller's parents, subsidiaries or affiliates, nor any person or entity controlled by Seller, (i) is as of the date of execution hereof, or will upon Closing be, in breach of any agreement, commitment, instrument, arrangement, contractual understanding, undertaking, indenture, license, sublicense, assignment, indemnification or any legal, equitable or other enforceable duty or obligation which relates to any of the Proprietary Rights, or (ii) has taken, or will take, any

action, or has permitted, or will permit, any omission, that would adversely effect any right, title or interest of the Purchaser in or to any of the Proprietary Rights;

(viii) the transactions contemplated by this Agreement will not have an adverse effect on the ownership, use, validity, transferability or enforceability of any of the Proprietary Rights, and Purchaser will, upon Closing, receive, possess and enjoy the entire right, title and interest of Seller in and to the Proprietary Rights without Purchaser's sufferance of any diminution or limitation of any such right, title or interest existing immediately prior to the Closing, including but not limited to any diminution or limitation of any right to assert any claim, cause of action or right to petition, sue or otherwise seek monetary, injunctive, declaratory or any other recovery or relief, for any past, present or future infringement, conversion, misappropriation or dilution of, or other injury, offense, violation, breach of duty or wrong relating to, the Proprietary Rights;

(ix) all necessary steps have been, or promptly are being and will from time to time be, taken by Seller to obtain, protect, maintain, enforce and perfect the Proprietary Rights to be received by Purchaser from Seller;

(x) upon the execution hereof, and thereafter through and upon Closing, no right, title or interest in or to any of the Proprietary Rights will lapse or be sold, assigned, licensed, transferred or otherwise disposed of, except pursuant to the purchase and sale, assignment and transfer to Purchaser of the Proprietary Rights prescribed by this Agreement.

(b) To the best knowledge of Seller, Seller and its predecessors in interest have made continuous use of the JUNIOR JUICE mark in commerce in connection with juice drinks since June 16, 1989 and there have been no breaks or gaps in said mark's chain of title.

5.13 [RESERVED]

5.14 Customers. Except as disclosed on Schedule 5.14 and in Section 5.9 above, since January 1, 2001, no customer of Seller has discontinued or has notified Seller that it intends to discontinue the sale of the Products.

5.15 Effect of Transaction. To the Knowledge of Seller, except as otherwise disclosed in Schedule 5.15, no creditor, key-employee or customer or other person having a material business relationship with Seller has informed Seller that such person intends to change the relationship because of the purchase and sale of the Purchased Assets, nor does Seller have knowledge of any such intent. For purposes of this Section, the term "the Knowledge of the Seller shall mean the actual knowledge of Gregory L. Dupuis, Joli Cooper, Gary O'Brien, Joseph Dombrowski and Steve Kovack, without any duty to investigate or make inquiries.

5.16 Accuracy of Information; Full Disclosure. No representation or warranty of Seller contained in this Agreement or in any Schedule hereto delivered to Purchaser or any of its affiliates pursuant hereto or in connection herewith contains an untrue statement of a material fact or omits to state a

material fact required to be stated therein or necessary to make the statements made, in the context in which made, not materially false or misleading.

5.17 No Other Representations or Warranties. Except for the Representations and Warranties made to Purchaser contained in this Article 5 or in any other document delivered by Seller pursuant to this Agreement, Seller does not make any other representation or warranty to Purchaser, including, without limitation, any representation or warranty as to (i) projections, estimates or budgets delivered to or made available to Purchaser or its representatives of the future revenues, expenses, future results of operations or prospects of Seller or the Business or (ii) any other information or documents made available to Purchaser or its representatives, except as expressly covered by a representation and warranty in this Article 5.

## 6. REPRESENTATIONS OF PURCHASER/HANSEN.

Purchaser represents and warrants to Seller:

6.1 Organization and Authority. Purchaser is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, has all requisite corporate power and authority to own its properties, to carry on its businesses as now being conducted, to execute and deliver this Agreement and to consummate the transactions contemplated hereby.

6.2 Authorization of Agreement. Purchaser has the full power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement by Purchaser and the consummation by Purchaser of all obligations contemplated hereby have been duly authorized by all requisite corporate action. This Agreement and all other agreements and written obligations entered into and undertaken in connection with the transactions contemplated hereby and thereby constitute the valid and legally binding obligations of Purchaser, enforceable against it in accordance with their respective terms subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, moratorium, reorganization and similar statutory and decisional law affecting creditors' rights and debtors' obligations generally, and to general equitable principles. No filing or registration with, and no permit, authorization, consent or approval of, any Governmental Entity is necessary for the consummation by Purchaser of the transactions contemplated by this Agreement. The execution, delivery and performance of this Agreement and the transactions contemplated hereby by Purchaser will not, with or without the giving of notice and/or the passage of time, (a) violate any order, writ, injunction, decree or provisions of law applicable to Purchaser, or (b) conflict with or result in the breach or termination of any provision of, constitute a default under, or result in the creation of any lien, charge or encumbrance upon any of the properties or assets pursuant to any corporate charter, by-law, indenture, mortgage, deed of trust or other agreement or instrument to which Purchaser is a party or by which it is or may be bound.

6.3 Brokers and Finders. Purchaser has not employed any broker or finder or incurred any liability for any brokerage fees, commissions or finders' fees in connection with the transactions contemplated hereby.

6.4 Due Diligence. Purchaser has had a full and fair opportunity prior to the Closing to conduct any and all due diligence, investigation, inspection and review of the Business and the Purchased Assets, including, but not limited to the Financial Information.

6.5 Knowledge. As of the Closing Date, Purchaser does not have actual knowledge of any breach by Seller of any representation, warranty, covenant, agreement, undertaking, or obligation contained in this Agreement.

Hansen represents and warrants to Seller:

6.6 Organization and Authority. Hansen is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, has all requisite corporate power and authority to own its properties, to carry on its businesses as now being conducted, to execute and deliver this Agreement and to consummate the transactions contemplated hereby.

6.7 Authorization of Agreement. Hansen has the full power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement by Hansen and the consummation by Hansen of all obligations contemplated hereby have been duly authorized by all requisite corporate action. This Agreement and all other agreements and written obligations entered into and undertaken in connection with the transactions contemplated hereby and thereby constitute the valid and legally binding obligations of Hansen, enforceable against it in accordance with their respective terms subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, moratorium, reorganization and similar statutory and decisional law affecting creditors' rights and debtors' obligations generally, and to general equitable principles. No filing or registration with, and no permit, authorization, consent or approval of, any Governmental Entity is necessary for the consummation by Hansen of the transactions contemplated by this Agreement. The execution, delivery and performance of this Agreement and the transactions contemplated hereby by Hansen will not, with or without the giving of notice and/or the passage of time, (a) violate any order, writ, injunction, decree or provisions of law applicable to Hansen, or (b) conflict with or result in the breach or termination of any provision of, constitute a default under, or result in the creation of any lien, charge or encumbrance upon any of the properties or assets pursuant to any corporate charter, by-law, indenture, mortgage, deed of trust or other agreement or instrument to which Hansen is a party or by which it is or may be bound.

6.8 Brokers and Finders. Hansen has not employed any broker or finder or incurred any liability for any brokerage fees, commissions or finders' fees in connection with the transactions contemplated hereby.

6.9 Due Diligence. Hansen has had a full and fair opportunity prior to the Closing to conduct any and all due diligence, investigation, inspection and review of the Business and the Purchased Assets, including, but not limited to the Financial Information.

6.10 Knowledge. As of the Closing Date, Hansen does not have actual knowledge of any breach by Seller of any representation, warranty, covenant, agreement, undertaking, or obligation contained in this Agreement.

7. AGREEMENTS OF SELLER AND PURCHASER.

7.1 No Solicitation of Transactions. Seller will not, and Seller will cause its employees, representatives, investment bankers, consultants, advisors, agents and affiliates not to, directly or indirectly, (a) initiate contact with, solicit or encourage submission of any inquiries, proposals or offers by, or (b) participate in any discussions or negotiations with, or disclose any information concerning the Purchased Assets to, or afford any access to the properties, books or records of Seller directly related to the Purchased Assets to, or otherwise assist, facilitate or encourage, any person (other than Purchaser, its affiliates, agents and representatives) in connection with any possible proposal (an "Acquisition Proposal") regarding a sale of all or (other than in the ordinary course of business consistent with past practice) any portion of the Purchased Assets. Seller, (i) will notify Purchaser immediately if any inquiry or proposal is made or any such information or access is requested in connection with an Acquisition Proposal, or potential Acquisition Proposal, and (ii) will immediately communicate to Purchaser the terms and conditions of any such Acquisition Proposal or potential Acquisition Proposal or inquiry and the identity of the offeror or potential offeror.

7.2 Interim Operations. During the period from the date of this Agreement to the Closing Date, except as specifically contemplated by this Agreement or as otherwise approved in writing by Purchaser, Seller shall:

(a) conduct the Business only in, and not take any action except in, the ordinary and usual course of business and consistent with past practice;

(b) perform in all material respects its obligations under all Contracts;

(c) not encumber, sell, lease or otherwise dispose of or acquire any of the Purchased Assets; and

(d) in connection with the continuing operation of the Business between the date of this Agreement and the Closing Date, use all reasonable best efforts to consult in good faith on a regular and frequent basis with representatives of Purchaser to report material operational developments and the general status of ongoing operations. Seller acknowledges that any such consultation shall not constitute a waiver by Purchaser of any rights it may have under this Agreement and that Purchaser shall have no liability or responsibility for any actions of Seller or any of its officers or directors with respect to matters which are the subject of such consultations;

7.3 Access to Information. From the date hereof until the Closing Date, Seller shall, and shall cause its officers, directors, employees and agents to, afford to Purchaser and its officers, directors, employees, counsel, accountants, advisors, representatives and agents access (during regular business hours with reasonable notice) to the officers, employees, agents, properties, offices and other facilities, and to the accounts, books, records specifically pertaining to the Purchased Assets and Contracts of Seller, and shall furnish Purchaser and such others with access to all financial, operating, technical and other data and information which Purchaser, through its officers, employees or agents, may from time to time reasonably request, so long as such request pertains to the Purchased Assets.

7.4 Certain Filings, Consents and Arrangements. Purchaser and Seller (a) shall cooperate with each other in promptly determining whether any other submissions, notifications or filings are required to be or should be made or whether any consents, approvals, permits, authorizations, exemptions or waivers are required to be or should be obtained under any other federal, state or foreign law or regulation or from other parties to Contracts material to the Business in connection with the consummation of the purchase and sale of the Purchased Assets, and (b) shall cooperate with each other in promptly making any such submissions, notifications or filings, furnishing information required in connection therewith and seeking timely to obtain any such consents, approvals, permits, authorizations, exemptions or waivers. Each of the parties hereto shall provide all reasonable assistance to, and shall cooperate with, each other to bring about the consummation of the purchase and sale of the Purchased Assets in accordance with the terms and conditions of this Agreement.

7.5 Notice. Each party shall give prompt written notice to the other of (a) the occurrence, or failure to occur, of any event which occurrence or failure would be likely to cause any representation or warranty of Seller or Purchaser, as the case may be, contained in this Agreement to be untrue or inaccurate at any time from the date hereof to the Closing Date or that will or may result in the failure to satisfy any of the conditions specified in paragraphs 8 or 9, and (b) any failure of Seller or Purchaser, as the case may be, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder.

7.6 Further Assurances. (a) From and after the Closing Date, Seller shall take all such steps as may be necessary to put Purchaser in actual possession and operating control of the Purchased Assets, and Seller agrees that at any time or from time to time (without further cost or expense to Purchaser) after the Closing Date, but only for the period ending on the second anniversary date of the Closing Date, upon the request of Purchaser, Seller will execute, acknowledge and deliver such other instruments of conveyance and transfer and take such other action as Purchaser may reasonably require to vest more effectively in the Purchaser good and marketable title to any of the Purchased Assets;

(b) Following the execution of this Agreement, and upon and after the Closing, Seller will provide such full and continuing cooperation and assistance to Purchaser as may be reasonable and necessary to obtain, protect, maintain, enforce and/or perfect any right, title or interest of Purchaser in or to any of the Proprietary Rights to be received by Purchaser from Seller hereunder, provided that Purchaser shall reimburse Seller for any reasonable out of pocket expenses incurred in connection with the foregoing. Such cooperation and assistance shall include without limitation Seller's receipt, preparation, execution and delivery to or on behalf of Purchaser of all such documents, instruments and materials, and performance of all such acts, including the participation as a party or witness, as may reasonably be requested by Purchaser for the purposes of obtaining any applications, registrations, recordations or other filings, or initiating, prosecuting, defending or participating in any action or proceeding, of or relating to the Proprietary Rights, this Agreement, or the validity, performance or enforcement of any of the transactions, rights or obligations provided for herein. The cooperation and assistance obligations prescribed by this paragraph 7.6 shall survive the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated by this Agreement; and

(c) Following the execution of this Agreement, and upon and after the Closing, but only for the period ending on the first anniversary of the Closing Date, Seller will provide such full and continuing cooperation and assistance to Purchaser, as Purchaser may reasonably request, including, without limitation, access to its books and records, to enable Purchaser to prepare financial reports relating to the operation of the Business on or before the Closing. Notwithstanding the foregoing, if Purchaser requires such cooperation and assistance in order to satisfy disclosure requirements under the federal securities laws, the time period referred to above will end on the second anniversary of the Closing Date.

7.7 Estoppel; Infringement. Upon the execution of this Agreement, and thereafter through and after Closing, neither Seller nor any of Seller's parents, subsidiaries or affiliates, nor any person or entity controlled by any of them, will (i) contest, directly or indirectly, the Purchaser's right, title and interest in and to the Proprietary Rights or the validity, transferability or enforceability thereof, in whole or in part, with respect to any country or jurisdiction whatsoever, nor will any of them voluntarily assist or aid others in so doing or (ii) make, use, offer for sale or sell, or grant any license or consent to make, use, offer for sale or sell, in any country or jurisdiction whatsoever, any trademarks, works of authorship, inventions or other intellectual properties (as comprised of the categories and examples encompassed by the Proprietary Rights), that infringe, convert, misappropriate, dilute, violate, injure or conflict with any of the Proprietary Rights, or constitute a copy, adaptation or colorable imitation of any items encompassed by the Proprietary Rights, or bear a substantial or confusing similarity thereto.

7.8 Packing of Products. Purchaser shall engage Seller to pack the Products (as defined in paragraph 2.1) on a non-exclusive basis after the Closing Date in accordance with the terms set forth in Schedule 7.8 for a period of five (5) months beginning on the Closing Date (the "Packing Period"). If during the Packing Period, Seller purchases additional packaging inventory at Purchaser's written request to fulfill its obligation to pack as provided hereinabove, then Purchaser shall reimburse Seller for the cost of any such additional packaging inventory that was so purchased and remains at six (6) months after the Closing Date. Seller will notify Purchaser before Seller purchases any such additional packaging inventory.

7.9 IRI Contract. Prior to and after the Closing Date Seller agrees to use reasonable efforts (without more than minimal expense to Seller) to secure the agreement of Information Resources Inc. to exchange the services provided by it under the terms of the IRI Contract for such other of its services in relation to such type of products and in such markets as may be reasonably required by Purchaser and/or its affiliates.

## 8. CONDITIONS TO OBLIGATIONS OF PURCHASER.

The obligations of Purchaser under this Agreement are subject, on or prior to the Closing Date, to the fulfillment in all material respects of the following conditions precedent, each of which may be waived in writing at the sole discretion of Purchaser:

8.1 Closing Actions. Seller shall have executed and delivered all agreements, certificates and instruments, and shall have taken all such other actions required of Seller under paragraph 4.2.

8.2 Continued Truth of Representations and Warranties. (i) Each of the representations and warranties of Seller in this Agreement shall be true in all material respects on and as of the Closing Date as though such representations and warranties were made on and as of such date, except for any changes permitted by the terms hereof or consented to in writing by Purchaser, (ii) Seller shall have performed and complied with all of the terms, conditions, obligations, agreements and restrictions required by this Agreement to be performed or complied with by it prior to or on the Closing Date, and (iii) Purchaser's due diligence investigation shall not have disclosed any material misstatement or omission by Seller.

8.3 Consents of Third Parties. Seller shall have received and delivered in writing to Purchaser all requisite waivers, consents and approvals of all third parties whose waiver, consent or approval is required to be obtained by Seller to consummate the transactions contemplated hereby, in form reasonably satisfactory to Purchaser, including without limitation, the consent of Information Resources, Inc. to the assignment of the IRI Contract to Purchaser. Seller agrees to use its best efforts to obtain such waivers, approvals and consents prior to the Closing Date, provided that Seller shall not be obligated to provide compensation or other consideration to any third party in exchange for any such waiver, consent or approval.

8.4 Absence of Challenge. No action or proceeding by or before any court or other Governmental Entity shall have been instituted or threatened by any Governmental Entity whatsoever against any of the parties hereto, or any director, officer, employee or other representative of Seller with respect to this Agreement or any transaction provided for herein or connected herewith, whether preceding the execution and delivery of this Agreement or arising subsequently.

8.5 Litigation. No action or proceeding shall have been instituted or threatened by any public authority prior to the Closing Date before a court or other Governmental Entity of any kind for the stated purpose or with the probable effect of enjoining or preventing the consummation of this Agreement and the transactions contemplated herein or to recover damages by reason thereof. No action or proceeding shall have been instituted by any private person prior to the Closing Date before a court or other Governmental Entity of any kind with the probable effect of enjoining or preventing the consummation of this Agreement and the transactions contemplated hereby.

8.6 Absence of Material Adverse Change. No event shall have occurred which would have a Materially Adverse Effect on the value of the Business or on the condition (financial or otherwise), operations, assets, properties, business, prospects or results of operations of the Business.

9. CONDITIONS TO OBLIGATIONS OF SELLER.

The obligations of Seller under this Agreement are subject, at the Closing Date, to the fulfillment in all material respects of the following conditions precedent, each of which may be waived in writing at the discretion of Seller:

9.1 Closing Actions. Purchaser shall have executed and delivered all agreements, certificates and instruments, and shall have taken all such other actions required of Purchaser under paragraph 4.2.

9.2 Continued Truth of Representations and Warranties. (i) The representations and warranties made by Purchaser in this Agreement shall be true in all material respects on and as of the Closing Date as though such representations and warranties were made on and as of such date, except for any changes permitted by the terms hereof or consented to in writing by Seller, and (ii) Purchaser shall have performed and complied with all terms, conditions, obligations, agreements and restrictions required by this Agreement to be performed or complied with by it prior to or on the Closing Date.

9.3 Litigation. No action or proceeding shall have been instituted or threatened by any public authority prior to the Closing Date before a court or other Governmental Entity of any kind for the stated purpose or with the probable effect of enjoining or preventing the consummation of this Agreement and the transactions contemplated herein or to recover damages by reason thereof. No action or proceeding shall have been instituted by any private person prior to the Closing Date before a court or other Governmental Entity of any kind with the probable effect of enjoining or preventing the consummation of this Agreement and the transactions contemplated hereby.

10. TERMINATION PRIOR TO THE CLOSING DATE.

10.1 Termination. Subject to paragraph 10.2, this Agreement may be terminated and the purchase and sale of the Purchased Assets contemplated hereby may be abandoned at any time prior to the Closing Date:

(a) by mutual consent of Purchaser and Seller;

(b) by Purchaser or Seller, without liability to the terminating party on account of such termination (provided the terminating party is not otherwise in default or in breach of this Agreement), if the Closing shall not have occurred by April 30, 2001 or such later date as may hereafter be mutually agreed upon by the parties hereto; and

(c) by Purchaser or Seller if the Closing shall be prohibited by any order, decree or injunction of any Governmental Entity and such order, decree or injunction shall remain in effect after the parties hereto shall have used their reasonable best efforts to have such order or decree reversed or such injunction lifted.

10.2 Effect on Obligations. Termination of this Agreement pursuant to this Article 10 shall terminate all obligations of the parties hereunder, except for the obligations under paragraph 14; provided, however, that termination pursuant to paragraphs 10.1(b) or 10.1(c) shall not relieve the defaulting or breaching party from any liability to any other party hereto.

11. SURVIVAL OF REPRESENTATIONS AND WARRANTIES.

Any investigation or examination by Purchaser of the business, properties or affairs of Seller shall not affect the representations and warranties of

Seller herein contained, and except as set forth in this paragraph 11, the respective representations and warranties of the parties herein contained in Articles 5 and 6 shall survive for a period of one year following the Closing Date. The representations and warranties set forth in paragraphs 5.1, 5.2, 5.10 and 6.3 shall survive the Closing and remain in full force and effect without limitation as to time. The respective covenants and agreements of the parties herein contained shall survive indefinitely, except as otherwise limited by their terms.

12. INDEMNIFICATION.

12.1 Indemnification by Seller. Seller agrees to indemnify Purchaser hold it harmless from any and all claims, losses, liabilities, actions or causes of action, assessments, fines, damages, penalties, costs or expenses (including reasonable attorneys' fees) (collectively, "Purchaser Losses") which Purchaser, or any of its officers, directors, parents or subsidiaries or other affiliates (all of which are included in the term "Purchaser" for purposes of this Article 12), may incur, suffer, become liable for or pay as a result of or in connection with (a) the inaccuracy or breach of any agreement, covenant, representation or warranty of Seller contained in this Agreement, any Exhibit or Schedule or other document or agreement to be delivered pursuant hereto occurring or developing during the period of survival of such agreement, covenant, representation or warranty, provided that written notice thereof is given to Seller before the expiration of any applicable period of survival; (b) non-compliance with any applicable bulk sales law, registration of bills of sale law, or other applicable law for the protection of creditors, except for such Purchaser Losses, resulting from Purchaser's failure to pay or discharge in due course any Assumed Liability; (c) any assertion against Purchaser of any claim or liability of Seller not expressly assumed hereunder by Purchaser pursuant to paragraph 2.2 (including, but not limited to any amounts for which Seller is responsible pursuant to paragraph 2.3); (d) unless expressly assumed by Purchaser hereunder, the assertion against Purchaser by any person, firm, corporation or Governmental Entity of any obligation or liability of Seller relating to periods prior to, or existing on, the Closing Date and thereafter accrued, including without limitation, tax claims or liabilities; (e) any amounts paid in good faith by Purchaser to or charged to Purchaser by its customers in respect of goods purchased by Seller's customers on or before the Closing Date; (f) the failure of Seller to obtain necessary consents to assignment of any of the Purchased Assets; or (g) any and all actions, suits, proceedings, claims, demands, assessments, judgments, costs and expenses incident to any of the foregoing or in enforcing this indemnity. Purchaser shall give Seller prompt written notice of any claim, suit or demand which Purchaser believes will give rise to indemnification by Seller under this paragraph; provided, however, that the failure to give such notice shall not affect the liability of Seller hereunder unless the failure to give such notice adversely and materially affects the ability of Seller to defend itself against a claim or to cure the breach or inaccuracy giving rise to the claim for indemnification on account thereof. Except as hereinafter provided, Seller shall have the right to defend and to direct the defense against any such claim, suit or demand, at Seller's expense and with counsel of Seller's own choosing, which counsel shall be reasonably satisfactory to Purchaser. Purchaser shall, at Seller's expense, cooperate in the defense of any such claim, suit or demand. If Seller, within reasonable time after notice of a claim, fails to defend Purchaser or if the facts giving rise to indemnification hereunder shall involve a possible claim by Purchaser or any of its affiliates against a third party, or the facts concern a claim constituting or challenging any material rights or assets of Seller acquired by Purchaser pursuant to this Agreement or seeking an injunction or other equitable relief against Purchaser or any of its affiliates, Purchaser shall be entitled

to undertake the defense, compromise or settlement of such claim at the expense of and for the account and risk of Seller subject to the right of Seller to assume the defense of such claim at any time prior to the settlement, compromise or final determination thereof if the only issues remaining therein involve liability for, or the amount of, money damages to be assessed against Purchaser, provided Seller will not, without Purchaser's written consent, settle or compromise any claim or consent to any entry of judgment which does not include as an unconditional term thereof the giving by the claimant or the plaintiff to Purchaser a release from all liability in respect of such claim. Notwithstanding anything contained herein to the contrary, in no event shall Seller's aggregate indemnification obligation for all Purchaser Direct Losses exceed the greater of the Purchase Price set forth in Section 2.1 and \$750,000.00. For purposes of this Agreement the term "Purchaser Direct Losses" shall mean Purchaser Losses incurred or alleged by Purchaser and not arising from or related to any claims made by any third party or any liability incurred by Purchaser to any third party or any amounts paid by Purchaser to any third party. Seller shall have no obligation to reimburse Purchaser under this Section unless and until the cumulative aggregate amount of such obligation exceeds \$25,000.00. Seller's obligation shall only be with respect to such obligations that exceed \$25,000.00.

12.2 Indemnification by Purchaser/Hansen. Purchaser agrees to indemnify Seller and hold it harmless from any and all any and all claims, losses, liabilities, actions or causes of action, assessments, fines, damages, penalties, costs or expenses (including reasonable attorneys' fees), which Seller or any of its officers, directors, parents or other affiliates, (all of which are included in the term "Seller" for purposes of this Article 12), may incur, suffer or become liable for as result of or in connection with (a) the inaccuracy or breach of any agreement, covenant, representation or warranty of Purchaser contained in this Agreement or other document or agreement delivered pursuant hereto occurring or developing during the period of survival of such agreement, covenant, representation or warranty, including any claims by any third parties alleging facts or circumstances which, if true, would constitute such inaccuracy or breach, provided that written notice thereof is given to Purchaser before the expiration of any period of survival; (b) any assertion against Seller of any claim or liability of Purchaser, including without limitation those assumed hereunder by Purchaser or Hansen, but excluding any as to which Purchaser is entitled to indemnification pursuant to paragraph 12.1; (c) the assertion against Seller by any person, firm, corporation or Governmental Entity of any obligation or liability caused by or resulting from Purchaser's ownership or use of the Purchased Assets or the conduct of the Business following the Closing hereunder, including without limitation any liability and penalties for taxes of Purchaser; or (d) any and all actions, suits, proceedings, claims, demands, assessments, judgments, costs and expenses incident to any of the foregoing or in enforcing this indemnity. In case any claim, suit or demand shall arise hereunder Purchaser shall have the same rights and duties given to Seller under paragraph 12.1 hereof.

13. EFFECTIVENESS OF THIS AGREEMENT.

This Agreement shall become effective upon the execution and delivery of this Agreement (or counterpart thereof) by all parties hereto and shall not be binding upon any party executing this Agreement (or counterpart thereof) until executed by all parties hereto.

14. EXPENSES.

Except as may otherwise be expressly provided herein, Purchaser, on the one hand, and Seller, on the other hand, shall pay their own expenses in connection with this Agreement and the transactions contemplated hereby, including attorneys' and accountants' fees.

15. SALES, USE, TRANSFER AND OTHER TAXES.

Purchaser shall pay all sales taxes and transfer taxes incurred in connection with the transfer of the Purchased Assets by Seller to Purchaser.

16. NOTICES.

Any notices or other communications required or permitted hereunder shall be in writing and shall be deemed given when: actually delivered to the person to whom notice is directed; on the date of the first attempted delivery by the U.S. Postal Service if mailed by registered or certified mail, return receipt requested, postage prepaid; on the date of first attempted delivery if sent by documented overnight delivery service or, to the extent receipt is confirmed, by telecopy to the parties addressed as follows (or to such other address of which the parties may have given notice in accordance with this paragraph 16):

In the case of Seller:

Vitality Beverages, Inc.  
400 North Tampa Street  
Suite 1700  
Tampa, Florida 33602  
Attn: Chief Financial Officer  
Telephone: (813) 273-5361  
Fax: (813) 301-4635

with a copy to:

Carlton Fields, P.A.  
P.O. Box 3239  
Tampa, Florida 33601-3239  
Attn: Michael Nolan  
Telephone: (813) 223-7000  
Fax: (813) 229-4133

In the case of Purchaser and Hansen:

c/o Hansen Beverage Company  
1010 Railroad Street  
Corona, California 92882  
Attn: Rodney C. Sacks  
Telecopy No.: (909) 739-6210  
Confirmation No.: (909) 739-6200

with a copy to:

Winston & Strawn  
200 Park Avenue  
New York, New York 10166  
Attn: Benjamin M. Polk, Esq.  
Telecopy No.: (212) 294-4700  
Confirmation No.: (212) 294-6700

17. SUCCESSORS.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that Purchaser, on the one hand, and Seller, on the other hand, shall not assign their respective obligations hereunder, other than an assignment by Purchaser to one of its subsidiaries or affiliates, without the prior written consent of the other party.

18. PARAGRAPH HEADINGS.

The paragraph headings are for the convenience of the parties and in no way alter, modify, amend, limit, or restrict the contractual obligations of the parties.

19. GOVERNING LAW; ARBITRATION.

19.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California (without giving effect to the conflict of law provisions of such State).

19.2 Arbitration. Any dispute, controversy or claim arising out of or relating to this Agreement shall be settled by binding arbitration conducted by JAMS/Endispute. ("JAMS") in accordance with JAMS Comprehensive Arbitration Rules and Procedures (the "Rules"). The arbitration shall be heard by one arbitrator to be selected in accordance with the Rules, in Orange County, California. Judgment upon any award rendered may be entered in any court having jurisdiction thereof. Within 7 calendar days after appointment the arbitrator shall set the hearing date, which shall be within 90 days after the filing date of the demand for arbitration unless a later date is required for good cause shown and shall order a mutual exchange of what he/she determines to be relevant documents and the dates thereafter for the taking of up to a maximum of 5 depositions by each party to last no more than 2 days in aggregate for each party. Both Seller and Purchaser waive the right, if any, to obtain any award for exemplary or punitive damages or any other amount for the purpose of imposing a penalty from the other in any arbitration or judicial proceeding or other adjudication arising out of or with respect to this Agreement, or any breach hereof, including any claim that this Agreement, or any part hereof, is invalid, illegal or otherwise voidable or void. In addition to all other relief, the arbitrator shall have the power to award reasonable attorneys' fees to the prevailing party. The arbitrator shall make his or her award no later than 7 calendar days after the close of evidence or the submission of final briefs, whichever occurs later. The obligations herein to arbitrate shall not prevent any party from seeking temporary restraining orders, preliminary injunctions or other procedures in a

court of competent jurisdiction to obtain interim relief when deemed necessary by such party and court to preserve the status quo or prevent irreparable injury pending resolution by arbitration of the actual dispute or to seek a remedy specifically provided for in this Agreement. All parties hereto acknowledge and agree that the state and federal courts of the State of California are courts of competent jurisdiction for purposes of this paragraph and do hereby submit to the jurisdiction of the appropriate court in the State of California to which the matter is first submitted by a party for enforcement of any arbitration award or to obtain any such interim relief as herein provided.

20. ANNOUNCEMENTS.

No press releases, announcements or other disclosure relating to this Agreement or the transactions contemplated herein will be made or issued to the press, employees, customers, suppliers or any other person without the joint approval of Purchaser and Seller (which approval will not be unreasonably withheld or delayed), except that in the case of any public disclosure required by law, Seller's approval will not be required but Seller shall be afforded a reasonable opportunity to review and comment upon the required disclosure.

21. ENTIRE AGREEMENT.

This Agreement, including all Schedules and Exhibits hereto, and all agreements to be delivered by the parties pursuant hereto represent the entire understanding and agreement among the parties hereto with respect to the subject matter hereof and, therefore, supersede all prior negotiations between such parties and cannot be amended, supplemented or changed orally, but only by an agreement in writing which makes specific reference to this Agreement or the agreement delivered pursuant hereto, as the case may be, and which is signed by the party against whom enforcement of any such amendment, supplement or modification is sought. Either party hereto may, only by an instrument in writing, waive compliance by the other party hereto with any term or provision of this Agreement on the part of such other party hereto to be performed or complied with. The waiver by any party hereto of any breach of any term or provision of this Agreement shall not be construed as a waiver of any subsequent breach.

22. COUNTERPARTS.

This Agreement may be signed in two or more counterparts, each signed by one or more of the parties hereto so long as each party shall sign at least one counterpart of this Agreement, all of which taken together shall constitute one and the same instrument.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

PURCHASER: HANSEN JUNIOR JUICE COMPANY  
By: /s/ RODNEY C. SACKS  
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Name: Rodney C. Sacks  
Title: Chairman & CEO

SELLER: PASCO JUICES, INC.  
By: /s/ Greg Murray  
-----  
Name: Greg Murray  
Title: President / COO

HANSEN: HANSEN BEVERAGE COMPANY  
By: /s/ RODNEY C. SACKS  
-----  
Name: Rodney C. Sacks  
Title: Chairman & CEO

